CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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Evaluation of net realisable value of inventories

Description

Refer to Note 4(10) for accounting policies adopted for the valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions of valuation of inventories, and Note 6(3) for details of inventories. As at December 31, 2019, the carrying amount of inventories and allowance for inventory valuation losses amounted to NT$1,498,813 thousand and NT$60,000 thousand, respectively.

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

How our audit addressed the matter

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

1. Based on our understanding of the Company's operations and related industry, assessed the reasonableness of related policies and procedures applied to the net realisable value of inventories and ascertained the consistent application.

2. Obtained statements of net realisable value of inventories as at balance sheet date, validated source data of merchandise prices and recalculated the provision for inventory valuation losses in order to confirm consistent application of respective procedures and policies.

Measurement of biological assets

Description

Refer to Note 4(12) for accounting policies adopted for biological assets, Note 5(2) for uncertainty of accounting estimates and assumptions in measuring fair value of biological assets, and Note 6(5) for details of biological assets. As at December 31, 2019, the carrying amount of biological assets amounted to NT$1,573,008 thousand.

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

How our audit addressed the matter

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

1. Based on our understanding of the Company's operations and related industry, assessed the reasonableness of related policies and procedures applied in measuring biological assets, and ascertained the consistent application.

2. As at the balance sheet date, ascertained that all the active market prices information are available and reliable for biological assets measured at fair value less costs to sell. Also, validated source data of active market prices and the reasonableness of the major components of costs to sell.

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.'s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Charoen Pokphand Enterprise (Taiwan) Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Charoen Pokphand Enterprise (Taiwan) Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Weng, Shih-Jung Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

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

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

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 86,377	-	$ 55,303	1
1150	Notes receivable, net	6(2)	301,121	2	331,198	2
1170	Accounts receivable, net	6(2)	1,712,470	10	1,616,029	11
1180	Accounts receivable - related parties	7	26,496	-	34,908	-
1200	Other receivables		7,136	-	20,201	-
130X	Inventories, net	6(3)	1,438,813	9	1,039,107	7
1400	Biological assets - current	6(5)	1,186,865	7	1,121,389	8
1410	Prepayments		263,304	2	539,758	4
1470	Other current assets	8	7,700	-	7,450	-
11XX	**Total current assets**		5,030,282	30	4,765,343	33
	Non-current assets					
1550	Investments accounted for under equity method	6(4)	3,059,156	18	2,296,811	16
1600	Property, plant and equipment	6(6) and 8	7,752,623	46	6,988,772	48
1755	Right-of-use assets	6(7)	341,526	2	-	-
1780	Intangible assets	6(8)	592	-	1,564	-
1830	Biological assets - non-current	6(5)	386,143	2	347,199	2
1840	Deferred income tax assets	6(23)	67,664	1	55,861	-
1900	Other non-current assets		89,304	1	103,751	1
15XX	**Total non-current assets**		11,697,008	70	9,793,958	67
1XXX	**Total assets**		$ 16,727,290	100	$ 14,559,301	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 2,070,000	12	$ 2,563,784	18
2110	Short-term notes and bills payable	6(10)	978,659	6	619,270	4
2150	Notes payable		455,941	3	355,439	2
2160	Notes payable - related parties	7	820	-	1,974	-
2170	Accounts payable		641,396	4	660,006	5
2180	Accounts payable - related parties	7	15,378	-	12,625	-
2200	Other payables		656,693	4	547,619	4
2220	Other payables - related parties	7	22,750	-	21,430	-
2230	Current income tax liabilities		161,634	1	196,470	1
2280	Current lease liabilities		19,952	-	-	-
2300	Other current liabilities	6(11)(12) and 8	580,000	4	584,013	4
21XX	**Total current liabilities**		5,603,223	34	5,562,630	38
	Non-current liabilities					
2540	Long-term borrowings	6(11) and 8	2,730,000	16	1,880,000	13
2570	Deferred income tax liabilities	6(23)	21,087	-	18,314	-
2580	Non-current lease liabilities		308,246	2	-	-
2600	Other non-current liabilities	6(12)(13)	142,402	1	166,381	1
25XX	**Total non-current liabilities**		3,201,735	19	2,064,695	14
2XXX	**Total liabilities**		8,804,958	53	7,627,325	52
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(14)	2,679,910	16	2,679,910	19
	Capital surplus					
3200	Capital surplus	6(15)	2,137	-	1,652	-
	Retained earnings	6(16)				
3310	Legal reserve		733,781	4	638,708	4
3350	Unappropriated retained earnings		2,907,219	17	2,341,559	16
	Other equity interest					
3400	Other equity interest		1,599,285	10	1,270,147	9
3XXX	**Total equity**		7,922,332	47	6,931,976	48
	Significant contingent liabilities and unrecognised contract commitments	6(12)(25) and 9				
3X2X	**Total liabilities and equity**		$ 16,727,290	100	$ 14,559,301	100

