

English Translation of a Report Originally Issued in Chinese

**Kee Song Bio-Technology Holdings
Limited and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended 30 September 2018 and 2017 and
Independent Auditors' Review Report**

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017

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KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	30 September 2018 (Reviewed)		31 December 2017 (Audited)		30 September 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 383,054	14	\$ 324,367	14	\$ 410,531	18
Financial assets at amortized cost - current (Notes 3, 4 ,8 and 29)	13,538	-	-	-	-	-
Trade receivables (Notes 3, 4, 9 and 28)	223,410	8	175,706	7	188,162	8
Other receivables (Notes 3 and 28)	33,203	1	29,001	1	30,784	1
Current tax assets (Note 4)	36,903	1	21,811	1	12,507	1
Inventories (Notes 4 and 10)	30,189	1	25,439	1	29,671	1
Biological assets - current (Notes 4 and 11)	169,128	6	154,490	7	149,277	7
Prepayments	54,747	2	50,018	2	32,154	1
Other financial assets - current (Notes 3 and 29)	-	-	13,358	1	13,255	1
Total current assets	944,172	33	794,190	34	866,341	38
NON-CURRENT ASSETS						
Investments accounted for using equity method (Notes 4 and 13)	18,151	1	1,421	-	2,796	-
Property, plant and equipment (Notes 4, 14 and 29)	1,722,130	61	1,385,696	60	1,269,908	56
Intangible assets (Notes 4 and 15)	14,783	1	10,959	1	11,497	1
Prepayment for equipment	9,475	-	6,524	-	8,760	-
Guarantee deposits	4	-	155	-	157	-
Long-term prepayments for lease (Note 16)	124,672	4	124,910	5	124,598	5
Total non-current assets	1,889,215	67	1,529,665	66	1,417,716	62
TOTAL	<u>\$ 2,833,387</u>	<u>100</u>	<u>\$ 2,323,855</u>	<u>100</u>	<u>\$ 2,284,057</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 17 and 29)	\$ 146,842	5	\$ 149,559	6	\$ 75,240	3
Financial liabilities at fair value through profit or loss - current (Notes 7 and 18)	5,885	-	-	-	-	-
Trade payables (Note 28)	280,316	10	169,265	7	190,527	8
Other payables (Notes 19 and 28)	194,931	7	132,142	6	129,779	6
Current tax liabilities (Note 4)	17,526	-	16,991	1	20,852	1
Bonds payable (Note 18)	-	-	90,350	4	89,813	4
Current portion of long-term borrowings (Notes 17 and 29)	136,879	5	74,645	3	93,196	4
Total current liabilities	782,379	27	632,952	27	599,407	26
NON-CURRENT LIABILITIES						
Bonds payable (Note 18)	277,198	10	-	-	-	-
Long-term borrowings (Notes 17 and 29)	934,947	33	743,888	32	728,299	32
Deferred tax liabilities (Note 4)	23,382	1	26,048	1	22,893	1
Deposits received	446	-	-	-	-	-
Total non-current liabilities	1,235,973	44	769,936	33	751,192	33
Total liabilities	2,018,352	71	1,402,888	60	1,350,599	59
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Share capital						
Ordinary shares	368,165	13	368,165	16	368,165	16
Capital surplus	212,824	8	197,035	8	197,035	9
Retained earnings						
Special reserve	104,981	4	109,822	5	109,822	5
Unappropriated earnings	154,783	5	285,405	12	292,449	13
Total retained earnings	259,764	9	395,227	17	402,271	18
Other equity	(98,849)	(4)	(104,981)	(4)	(106,367)	(5)
Total equity attributable to owners of the Company	741,904	26	855,446	37	861,104	38
NON-CONTROLLING INTERESTS	73,131	3	65,521	3	72,354	3
Total equity	815,035	29	920,967	40	933,458	41
TOTAL	<u>\$ 2,833,387</u>	<u>100</u>	<u>\$ 2,323,855</u>	<u>100</u>	<u>\$ 2,284,057</u>	<u>100</u>