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

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

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(17) and 7	$ 20,173,520	100	$ 18,170,438	100
5000	**Operating costs**	6(3)(13)(22) and 7	(17,352,813)	(86)	(15,711,283)	(86)
5950	**Net operating margin**		2,820,707	14	2,459,155	14
	Operating expenses	6(13)(22) and 7				
6100	Selling and marketing expenses		(883,445)	(4)	(805,048)	(4)
6200	General and administrative expenses		(501,022)	(3)	(491,898)	(3)
6450	Expected credit impairment gain (loss)	12(2)	20	-	(94)	-
6000	**Total operating expenses**		(1,384,447)	(7)	(1,297,040)	(7)
6500	**Other income and expense, net**	6(5)(18)	(12,411)	-	7,253	-
6900	**Operating profit**		1,423,849	7	1,169,368	7
	Non-operating income and expenses					
7010	Other income	6(19) and 7	7,129	-	4,063	-
7020	Other gains and losses	6(20)	(18,919)	-	27,129	-
7050	Finance costs	6(21)	(74,605)	(1)	(59,884)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(4)	403,770	2	86,479	-
7000	**Total non-operating income and expenses**		317,375	1	57,787	-
7900	**Profit before income tax**		1,741,224	8	1,227,155	7
7950	Income tax expense	6(23)	(277,298)	(1)	(276,428)	(2)
8200	**Profit for the year**		$ 1,463,926	7	$ 950,727	5
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(13)	$ 2,561	-	$ 7,357	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(4)	372,541	2	55,215	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(512)	-	(5,212)	-
8310	**Other comprehensive income that will not be reclassified to profit or loss**		374,590	2	57,360	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(4)	(44,672)	-	49,857	-
8360	**Other comprehensive (loss) income that will be reclassified to profit or loss**		(44,672)	-	49,857	-
8300	**Other comprehensive income for the year**		$ 329,918	2	$ 107,217	1
8500	**Total comprehensive income for the year**		$ 1,793,844	9	$ 1,057,944	6
	Earnings per share (in dollars)	6(24)				
9750	**Basic earnings per share**		$	5.46	$	3.55
9850	**Diluted earnings per share**		$	5.46	$	3.54

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

				Retained Earnings		Other Equity Interest			
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total equity
2018									
Balance at January 1, 2018		$ 2,679,910	$ 1,145	$ 495,401	$ 2,335,867	($ 22,617)	$ -	$ 1,187,792	$ 6,677,498
Effect of retrospective application and restatement		-	-	-	-	-	1,187,792	(1,187,792)	-
Balance at January 1 after adjustments		2,679,910	1,145	495,401	2,335,867	(22,617)	1,187,792	-	6,677,498
Profit for the year		-	-	-	950,727	-	-	-	950,727
Other comprehensive income (loss)		-	-	-	2,245	49,857	55,115	-	107,217
Total comprehensive income		-	-	-	952,972	49,857	55,115	-	1,057,944
Appropriations of 2017 earnings	6(16)								
Legal reserve		-	-	143,307	(143,307)	-	-	-	-
Cash dividends to shareholders		-	-	-	(803,973)	-	-	-	(803,973)
Capital surplus - dividends not received by shareholders		-	507	-	-	-	-	-	507
Balance at December 31, 2018		$ 2,679,910	$ 1,652	$ 638,708	$ 2,341,559	$ 27,240	$ 1,242,907	$ -	$ 6,931,976
2019									
Balance at January 1, 2019		$ 2,679,910	$ 1,652	$ 638,708	$ 2,341,559	$ 27,240	$ 1,242,907	$ -	$ 6,931,976
Profit for the year		-	-	-	1,463,926	-	-	-	1,463,926
Other comprehensive income (loss)		-	-	-	780	(44,672)	373,810	-	329,918
Total comprehensive income (loss)		-	-	-	1,464,706	(44,672)	373,810	-	1,793,844
Appropriations of 2018 earnings	6(16)								
Legal reserve		-	-	95,073	(95,073)	-	-	-	-
Cash dividends to shareholders		-	-	-	(803,973)	-	-	-	(803,973)
Capital surplus - dividends not received by shareholders		-	485	-	-	-	-	-	485
Balance at December 31, 2019		$ 2,679,910	$ 2,137	$ 733,781	$ 2,907,219	($ 17,432)	$ 1,616,717	$ -	$ 7,922,332

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

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

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,741,224	$ 1,227,155
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	(20)	94
Depreciation	6(6)(22)	587,631	522,508
Depreciation of right-of-use	6(7)(22)	35,504	-
Amortization	6(22)	4,211	3,762
Interest income	6(19)	(255)	(193)
Interest expense	6(21)	74,605	59,884
Provision for loss on inventory market price decline	6(3)	45,200	7,200
Change in fair value less cost to sell of biological assets	6(5)(18)	12,411	(7,253)
Share of profit or loss of associates and joint ventures accounted for using equity method	6(4)	(403,770)	(86,479)
(Gain) loss on disposal of property, plant and equipment	6(20)	(4,241)	2,054
Gain arising from lease modifications	6(7)	(1)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		30,077	9,034
Accounts receivable		(96,421)	(119,971)
Accounts receivable - related parties		8,412	(16,501)
Other receivables		13,065	(12,165)
Inventories		(444,906)	(97,117)
Biological assets		(116,831)	(158,623)
Prepayments		278,542	(189,151)
Changes in operating liabilities			
Notes payable		100,502	(68,656)
Notes payable - related parties		(1,154)	(6,625)
Accounts payable		(18,610)	153,471
Accounts payable - related parties		2,753	8,492
Other payables		135,288	46,706
Other payables - related parties		1,320	(6,780)
Accrued pension liabilities		(18,008)	(14,319)
Cash inflow generated from operations		1,966,528	1,256,527
Cash paid for income tax		(321,676)	(312,150)
Net cash flows from operating activities		1,644,852	944,377
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment accounted for using the equity method		(66,860)	(51,000)
Acquisition of property, plant and equipment	6(26)	(1,388,578)	(1,429,007)
Proceeds from disposal of property, plant and equipment		8,172	24,384
Acquisition of intangible assets	6(8)	-	(660)
Increase in other current assets		(250)	(5,450)
Decrease (increase) in other non-current assets		11,208	(22,425)
Cash receipt of interest		255	193
Cash receipt of dividends		36,154	163,546
Net cash flows used in investing activities		(1,399,899)	(1,320,419)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(493,784)	327,401
Increase in short-term notes and bills payable		359,389	119,781
Proceeds from long-term borrowings		4,630,000	2,900,000
Payment of long-term borrowings		(3,780,000)	(2,130,000)
Cash payment for interest		(77,117)	(59,572)
Cash dividends paid	6(16)	(803,973)	(803,973)
Payment of lease liability	6(7)	(48,879)	-
Capital surplus - dividends not received by shareholders		485	507
Net cash flows (used in) from financing activities		(213,879)	354,144
Net increase (decrease) in cash and cash equivalents		31,074	(21,898)
Cash and cash equivalents at beginning of year	6(1)	55,303	77,201
Cash and cash equivalents at end of year	6(1)	$ 86,377	$ 55,303

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by $354,829 and ‘lease liability’ by $340,701, and decreased prepayments by $14,174, property, plant and equipment by $7,376 and lease payable by $7,422 with respect to the lease contracts of lessees on January 1, 2019.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(c) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.44%.

E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	378,263
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		7,422
Less: Short-term leases	(	1,218)
Add: Lease contracts previously identified as service agreements		4,029
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	388,496
Incremental borrowing interest rate at the date of initial application		1.44%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	340,701

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Biological assets measured at fair value less costs to sell.

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

(3) Foreign currency translation

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

B. Foreign currency transactions and balances

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

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

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

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

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

(9) Operating leases (lessor)

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

(10) Inventories

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

(11) Investments accounted for using equity method/ subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls and entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are accounted for using equity method in these parent company only financial statements.

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

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

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

(12) Biological assets

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

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

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

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

Effective 2019

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

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

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

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

(15) Leased assets / operating leases (lessee)

Prior to 2019

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Company assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Compaany will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes and accounts payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

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

(22) Income tax

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

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

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

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

(23) <u>Share capital</u>

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

(24) <u>Dividends</u>

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

(25) <u>Revenue recognition</u>

A. Sales of goods

(a) The Company manufactures and sells animal feeds, cooked food, agricultural livestock products and related consumable food products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from sales of goods is recognised based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts, sales discounts and allowances using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 3 to 120 days, which is consistent with market practice.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financing components

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was $1,438,813.

B. Measurement of fair value of biological assets

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

As of December 31, 2019, the carrying amount of biological assets was $1,573,008.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 7,276	$ 9,138
Checking accounts	964	335
Demand deposits	78,137	45,830
Total	$ 86,377	$ 55,303

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. On December 31, 2019, the Company has restricted cash and cash equivalents pledged as collateral totalling $7,700, classified as other financial assets and shown as 'other current assets'. Please refer to Note 8 for details.

(2) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 301,121	$ 331,198
Accounts receivable	$ 1,714,126	$ 1,618,358
Less: Allowance for uncollectible accounts	(1,656)	(2,329)
	$ 1,712,470	$ 1,616,029

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

	December 31, 2019	December 31, 2018
Current	$ 1,659,117	$ 1,551,365
Up to 180 days	52,630	64,304
181 to 365 days	2,070	2,165
Over one year	309	524
	$ 1,714,126	$ 1,618,358

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of accounts receivable and notes receivable from contracts with customers amounted to $1,836,384.

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

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

	December 31, 2019	December 31, 2018
With guarantee	$ 125,721	$ 135,342
Without guarantee	1,588,405	1,483,016
	$ 1,714,126	$ 1,618,358

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

E. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were $301,121 and $331,198, respectively, while the amount that best represents the Company's accounts receivable were $1,712,470 and $1,616,029, respectively.

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

(3) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 885,619	$ -	$ 885,619
Packing supplies	22,517	-	22,517
Work in progress	26,663	-	26,663
Finished goods	564,014	(60,000)	504,014
	$ 1,498,813	($ 60,000)	$ 1,438,813

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

The cost of inventories recognised as expense for the year:

	2019	2018
Cost of goods sold	$ 17,307,794	$ 15,707,367
Loss on decline in market value	45,200	7,200
Others	(181)	(3,284)
	$ 17,352,813	$ 15,711,283

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

(4) Investments accounted for under equity method

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

	December 31, 2019	December 31, 2018
Plenty Type Limited	$ 2,368,685	$ 2,005,590
Charoen Pokphand (Taiwan) Co., Ltd.	38,794	34,096
Arbor Acres (Taiwan) Co., Ltd.	384,779	64,560
Rui Mu Foods Co., Ltd.	125,701	92,150
Rui Fu Foods Co., Ltd.	141,197	100,415
	$ 3,059,156	$ 2,296,811

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

	2019	2018
Plenty Type Limited	$ 33,957	$ 46,184
Charoen Pokphand (Taiwan) Co., Ltd.	10,832	4,552
Arbor Acres (Taiwan) Co., Ltd.	351,508	19,997
Rui Mu Foods Co., Ltd.	17,691	11,223
Rui Fu Foods Co., Ltd.	(10,218)	4,523
	$ 403,770	$ 86,479

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

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

	2019	2018
Plenty Type Limited	$ 373,810	$ 55,115
Charoen Pokphand (Taiwan) Co., Ltd.	(1,980)	26
Arbor Acres (Taiwan) Co., Ltd.	711	74
	$ 372,541	$ 55,215

Items may be subsequently reclassified to profit or loss

	2019	2018
Plenty Type Limited	($ 44,672)	$ 49,857

D. Details of the subsidiaries are provided in Note 4(3) in the Company's consolidated financial statements for the year ended December 31, 2019.