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

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended 30 September				For the Nine Months Ended 30 September			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 28)	\$ 706,378	100	\$ 666,120	100	\$ 2,116,036	100	\$ 1,895,168	100
OPERATING COSTS (Notes 4, 10, 22 and 28)	<u>(653,569)</u>	<u>(93)</u>	<u>(557,963)</u>	<u>(84)</u>	<u>(1,855,423)</u>	<u>(88)</u>	<u>(1,531,251)</u>	<u>(81)</u>
LOSS ARISING FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL BIOLOGICAL ASSETS (Note 11)	<u>(5,849)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(5,849)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>46,960</u>	<u>6</u>	<u>108,157</u>	<u>16</u>	<u>254,764</u>	<u>12</u>	<u>363,917</u>	<u>19</u>
OPERATING EXPENSES (Notes 22 and 28)								
Selling and marketing expenses	(56,532)	(8)	(42,178)	(6)	(151,180)	(7)	(129,762)	(7)
General and administrative expenses	<u>(51,105)</u>	<u>(7)</u>	<u>(44,592)</u>	<u>(7)</u>	<u>(139,417)</u>	<u>(7)</u>	<u>(133,979)</u>	<u>(7)</u>
Total operating expenses	<u>(107,637)</u>	<u>(15)</u>	<u>(86,770)</u>	<u>(13)</u>	<u>(290,597)</u>	<u>(14)</u>	<u>(263,741)</u>	<u>(14)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(60,677)</u>	<u>(9)</u>	<u>21,387</u>	<u>3</u>	<u>(35,833)</u>	<u>(2)</u>	<u>100,176</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 22)	1,203	-	845	-	3,264	-	3,146	-
Other gains and losses (Notes 22 and 28)	(69,634)	(10)	1,104	-	(57,639)	(3)	5,132	-
Finance costs (Note 22)	<u>(12,746)</u>	<u>(1)</u>	<u>(4,494)</u>	<u>-</u>	<u>(28,751)</u>	<u>(1)</u>	<u>(12,660)</u>	<u>-</u>
Total non-operating income and expenses	<u>(81,177)</u>	<u>(11)</u>	<u>(2,545)</u>	<u>-</u>	<u>(83,126)</u>	<u>(4)</u>	<u>(4,382)</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	(141,854)	(20)	18,842	3	(118,959)	(6)	95,794	5
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	<u>8,371</u>	<u>1</u>	<u>(5,984)</u>	<u>(1)</u>	<u>2,257</u>	<u>-</u>	<u>(24,680)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE PERIOD	(133,483)	(19)	12,858	2	(116,702)	(6)	71,114	4
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	<u>(4,906)</u>	<u>(1)</u>	<u>14,260</u>	<u>2</u>	<u>13,389</u>	<u>1</u>	<u>3,842</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ (138,389)</u>	<u>(20)</u>	<u>\$ 27,118</u>	<u>4</u>	<u>\$ (103,313)</u>	<u>(5)</u>	<u>\$ 74,956</u>	<u>4</u>

(Continued)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended 30 September				For the Nine Months Ended 30 September			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ (125,322)	(18)	\$ 7,787	1	\$ (117,055)	(6)	\$ 53,380	3
Non-controlling interests	<u>(8,161)</u>	<u>(1)</u>	<u>5,071</u>	<u>1</u>	<u>353</u>	<u>-</u>	<u>17,734</u>	<u>1</u>
	<u>\$ (133,483)</u>	<u>(19)</u>	<u>\$ 12,858</u>	<u>2</u>	<u>\$ (116,702)</u>	<u>(6)</u>	<u>\$ 71,114</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ (134,974)	(19)	\$ 20,938	3	\$ (110,923)	(5)	\$ 56,835	3
Non-controlling interests	<u>(3,415)</u>	<u>(1)</u>	<u>6,180</u>	<u>1</u>	<u>7,610</u>	<u>-</u>	<u>18,121</u>	<u>1</u>
	<u>\$ (138,389)</u>	<u>(20)</u>	<u>\$ 27,118</u>	<u>4</u>	<u>\$ (103,313)</u>	<u>(5)</u>	<u>\$ 74,956</u>	<u>4</u>
EARNINGS (LOSSES) PER SHARE (Note 24)								
Basic	<u>\$ (3.40)</u>		<u>\$ 0.21</u>		<u>\$ (3.18)</u>		<u>\$ 1.46</u>	
Diluted	<u>\$ (3.40)</u>		<u>\$ 0.21</u>		<u>\$ (3.18)</u>		<u>\$ 1.40</u>	