(5) Biological assets

A. Biological assets

	December 31, 2019	December 31, 2018
Biological assets - current:		
Consumable biological assets	$ 1,034,392	$ 960,264
Consumable biological assets - changes in fair value less costs to sell	24,124	36,535
Bearer biological assets	244,716	179,950
Bearer biological assets - accumulated depreciation	(116,367)	(55,360)
	$ 1,186,865	$ 1,121,389
Biological assets - non-current:		
Bearer biological assets	$ 470,609	$ 418,759
Bearer biological assets - accumulated depreciation	(84,466)	(71,560)
	$ 386,143	$ 347,199

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

B. Movements of biological assets were as follows:

	2019	2018
At January 1	$ 1,468,588	$ 1,302,712
Purchases	979,758	1,148,972
Costs and expenses input	6,411,905	5,574,926
Sales	(2,906,153)	(2,694,012)
Change in fair value less cost to sell	(12,411)	7,253
Transfer to inventories	(4,363,702)	(3,859,997)
Others	(4,977)	(11,266)
At December 31	$ 1,573,008	$ 1,468,588

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

The market prices or fair values at the present condition of breeders are unavailable due to short production cycle; the market prices or fair values at present condition of broiler chickens are difficult to obtain. The valuation based on a discounted cash flow method is considered unreliable given the uncertainty with respect to external factors such as climate, weather, diseases etc. Therefore, breeders and broiler chicken are measured using the cost approach. Cost of biological assets includes all costs incurred during the growth cycle such as cost of new-born animals, feed costs, and other farm costs.

Bearer biological assets are depreciated using the straight-line method through the productive period of each biological asset. The productive period of breeder swine is approximately 24 ~ 36 months; the productive period of breeder chickens is approximately 30 weeks. For the years ended December 31, 2019 and 2018, depreciation expense on biological assets amounted to $234,992 and $185,843, respectively.

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

	December 31, 2019	December 31, 2018
Estimates of physical quantities (Units: heads)	5,072,582	4,918,068

E. Financial risk management policies

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

(6) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2019									
Cost	$ 1,839,181	$ 94,578	$ 3,025,679	$ 3,371,948	$ 237,965	$ 963,769	$ 756,082	$ 449,319	$ 10,738,521
Accumulated depreciation and impairment	-	(32,543)	(1,054,180)	(1,800,496)	(142,858)	(442,666)	(284,382)	-	(3,757,125)
	$ 1,839,181	$ 62,035	$ 1,971,499	$ 1,571,452	$ 95,107	$ 521,103	$ 471,700	$ 449,319	$ 6,981,396
2019									
Opening net book amount as at January 1	$ 1,839,181	$ 62,035	$ 1,971,499	$ 1,571,452	$ 95,107	$ 521,103	$ 471,700	$ 449,319	$ 6,981,396
Additions	14,137	34,855	111,788	117,668	41,956	10,943	89,369	942,073	1,362,789
Disposals	-	-	-	-	(3,931)	-	-	-	(3,931)
Reclassifications	123,318	19,742	190,930	150,850	5,709	15,226	76,793	(582,568)	-
Depreciation	-	(10,549)	(162,257)	(222,312)	(33,060)	(89,968)	(69,485)	-	(587,631)
Closing net book amount as at December 31	$ 1,976,636	$ 106,083	$ 2,111,960	$ 1,617,658	$ 105,781	$ 457,304	$ 568,377	$ 808,824	$ 7,752,623
At December 31, 2019									
Cost	$ 1,976,636	$ 149,175	$ 3,257,734	$ 3,578,256	$ 261,488	$ 985,924	$ 905,225	$ 808,824	$ 11,923,262
Accumulated depreciation and impairment	-	(43,092)	(1,145,774)	(1,960,598)	(155,707)	(528,620)	(336,848)	-	(4,170,639)
	$ 1,976,636	$ 106,083	$ 2,111,960	$ 1,617,658	$ 105,781	$ 457,304	$ 568,377	$ 808,824	$ 7,752,623

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

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:

	2019	2018
Amount capitalised	$ 2,698	$ 3,654
Interest rate range	1.12%~1.13%	1.10%~1.12%

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

C. As of December 31, 2019 and 2018, the Company held 110 parcels and 114 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to $624,803 and $648,489, respectively. These parcels of land are registered under the title of individuals, however, the Company has agreements with those individuals to pledge these agricultural land to the Company.

(7) Leasing arrangements - lessee

Effective 2019

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

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

	At December 31, 2019	2019
	Carrying amount	Depreciation charge
Land	$ 322,018	$ 25,839
Buildings	8,702	3,996
Transportation equipment (Cargo Truck)	65	258
Other equipment	10,741	5,411
	$ 341,526	$ 35,504

C. For the year ended December 31, 2019, the additions to right-of-use assets was $22,352.

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

E. For the year ended December 31, 2019, the Company’s total cash outflow for leases was $48,879.

(8) Intangible assets

Software

	2019	2018
At January 1		
Cost	$ 10,474	$ 9,814
Accumulated amortisation and impairment	(8,910)	(7,767)
	$ 1,564	$ 2,047

	2019	2018
At January 1	$ 1,564	$ 2,047
Additions	-	660
Amortisation	(972)	(1,143)
At December 31	$ 592	$ 1,564

	2019	2018
At December 31		
Cost	$ 10,474	$ 10,474
Accumulated amortisation and impairment	(9,882)	(8,910)
	$ 592	$ 1,564

(9) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Unsecured borrowings	$ 2,070,000	1.04%~1.21%	None

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

(10) Short-term notes and bills payable

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

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

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	December 31, 2019
Secured loans	2019.11.15~2021.11.15	1.42%	$ 375,000
Unsecured credit loans	2017.9.6~2022.10.27	1.03%~1.50%	2,935,000
			3,310,000
Less: Current portion (shown as 'Other current liabilities')			(580,000)
			$ 2,730,000

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

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

(12) Finance lease liabilities

A. The Company signed finance lease contracts to lease other equipment from Taiwan Warehouse Solution Corp., Tay Warehouse Equipment Co., Ltd., Yiyi Warehouse Equipment Co., Ltd., Power Handling Co., Ltd., Taiwan Shih Ban Industrial Co., Ltd., and Tedson Machine Co., Ltd.. The lease terms cover the majority of the total estimated economic lives of the leased assets.