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

(Concluded)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Note Audited)

	Equity Attributable to Owners of the Company						Other Equity			
	Share Capital			Retained Earnings			Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Special Reserve	Unappropriated Earnings	Total				
BALANCE AT 1 JANUARY 2017	36,399	\$ 363,995	\$ 186,044	\$ 66,526	\$ 330,776	\$ 397,302	\$(109,822)	\$ 837,519	\$ 54,233	\$ 891,752
Special reserve appropriated	-	-	-	43,296	(43,296)	-	-	-	-	-
Cash dividends	-	-	-	-	(48,411)	(48,411)	-	(48,411)	-	(48,411)
Equity component of convertible bonds issued by the Company	-	-	(629)	-	-	-	-	(629)	-	(629)
Net profit for the nine months ended 30 September 2017	-	-	-	-	53,380	53,380	-	53,380	17,734	71,114
Other comprehensive income (loss) for the nine months ended 30 September 2017	-	-	-	-	-	-	3,455	3,455	387	3,842
Total comprehensive income (loss) for the nine months ended 30 September 2017	-	-	-	-	53,380	53,380	3,455	56,835	18,121	74,956
Convertible bonds converted to ordinary shares	417	4,170	11,620	-	-	-	-	15,790	-	15,790
BALANCE AT 30 SEPTEMBER 2017	36,816	\$ 368,165	\$ 197,035	\$ 109,822	\$ 292,449	\$ 402,271	\$(106,367)	\$ 861,104	\$ 72,354	\$ 933,458
BALANCE AT 1 JANUARY 2018	36,816	\$ 368,165	\$ 197,035	\$ 109,822	\$ 285,405	\$ 395,227	\$(104,981)	\$ 855,446	\$ 65,521	\$ 920,967
Reversal of special reserve	-	-	-	(4,841)	4,841	-	-	-	-	-
Cash dividends	-	-	-	-	(18,408)	(18,408)	-	(18,408)	-	(18,408)
Equity component of convertible bonds issued by the Company	-	-	15,789	-	-	-	-	15,789	-	15,789
Net loss for the nine months ended 30 September 2018	-	-	-	-	(117,055)	(117,055)	-	(117,055)	353	(116,702)
Other comprehensive income (loss) for the nine months ended 30 September 2018	-	-	-	-	-	-	6,132	6,132	7,257	13,389
Total comprehensive income (loss) for the nine months ended 30 September 2018	-	-	-	-	(117,055)	(117,055)	6,132	(110,923)	7,610	(103,313)
BALANCE AT 30 SEPTEMBER 2018	36,816	\$ 368,165	\$ 212,824	\$ 104,981	\$ 154,783	\$ 259,764	\$ (98,849)	\$ 741,904	\$ 73,131	\$ 815,035

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

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended 30 September	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ (118,959)	\$ 95,794
Adjustments for:		
Depreciation expenses	66,840	43,798
Amortization expenses	3,855	2,869
Expected credit loss recognized (reversed) on trade receivables	(1,938)	-
Impairment loss recognized (reversed) on trade receivables	-	(895)
Net loss (gain) on fair value change of financial liabilities designated as at fair value through profit or loss	3,905	(283)
Finance costs	28,751	12,660
Interest income	(3,253)	(2,712)
Loss on disposal of property, plant and equipment	432	1
Loss on redemption of bonds payable	-	2,121
Loss arising from changes in fair value less costs to sell biological assets	5,849	-
Penalty and fines	60,014	-
Changes in operating assets and liabilities		
Trade receivables	(45,679)	(3,088)
Other receivables	(4,202)	(2,284)
Inventories	(4,750)	9,024
Biological assets	(19,512)	(33,088)
Prepayments	(4,729)	(990)
Trade payables	111,051	37,266
Other payables	(2,581)	(11,948)
Cash generated from operations	75,094	148,245
Interest received	3,253	2,712
Interest paid	(26,930)	(10,064)
Income tax paid	(15,122)	(30,578)
Net cash generated from operating activities	36,295	110,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investment under the equity method	(16,738)	(1)
Disposals for investment under the equity method	-	543
Acquisition of property, plant and equipment	(401,216)	(546,484)
Proceeds from disposal of property, plant and equipment	1,601	555
Decrease (increase) in guarantee deposits	151	(157)
Acquisition of intangible assets	(6,679)	-
Increase in other financial assets - current	(180)	-
Decrease in other financial assets - current	-	6,882