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

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

(13) Pensions

A. Defined benefit plans

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 436,190)	($ 442,929)
Fair value of plan assets	293,788	279,957
Net defined benefit liability	(142,402)	(162,972)
Ending accrued pension fund	-	-
Net liabilities in the balance sheet	($ 142,402)	($ 162,972)

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

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

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

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

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

	2019	2018
Discount rate	0.65%	0.75%
Future salary increases	2.00%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
2019				
Effect on present value of defined benefit obligation	($ 33,433)	$ 38,081	$ 37,155	($ 33,325)
2018				
Effect on present value of defined benefit obligation	($ 35,532)	$ 40,587	$ 39,640	($ 35,449)

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

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amount to $16,951.

(h) As of December 31, 2019, the weighted average duration of the retirement plan is 8 years.

B. Defined contribution plans

Effective July 1, 2005, the Company has established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs for the aforementioned defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $39,740 and $37,062, respectively.

(14) Share capital - common stocks

As of December 31, 2019, the Company's authorised capital was $3,579,000, consisting of 357,900 thousand shares of common stock, and the paid-in capital was $2,679,910, consisting of 267,991 thousand shares of common stock with a par value of $10 (in dollars) per share. All proceeds from shares issuance have been collected. For the years ended December 31, 2019 and 2018, there are no changes in the number of the Company's ordinary shares outstanding.

(15) 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.

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. A special reserve is set aside or reversed in accordance with related laws or Competent Authority. The remainder, if any, along with the accumulated unappropriated earnings in prior years, shall be distributed as shareholders' bonus as resolved by the shareholders. Cash dividends to shareholders shall account for at least 10% of the total dividends to shareholders. If cash dividend is lower than $0.1 (in dollars) per share, dividends are distributed using share dividends.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of earnings for 2018 and 2017 have been resolved at the shareholders' meetings on June 26, 2019 and June 13, 2018, respectively, as follows:

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

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

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

(17) Operating revenue

	2019	2018
Revenue from contracts with customers	$ 20,173,520	$ 18,170,438

Disaggregation of revenue from contracts with customers

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

(18) Other income and expenses, net

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

	2019	2018
Other income and expenses, net	$ 12,411	$ 7,253

(19) Other income

	2019	2018
Rental income	$ 6,874	$ 3,870
Interest income	255	193
	$ 7,129	$ 4,063

(20) Other gains and losses

	2019	2018
Net foreign exchange gains	$ 9,573	$ 1,750
Gains (losses) on disposal of property, plant and equipment	4,241	(2,054)
Miscellaneous (disbursement) income	(32,733)	27,433
	($ 18,919)	$ 27,129

(21) Finance costs

	2019	2018
Interest expense	$ 74,605	$ 59,884

(22) Expenses by nature

	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expense						
Wages and salaries	$ 973,504	$ 490,583	$ 1,464,087	$ 825,625	$ 455,671	$ 1,281,296
Labor and health insurance	93,066	33,310	126,376	82,070	31,520	113,590
Pension costs	27,282	16,952	44,234	26,188	17,063	43,251
Directors' remuneration	-	37,230	37,230	-	36,164	36,164
Other personnel expenses (Note)	52,399	8,435	60,834	44,211	9,376	53,587
Depreciation on fixed assets	550,651	36,980	587,631	484,844	37,664	522,508
Depreciation on right-of-use assets	30,960	4,544	35,504	-	-	-
Amortisation	3,152	1,059	4,211	2,570	1,192	3,762

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

A. As of December 31, 2019 and 2018, the Company had 2,122 and 1,895 employees, respectively, and had 5 directors for both years.

B. For the years ended December 31, 2019 and 2018, the average employee benefits were $801 and $789, and the average salary expenses were $692 and $678, respectively. The change in adjustment on average salary expenses was 2.01%.

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

D. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $17,365 and $12,152, respectively. The aforementioned amounts were recognised in wages and salaries expense.

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

   For 2018, the difference of $258 between employees' compensation of $12,410 resolved by the Board of Directors and the amount of $12,152 recognised in the 2018 financial statements, mainly resulting from a variance in estimation, was adjusted in profit or loss for 2019.

E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by Board of Directors will be posted in the "Market Observation Post

System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2019	2018
Current tax:		
Current tax on profits for the year	$ 284,144	$ 250,389
Tax on undistributed surplus earnings	2,696	46,494
Prior year income tax (over) underestimation	-	-
Total current tax	286,840	296,883
Deferred tax:		
Origination and reversal of temporary differences	(9,542)	(12,779)
Impact of change in tax rate	-	(7,676)
Total deferred tax	(9,542)	(20,455)
Income tax expense	$ 277,298	$ 276,428

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

	2019	2018
Remeasurement of defined benefit obligations	$ 512	$ 5,212

B. Reconciliation between income tax expense and accounting profit

	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 348,245	$ 245,431
Expenses disallowed by tax regulation	320	238
Tax exempt income by tax regulation	(73,963)	(8,059)
Tax on undistributed surplus earnings	2,696	46,494
Effect from changes in tax regulation	-	(7,676)
Income tax expense	$ 277,298	$ 276,428

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

	December 31, 2019	December 31, 2018
Temporary differences:		
Accrued sales discounts	$ 17,030	$ 16,463
Provision for loss on spare parts	3,131	2,642
Pension expense in excess of the limit for tax purpose	28,480	32,594
Unrealised inventory valuation loss and changes in fair value of biological assets	7,175	(4,347)
Unrealised foreign investment income	(17,015)	(10,224)
Unrealised exchange loss	(149)	(75)
Others	7,925	494
	$ 46,577	$ 37,547

	December 31, 2019	December 31, 2018
Deferred tax assets	$ 67,664	$ 55,861
Deferred tax liabilities	(21,087)	(18,314)
	$ 46,577	$ 37,547