(Continued)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended 30 September	
	2018	2017
Increase in prepayments for equipment	\$ (132)	\$ (73,832)
Increase in long-term prepayments for leases	<u>-</u>	<u>(100,577)</u>
Net cash used in investing activities	<u>(423,193)</u>	<u>(713,071)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	1,893
Payment for short-term borrowings	(56)	-
Issuance of bonds	300,000	-
Payment for bonds payable	(91,800)	(51,821)
Proceeds from long-term borrowings	327,938	620,886
Payment for long-term borrowings	(74,645)	-
Increase in guarantee deposits	446	-
Dividends paid	<u>(18,408)</u>	<u>(48,411)</u>
Net cash generated from financing activities	<u>443,475</u>	<u>522,547</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>4,771</u>	<u>(9,210)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,348	(89,419)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>321,706</u>	<u>493,191</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 383,054</u>	<u>\$ 403,772</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at 30 September 2018 and 2017:

	For the Nine Months Ended 30 September	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	\$ 383,054	\$ 410,531
Bank overdrafts	<u>-</u>	<u>(6,759)</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 383,054</u>	<u>\$ 403,772</u>

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

(Concluded)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Kee Song Bio-Technology Holdings Limited (the “Company”) is incorporated in Cayman Islands on 11 May 2010. The Company was formed for the purpose of restructuring the organization in order to apply for Foreign Issuer Listing on the Taipei Exchange. After restructuring, the Company became the ultimate parent company of the whole group.

The major operating subsidiaries of the Company are Kee Song Food Corporation (S) Pte. Ltd. (“KSFC Company”; former Kee Song Brother Poultry Industries Pte. Ltd. and the name change has been approved by Accounting and Corporate Regulatory Authority in Singapore on 3 March 2017) operating as a poultry slaughterhouse and distributors; Meng Kee Poultry (M) Sdn. Bhd. (“MKP Company”) operating as a poultry farmer, and Kee Song Agriculture (M) Sdn. Bhd. (“KSA Company”) operating as a poultry farmer and distributors. The Company and its subsidiaries (collectively referred to as the “Group”) refer to Note 12.

The Company’s shares have been listed and traded on the Taipei Exchange since December 2011.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on 12 November 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (“FSC”)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company and its subsidiaries (the “Group”)’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at 1 January 2017, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2017.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 324,367	\$ 324,367	b)
Pledged time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	13,358	13,358	a)
Trade receivables and other receivables	Loans and receivables	Amortized cost	204,707	204,707	b)
Guarantee deposits	Loans and receivables	Amortized cost	155	155	b)

- a) Debt investments previously classified as debt investments with no active market (other financial assets) and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on 1 January 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- b) Cash and cash equivalents, trade receivables and other receivables, guarantee deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

The impact in the current year of the initial application is not material.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

The impact in the current year of the initial application is not material.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	1 January 2019 (Note 2)
IFRS 16 “Leases”	1 January 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	1 January 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	1 January 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	1 January 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after 1 January 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after 1 January 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on 1 January 2019. Comparative information will not be restated.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from 1 January 2019.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the impact will not be material.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	1 January 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	1 January 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	1 January 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after 1 January 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

See Note 12 and Table 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2017. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended 31 December 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a Trade date basis.

i. Measurement category

2018

Financial assets are classified into the following categories: Financial assets at amortized cost.

- Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

Financial assets are classified into the following categories: Loans and receivables.

- Loans and receivables

Loans and receivables (including trade receivables and cash and cash equivalents) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

- ii. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with a defaults on receivables.

For a financial asset carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

iii. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b) Financial liabilities

i. Measurement category

All financial liabilities are measured at amortized cost using the effective interest method.

ii. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized outside profit or loss is recognized in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgements and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements as of 31 December 2017. Please refer to Note 5 in consolidated financial statements as of 31 December 2017 for details.

6. CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017	30 September 2017
Cash on hand	\$ 1,854	\$ 2,436	\$ 1,901
Cash at bank	137,196	129,583	191,399
Cash equivalents			
Time deposits with original maturity less than three months	<u>244,004</u>	<u>192,348</u>	<u>217,231</u>
	<u>\$ 383,054</u>	<u>\$ 324,367</u>	<u>\$ 410,531</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018	31 December 2017	30 September 2017
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Interest rate swap contracts (a)	\$ 3,005	\$ -	\$ -
Convertible options (Note 18)	<u>2,880</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ -</u>

- At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>30 September 2018</u>			
SGD18,779	28 June 2018 - 28 June 2021	1.85%-2.60% Floating	2.14%-2.34% Fixed

The economic substance of the interest rate swap contracts listed in the table above are to manage exposures due to the cash flow interest rate risk of long-term borrowings. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	30 September 2018
<u>Current</u>	
Domestic investments	
Pledged time deposits with original maturity of more than 3 months	<u>\$ 13,538</u>

The time deposits were classified as debt investments with no active market (other financial assets) under IAS 39. Refer to Note 3 for information relating to their reclassification.

Financial assets at amortized cost pledged as collateral were set out in Note 29.

9. TRADE RECEIVABLES

	30 September 2018	31 December 2017	30 September 2017
At amortized cost from unrelated parties	\$ 230,684	\$ 185,268	\$ 195,318
Less: Allowance for impairment loss	<u>(7,316)</u>	<u>(9,562)</u>	<u>(7,210)</u>
	<u>223,368</u>	<u>175,706</u>	<u>188,108</u>
At amortized cost from related parties	42	-	54
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>42</u>	<u>-</u>	<u>54</u>
	<u>\$ 223,410</u>	<u>\$ 175,706</u>	<u>\$ 188,162</u>

For the nine months ended 30 September 2018

The average credit period of sales of goods and sales of live broilers and day old chick was 60 days. No interest was charged on trade receivables.

The Group uses available financial information or its own trading records to rate its major customers. The Group's exposure and the credit condition of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies individual assessment and the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience shows significantly different loss patterns for different customer, the provision for loss allowance based on status according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

30 September 2018

	Performing	Lifetime ECL (Individually Assessed)	Total
Expected credit loss rate		14.04%	
Gross carrying amount	\$ 178,616	\$ 52,110	\$ 230,726
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(7,316)</u>	<u>(7,316)</u>
Amortized cost	<u>\$ 178,616</u>	<u>\$ 44,794</u>	<u>\$ 223,410</u>

The movements of the loss allowance of trade receivables were as follows:

	1 January 2018 to 30 September 2018
Balance at 1 January 2018 per IAS 39	\$ 9,562
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at 1 January 2018 per IFRS 9	9,562
Less: Net reversal of loss allowance	(1,938)
Less: Amounts written off	(393)
Foreign exchange gains and losses	<u>85</u>
Balance at 30 September 2018	<u>\$ 7,316</u>

The aging of receivables that were past due but not impaired was as follows:

	Not Past Due and Not Impaired	Past Due But Not Impaired			
		Less than 30 Days	31-60 Days	Above 61 Days	Total
30 September 2018	\$ 178,616	\$ 23,840	\$ 7,804	\$ 13,150	\$ 223,410

The above aging schedule was based on the past due date.

For the nine months ended 30 September 2017

Trade receivables are generally on 60 days. Trade receivables that were individually assessed to be impaired at the end of the reporting year relate to debtors that were in significant financial difficulties. The allowance for impairment loss recognized represented the difference between the carrying amount of the trade receivables and the present value of its expected recoverable amount. These receivables are not secured by any collateral.

The movements of the allowance for impairment loss on trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at 1 January 2017	\$ 8,246	\$ -	\$ 8,246
Less: Impairment losses reversed	(895)	-	(895)
Less: Amounts written off during the period as uncollectible	(119)	-	(119)
Foreign exchange translation gain and losses	<u>(22)</u>	<u>-</u>	<u>(22)</u>
Balance at 30 September 2017	<u>\$ 7,210</u>	<u>\$ -</u>	<u>\$ 7,210</u>

The aging of receivables that were past due but not impaired was as follows:

	Not Past Due and Not Impaired	Past Due But Not Impaired			
		Less than 30 Days	31-60 Days	Above 61 Days	Total
31 December 2017	\$ 138,288	\$ 27,774	\$ 4,250	\$ 5,394	\$ 175,706
30 September 2017	150,796	24,124	7,160	6,082	188,162

The above aging schedule was based on the past due date.