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

	2019	2018
Recognised in profit or loss	$ 9,542	$ 20,455
Recognised in other comprehensive income	($ 512)	($ 5,212)

D. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(24) Earnings per share

	2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,463,926	267,991	$ 5.46
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,463,926	267,991	
Assumed conversion of all dilutive potential ordinary shares			
- employees' compensation	-	332	
	$ 1,463,926	268,323	$ 5.46

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

(25) Operating leases

Prior to 2019

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

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

	December 31, 2018
Not later than one year	$ 31,415
Later than one year but not later than five years	112,443
Over five years	234,405
	$ 378,263
Issued post-dated checks	$ 13,521

(26) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

	2019	2018
Acquisition of property, plant and equipment	$ 1,362,789	$ 1,428,123
Add: Opening balance of payable on equipment	60,371	66,979
Opening balance of financial lease liabilities	-	1,698
Less: Ending balance of payable on equipment	(34,582)	(60,371)
Ending balance of financial lease liabilities	-	(7,422)
Cash paid during the year	$ 1,388,578	$ 1,429,007

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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

(3) Significant related party transactions and balances

A. Operating revenue

	2019	2018
Sales of goods:		
Subsidiary	$ 288,329	$ 206,342

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

B. Purchases

	2019	2018
Purchases of goods:		
Ultimate parent company	$ 32,716	$ 39,301
Subsidiary	89,087	88,064
Other related parties	16,942	10,216
	$ 138,745	$ 137,581

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

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
Subsidiary	$ 26,496	$ 34,908

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

D. Payables to related parties

	December 31, 2019	December 31, 2018
Notes and accounts payable:		
Ultimate parent company	$ -	$ 3,040
Subsidiary	12,980	11,559
Other related parties	3,218	-
	$ 16,198	$ 14,599

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

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

Lessee	2019	2018
Subsidiary	$ 1,771	$ 1,771
Other related parties	86	86
	$ 1,857	$ 1,857

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

F. Technical service agreement

(a) The Company signed a technical service agreement with CPG since 1996. CPG helps the Company to manufacture feeds, raise animals and to process meat products, and the Company pays compensation of THB12 million (net value) for the services annually. The commitment would not be terminated except when any of the two parties would agree to end the agreement. For the years ended December 31, 2019 and 2018, the Company recognised technical service expenses amounting to $14,563 and $12,869, respectively. As of December 31, 2019 and 2018, the outstanding balance was approximately $627 and $156, respectively.

(b) The Company signed a technical service agreement with CPG at the end of 2015. CPG helps the Company to raise animals and provides consulting services of related technical skills, and the Company pays compensation of $700 for the services monthly. The contract is effective for 5 years. For the years ended December 31, 2019 and 2018, the Company recognised technical service expense amounting to $8,400 for both years. As of December 31, 2019 and 2018, the outstanding balance were both $2,100.

G. Trademark licensing agreement

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

(4) Key management compensation

	2019	2018
Salaries and other short-term employee benefits	$ 165,892	$ 160,860
Post-employment benefits	1,556	1,517
Total	$ 167,448	$ 162,377

8. PLEDGED ASSETS

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

Pledged assets	Book value December 31, 2019	Book value December 31, 2018	Purpose
Time deposits - shown as 'Other current assets'	$ 7,700	$ 7,450	Guarantee deposit
Land	51,785	51,785	Long-term borrowings
Buildings and structures	186,735	192,760	Long-term borrowings
	$ 246,220	$ 251,995	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Other than those stated in Notes 6(12), (25) and 7, the significant commitments and contingent liabilities of the Company were as follows:

(1) As of December 31, 2019 and 2018, the Company had opened unused letters of credit for purchases of raw materials and machinery of $516,177 and $510,882, respectively.

(2) As of December 31, 2019 and 2018, the Company had several outstanding construction contracts and equipment purchase agreements. The balance outstanding was $637,771 and $123,207, respectively, and will be paid on the basis of percentage of completion.

(3) The Company signed a contract for food sludge disposal with Fu Mao Organic Fertilizer Co., Ltd. The Company received a disposition for deferred prosecution in December 2019 as the disposal company violated the Waste Disposal Act by dumping sludge. The removal shall be completed before December 31, 2020 based on the waste disposal plan approved by the Environmental Protection Bureau Changhua County. The Company has committed to complete the disposal within the period and has accrued disposal expense and other related expense of $41,750 (shown as Other Payables).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital risk management

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

(2) Financial risk of financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at amortised cost / Loans and receivables		
Cash and cash equivalents	$ 86,377	$ 55,303
Notes receivable	301,121	331,198
Accounts receivable (including related parties)	1,738,966	1,650,937
Other accounts receivable	7,136	20,201
Refundable deposits	41,944	46,302
Other financial assets	7,700	7,450
	$ 2,183,244	$ 2,111,391

	December 31, 2019	December 31, 2018
Financial liabilities		
Short-term borrowings	$ 2,070,000	$ 2,563,784
Short-term notes and bills payable	978,659	619,270
Notes payable (including related parties)	456,761	357,413
Accounts payable (including related parties)	656,774	672,631
Other accounts payable (including related parties)	679,443	569,049
Long-term borrowings (including current portion)	3,310,000	2,460,000
Other financial liabilities	-	7,422
	$ 8,151,637	$ 7,249,569
Lease liability	$ 328,198	$ -

B. Financial risk management policies

(a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and HKD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require the company to manage their foreign exchange risk against their functional currency.

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

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

	December 31, 2019			
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency : functional currency)				
Financial assets				
Monetary item				
USD:NTD	USD	129	29.93	$ 3,870
Non-monetary item				
HKD:NTD	HKD	616,868	3.84	2,368,685
Financial liabilities				
Monetary items				
USD:NTD	USD	1,957	30.03	$ 58,769
EUR:NTD	EUR	46	33.79	1,555

	December 31, 2018				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency : functional currency)					
Financial assets					
Non-monetary item					
HKD:NTD	HKD	513,664	3.904	$	2,005,590
Financial liabilities					
Monetary item					
USD:NTD	USD	6,189	30.77	$	190,390

v. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to $9,573 and $1,750, respectively.

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

	2019				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency : functional currency)					
Financial assets					
Monetary item					
USD：NTD	1%	$	39	$	-
Non-monetary item					
HKD：NTD	1%		-		23,687
Financial liabilities					
Monetary items					
USD：NTD	1%	($	588)	$	-
EUR：NTD	1%	(	16)		-

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

Price risk

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

Interest rate risk

i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2019 and 2018, the Company's borrowings at variable rate were denominated in NTD.

ii. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios run only for liabilities that represent the major interest-bearing positions.

iii. For the years ended December 31, 2019 and 2018, if interest rates on NTD-denominated borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018, would have been $26,480 and $19,680 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

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

iv. The Company pays attention on specific customers whose payments were past due to confirm the debts and recognises the allowance for bad debts when there is a concern about default based on the assessment of customers' credit risk.

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

vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2019 and 2018, the Company's written-off financial assets that are still under recourse procedures amounted to $1,283 and $2,173, respectively.

vii. (i) The expected loss rate for well-reputed customers is 0.03%. On December 31, 2019 and 2018, the total book value of accounts receivable and loss allowance amounted to $696,694 and $0, and $717,022 and $0, respectively.

(ii) The Company used the forecastability of the global economy to adjust historical and timely information to assess the default possibility of accounts receivable in accordance with customers' credit. On December 31, 2019 and 2018, the expected loss rate is as follows:

	Group A	Group B	Total
December 31, 2019			
Expected loss rate	0%~100%	0.003%~10%	
Total book value	$ 23,065	$ 1,020,863	$ 1,043,928
Loss allowance	1,656	-	1,656

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

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

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

	2019	2018
	Notes and accounts receivable (including related parties)	Notes and accounts receivable (including related parties)
At January 1_IAS 39	$ 2,329	$ 2,694
Adjustments under new standards	-	-
At January 1_IFRS 9	2,329	2,694
(Reversl of) Provision for impairment	(20)	94
Write-offs	(653)	(459)
At December 31	$ 1,656	$ 2,329

The impairment loss arising from customers' contracts for the years ended December 31, 2019 and 2018 amounted to ($20) and $94, respectively.

(c) Liquidity risk

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

ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	$ 2,070,000	$ -	$ -
Short-term notes and bills payable	980,000	-	-
Notes payable (including related parties)	456,761	-	-
Accounts payable (including related parties)	656,774	-	-
Other payables (including related parties)	679,443	-	-
Lease liabilities	22,418	121,815	214,777
Long-term borrowings (including current portion)	620,131	2,757,687	-

December 31, 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	$ 2,563,784	$ -	$ -
Short-term notes and bills payable	620,000	-	-
Notes payable	357,413	-	-
Accounts payable (including related parties)	672,631	-	-
Other payables (including related parties)	569,049	-	-
Long-term borrowings (including current portion)	608,215	1,911,015	-
Other financial liabilities	4,080	3,431	-

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

(3) Fair value information

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Biological assets	$ -	$ 755,525	$ -	$ 755,525

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

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

(a) The instruments the Company used quoted market prices as their fair values (that is, Level 1) are listed stocks, whose quoted market prices are based on the closing prices and which are classified as available-for-sale financial assets.

(b) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

(c) Details of methods for measuring Level 2 - Biological assets are provided in Note 6(5).

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Information on investees

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

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as of December 31, 2019	Initial investment amount: Balance as of December 31, 2018	Shares held as of December 31, 2019: Number of shares	Shares held as of December 31, 2019: Ownership (%)	Shares held as of December 31, 2019: Book value	Net profit of the investee	Investment income recognised by the Company	Footnote
The Company	Plenty Type Limited (Cayman Islands)	Cayman Islands	Management of producing and non-producing business investments	$ 720,448	$ 720,448	96,370,079	100.00	$ 2,368,685	$ 33,957	$ 33,957	Subsidiary (Note 1)
The Company	Charoen Pokphand (Taiwan) Co., Ltd.	Taiwan	Management of importing and exporting businesses	20,086	20,086	2,443,716	90.00	38,794	12,036	10,832	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	384,779	703,017	351,508	Subsidiary
The Company	Rui Mu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	93,860	78,000	10,400,000	52.00	125,701	34,021	17,691	Subsidiary
The Company	Rui Fu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	153,000	102,000	15,300,000	51.00	141,197	(20,035)	(10,218)	Subsidiary (Note 1)
Plenty Type Limited (Cayman Islands)	Chia Tai Lianyungang Co., Ltd.	Hong Kong	Management of producing and non-producing business investments	HKD 19,910	HKD 19,910	999,999	99.99	192,643	(3,180)	-	Indirectly owned subsidiary (Note 2)
Rui Fu Foods Co., Ltd.	Sheng Da Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	60,000	-	6,000,000	100.00	59,845	(155)	-	Indirectly owned subsidiary (Note 2)

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

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

(3) Information on investments in Mainland China

A. Basic information:

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

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

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

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company (Chia Tai Lianyungang Co., Ltd.) in the third area, which then invested in the investee in Mainland China.

(3) Others.