10. INVENTORIES

	30 September 2018	31 December 2017	30 September 2017
Trading goods	\$ 4,329	\$ 4,495	\$ 5,501
Finished goods	20,659	17,110	18,950
Raw materials	<u>5,201</u>	<u>3,834</u>	<u>5,220</u>
	<u>\$ 30,189</u>	<u>\$ 25,439</u>	<u>\$ 29,671</u>

The cost of inventories recognized as cost of goods sold for the three months ended 30 September 2018 and 2017 was \$653,569 thousand and \$557,963 thousand, respectively.

The cost of goods sold for the three months ended 30 September 2018 and 2017 included inventory write-downs of \$0 thousand each.

The cost of inventories recognized as cost of goods sold for the nine months ended 30 September 2018 and 2017 was \$1,855,423 thousand and \$1,531,251 thousand, respectively.

The cost of goods sold for the nine months ended 30 September 2018 and 2017 included inventory write-downs of \$0 thousand each.

11. BIOLOGICAL ASSETS

	Broiler	Breeder	Total
Balance at 1 January 2017	\$ 74,406	\$ 41,030	\$ 115,436
Purchases during the period	1,142,799	70,186	1,212,985
Depreciation during the period	-	(29,351)	(29,351)
Disposals during the period	(1,122,717)	(27,829)	(1,150,546)
Exchange difference	<u>455</u>	<u>298</u>	<u>753</u>
Balance at 30 September 2017	<u>\$ 94,943</u>	<u>\$ 54,334</u>	<u>\$ 149,277</u>
Balance at 1 January 2018	\$ 96,343	\$ 58,147	\$ 154,490
Purchases during the period	1,195,644	52,830	1,248,474
Depreciation during the period	-	(45,440)	(45,440)
Loss from changes in fair value less costs to sell	(5,849)	-	(5,849)
Disposals during the period	(1,183,521)	-	(1,183,521)
Exchange difference	<u>648</u>	<u>326</u>	<u>974</u>
Balance at 30 September 2018	<u>\$ 103,265</u>	<u>\$ 65,863</u>	<u>\$ 169,128</u>

The Group was exposed to financial risk arising from fluctuation in poultry prices. The Group anticipated that there would not be any material fluctuation in poultry prices in a long term, and thus the Group did not enter into any hedging and derivatives contract on the poultry. Management focused closely watches poultry prices on regular basis, and will take actions, if necessary.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		
			30 September 2018	31 December 2017	30 September 2017
The Company	Kee Song Holdings Pte. Ltd. (KSH Company)	Investment holding	100	100	100
KSH Company	Kee Song Food Corporation (S) Pte. Ltd. (KSFC Company)	Importing, slaughtering, wholesaling and retailing poultry and consumable goods of all kinds	100	100	100
KSH Company	Meng Kee Poultry (M) Sdn. Bhd. (MKP Company)	Poultry farming	100	100	100
KSH Company	Yong Tai Hoe (Taiwan) Co., Ltd. (YTH Company)	Poultry farming, wholesaling and retailing poultry and consumable goods of all kinds	100	100	100
KSH Company	Kee Song Natural Foods (M) Sdn. Bhd. (KSNF Company)	Layer farming	100	100	100
KSH Company	Kee Song Agriculture (M) Sdn. Bhd. (KSA Company)	Poultry farming, processing and marketing of poultry related products	70	70	70
KSH Company	YKH Holdings (M) Sdn. Bhd. (YKH Company)	Investment holding	100	100	100
KSH Company and YKH Company	Kee Song Realty (M) Sdn. Bhd. (KSR Company)	Property investment	70	70	70
KSH Company	Kee Song Ocean Pte. Ltd. (KSO Company)	Processing and marketing of seafood products	60	60	60
KSH Company	Celsius Link International Pte. Ltd. (CLI Company)	Transportation Support	100	100	100
KSH Company	Katong Satay Singapore Pte. Ltd. (KSS Company)	Processing and preserving of meat and meat products	100	-	-
KSH Company	BBQ House Singapore Pte. Ltd. (BBQHS Company)	Food caterers	100	-	-
MKP Company	Lucky Poultry (M) Sdn. Bhd. (LKP Company)	Processing and marketing of poultry related products	100	100	100
MKP Company	Meng Woon Holdings (M) Sdn. Bhd. (MW Company)	Property investment	100	100	100
MKP Company	Kee Song Jaya Feedmills (M) Sdn. Bhd. (KSJ Company)	Manufacturing of poultry feed products	100	100	100

KSS Company and BBQHS Company were established in May 2018, for developing the Group's cooked food business and online sales in Singapore.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	30 September 2018	31 December 2017	30 September 2017
Investments in associates	<u>\$ 18,151</u>	<u>\$ 1,421</u>	<u>\$ 2,796</u>

The Group sold 5% equity of Singapore Poultry Hub Pte. Ltd. for \$543 thousand (SGD25 thousand) in February 2017.

The Group acquired 30% equity of Iceberg Cold Storage Pte. Ltd. by \$1 thousand (SGD30) in February 2017.

The Group invested additional \$16,738 thousand (SGD750 thousand) in capital issuing of Singapore Poultry Hub Pte. Ltd., which the group held 25% equity in August 2018.

Details on location and main business of incorporation of the associates are disclosed in Table 4.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction Progress and Equipment Awaiting Examination	Total
<u>Cost</u>						
Balance at 1 January 2017	\$ 106,617	\$ 359,108	\$ 253,413	\$ 183,008	\$ 61,118	\$ 963,264
Additions	-	349,649	25,337	15,418	156,080	546,484
Disposals	-	(559)	(1)	(3,620)	-	(4,180)
Reclassification	-	222,110	30,102	-	(114,198)	138,014
Exchange differences	<u>(8)</u>	<u>12,842</u>	<u>1,748</u>	<u>674</u>	<u>(414)</u>	<u>14,842</u>
Balance at 30 September 2017	<u>\$ 106,609</u>	<u>\$ 943,150</u>	<u>\$ 310,599</u>	<u>\$ 195,480</u>	<u>\$ 102,586</u>	<u>\$ 1,658,424</u>
<u>Accumulated depreciation</u>						
Balance at 1 January 2017	\$ -	\$ 129,814	\$ 131,456	\$ 85,587	\$ -	\$ 346,857
Depreciation	-	13,790	14,418	15,590	-	43,798
Disposals	-	(559)	-	(3,065)	-	(3,624)
Exchange differences	<u>-</u>	<u>354</u>	<u>679</u>	<u>452</u>	<u>-</u>	<u>1,485</u>
Balance at 30 September 2017	<u>\$ -</u>	<u>\$ 143,399</u>	<u>\$ 146,553</u>	<u>\$ 98,564</u>	<u>\$ -</u>	<u>\$ 388,516</u>
Balance at 1 January 2017, net	<u>\$ 106,617</u>	<u>\$ 229,294</u>	<u>\$ 121,957</u>	<u>\$ 97,421</u>	<u>\$ 61,118</u>	<u>\$ 616,407</u>
Balance at 30 September 2017, net	<u>\$ 106,609</u>	<u>\$ 799,751</u>	<u>\$ 164,046</u>	<u>\$ 96,916</u>	<u>\$ 102,586</u>	<u>\$ 1,269,908</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction Progress and Equipment Awaiting Examination	Total
<u>Cost</u>						
Balance at 1 January 2018	\$ 120,537	\$ 997,857	\$ 333,869	\$ 201,779	\$ 131,117	\$ 1,785,159
Additions	676	12,647	40,270	38,047	309,576	401,216
Disposals	-	-	(2,995)	(7,852)	-	(10,577)
Reclassification	-	292,767	24,989	7,904	(328,444)	(2,784)
Exchange differences	<u>940</u>	<u>5,507</u>	<u>1,816</u>	<u>688</u>	<u>(434)</u>	<u>8,517</u>
Balance at 30 September 2018	<u>\$ 122,153</u>	<u>\$ 1,308,778</u>	<u>\$ 397,949</u>	<u>\$ 240,836</u>	<u>\$ 111,815</u>	<u>\$ 2,181,531</u>
<u>Accumulated depreciation</u>						
Balance at 1 January 2018	\$ -	\$ 150,975	\$ 146,975	\$ 101,513	\$ -	\$ 399,463
Depreciation	-	23,405	22,394	21,041	-	66,840
Disposals	-	-	(2,053)	(6,491)	-	(8,544)
Exchange differences	<u>-</u>	<u>796</u>	<u>455</u>	<u>391</u>	<u>-</u>	<u>1,642</u>
Balance at 30 September 2018	<u>\$ -</u>	<u>\$ 175,176</u>	<u>\$ 167,771</u>	<u>\$ 116,454</u>	<u>\$ -</u>	<u>\$ 459,401</u>
Balance at 1 January 2018, net	<u>\$ 120,537</u>	<u>\$ 846,882</u>	<u>\$ 186,894</u>	<u>\$ 100,266</u>	<u>\$ 131,117</u>	<u>\$ 1,385,696</u>
Balance at 30 September 2018, net	<u>\$ 122,153</u>	<u>\$ 1,133,602</u>	<u>\$ 230,178</u>	<u>\$ 124,382</u>	<u>\$ 111,815</u>	<u>\$ 1,722,130</u>