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

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

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

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

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

14. OPERATING SEGMENT INFORMATION

None

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

Customer name	Amount	Note
Non-related parties:		
A Customer	$ 147,923	
B Customer	90,743	
Others	1,475,460	The balance of each customer has not exceeded 5% of the accounts receivable
Less: Allowance for bad debts	(1,656)	
	$ 1,712,470	
Related parties:		
Charoen Pokphand (Taiwan) Co., Ltd.	$ 110	
Rui Fu Foods Co., Ltd.	13,806	
Rui Mu Foods Co., Ltd.	8,408	
Arbor Acres (Taiwan) Co., Ltd.	4,172	
	$ 26,496	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF INVENTORIES
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

Items	Cost	Net realisable value	Note
Materials and supplies	$ 908,136	$ 1,020,800	
Work in progress	26,663	34,436	
Finished goods	564,014	556,015	
	1,498,813	1,611,251	
Less: Allowance for inventory valuation losses	(60,000)	-	
	$ 1,438,813	$ 1,611,251	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

	Opening balance		Additions							Ending balance			Market price or value per share		
Name	Number of shares (per thousand share)	Amount	Number of shares (per thousand share)	Amount	Cash dividends	Investment income	Exchange differences on translation of foreign financial statements	Gain on valuation of financial assets at fair value through other comprehensive income	Gains on remeasurements of defined benefit plan	Number of shares (per thousand share)	Ownership (%)	Amount	Price (in NTD)	Total price	Pledged to others as collateral
Plenty Type Limited	96,370,079	$ 2,005,590	-	$ -	$ -	$ 33,957	($ 44,672)	$ 373,810	$ -	96,370,079	100%	$ 2,368,685	$ -	$ 2,368,685	None
Charoen Pokphand (Taiwan) Co., Ltd.	2,443,716	34,096	-	-	(4,154)	10,832	-	-	(1,980)	2,443,716	90%	38,794	-	38,794	None
Arbor Acres (Taiwan) Co., Ltd.	1,600,000	64,560	-	-	(32,000)	351,508	-	-	711	1,600,000	50%	384,779	-	384,779	None
Rui Mu Foods Co., Ltd.	7,800,000	92,150	2,600,000	15,860	-	17,691	-	-	-	10,400,000	52%	125,701	-	125,701	None
Rui Fu Foods Co., Ltd.	10,200,000	100,415	5,100,000	51,000	-	(10,218)	-	-	-	15,300,000	51%	141,197	-	141,197	None
		$ 2,296,811		$ 66,860	($ 36,154)	$ 403,770	($ 44,672)	$ 373,810	($ 1,269)			$ 3,059,156		$ 3,059,156	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

Customer name	Amount	Note
Non-related parties		
A Supplier	$ 91,076	
Others	550,320	The balance of each expense account has not exceeded 5% of the accounts payable
	$ 641,396	
Related parties		
Charoen Pokphand Foods Public Company Limited (CPF)	$ 3,219	
Charoen Pokphand (Taiwan) Co., Ltd.	4,632	
Arbor Acres (Taiwan) Co., Ltd.	7,409	
Rui Mu Foods Co., Ltd.	118	
	$ 15,378	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Item	Quantity (Metric tons)	Amount
Animal feeds, cooked food	686,700	$ 8,106,294
Agricultural livestock	129,192	8,847,954
Meat processing	23,082	3,219,272
		$ 20,173,520

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF OPERATING COST
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

Item	Amount	Note
Cost of goods sold		
Raw materials		
Raw materials at the beginning	$ 559,822	
Material purchased during the year	13,964,937	
Raw materials sold	(1,421,296)	
Scraps sold	(5,396)	
Materials reclassified as expenses	(19,288)	
Gain on physical raw materials	2,568	
Raw materials at the end	(885,619)	
	12,195,728	
Indirect materials		
Raw materials at the beginning	16,213	
Materials purchased during the year	271,976	
Raw materials sold	(137)	
Materials reclassified as expenses	(5,062)	
Gain on physical raw materials	245	
Raw materials at the end	(22,517)	
	260,718	
Direct labor	790,649	
Manufacturing overhead	2,023,040	
Manufacturing Cost	15,270,135	
Add: Work in progress at the beginning	1,457,853	
Less: Work in progress reclassified as expenses and others	(255)	
Less: Loss on physical inventory of work in progress	(239)	
Less: Work in progress at the end	(1,575,547)	
Finished goods cost	15,151,947	
Add: Finished goods at the beginning	452,072	
Add: Finished goods purchases for the year	897,379	
Less: Finished goods reclassified as expenses	(48,457)	
Less: Scrapped finished goods sold	(132)	
Less: Loss on physical inventory of finished goods	(1,491)	
Less: Finished goods at the end	(564,014)	
	15,887,304	
Less: Revenue from sales of by-product	(943)	
Add: Materials sold	1,421,433	
Less: Loss on physical inventory	(1,083)	
Add: Loss on reversal of decline in market value	45,200	
Add: Loss on scrapping inventory	902	
Operating costs	$ 17,352,813	

Note: Biological assets were included in work in progress

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

Items	Selling expenses	General and administrative expenses	Total	Notes
Wages and salaries	$ 243,460	$ 301,306	$ 544,766	
Freight	369,013	22	369,035	
Advertisement expense	9,320	1,368	10,688	
Cost of service and technical service	511	109,594	110,105	
Traveling expense	38,899	13,115	52,014	
Storage fee	71,368	-	71,368	
Non-deductible input VAT for dual-status business entities	32,231	4,278	36,509	
Insurance expense	20,472	22,736	43,208	
Depreciation	31,633	9,891	41,524	
Fee expense	14,637	260	14,897	
Miscellaneous disbursements and repairs and maintenance expense	11,705	7,066	18,771	
Utilities expense and fuel fee	11,237	1,103	12,340	
Entertainment expense	7,987	4,002	11,989	
Postage expenses	4,296	3,640	7,936	
Other expenses	16,676	22,641	39,317	
	$ 883,445	$ 501,022	$ 1,384,467	