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	10-30 years
Machinery and equipment	10 years
Other equipment	3-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

15. INTANGIBLE ASSETS

	30 September 2018	31 December 2017	30 September 2017
Customer list	\$ 8,836	\$ 10,959	\$ 11,497
Operating Licenses and Trademarks	<u>5,947</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,783</u>	<u>\$ 10,959</u>	<u>\$ 11,497</u>

The Group continuously recognized amortization costs for the nine month period and acquired intangible assets of \$6,679 thousand in May 2018. Except the amortization and acquisition, the Group did not have significant disposal or impairment of intangible assets during the nine months ended 30 September 2018 and 2017. The above items of intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Customer list	5 years
Operating Licenses and Trademarks	3 years

16. LONG-TERM PREPAYMENTS FOR LEASE

	30 September 2018	31 December 2017	30 September 2017
Non-current assets	<u>\$ 124,672</u>	<u>\$ 124,910</u>	<u>\$ 124,598</u>

The above long-term prepayments for lease pertain to payment for purchase of the right to use land located in Singapore and Malaysia, the existence period of the land use right were from the date of registration to 1 March 2047, 11 May 2050 and 25 June 2096, respectively.

17. BORROWINGS

a. Short-term borrowings

	30 September 2018	31 December 2017	30 September 2017
Bank overdrafts	\$ -	\$ 2,661	\$ 6,759
Secured bank loans*	<u>146,842</u>	<u>146,898</u>	<u>68,481</u>
	<u>\$ 146,842</u>	<u>\$ 149,559</u>	<u>\$ 75,240</u>

* The range of weighted average effective interest rate on bank loans was 2.20-7.85 %, 2.49%-7.85% and 6.65%-7.85% per annum as of 30 September 2018, 31 December 2017 and 30 September 2017, respectively.

Details on property, plant and equipment pledged as security for borrowings are disclosed in Note 29.

b. Long-term borrowings

	Maturity	Significant Terms	30 September 2018	31 December 2017	30 September 2017
Secured bank loans*	2010.05.13- 2037.03.28	Principal and interest are paid monthly	\$ 973,164	\$ 751,156	\$ 766,817
Finance leases*	2013.10.21- 2023.04.06	Principal and interest are paid monthly	98,662	67,377	54,678
			<u>1,071,826</u>	<u>818,533</u>	<u>821,495</u>
Less: Current portion			<u>(136,879)</u>	<u>(74,645)</u>	<u>(93,196)</u>
Long-term borrowings			<u>\$ 934,947</u>	<u>\$ 743,888</u>	<u>\$ 728,299</u>

* The range of weighted average effective interest rate on bank loans was 1.38%-8.13%, 1.38%-8.13% and 1.38%-8.13% per annum as of 30 September 2018, 31 December 2017 and 30 September 2017, respectively.

KSFC acquired new bank borrowing facilities of \$431,901 thousand from DBS secured by KSFC's new factory. The purpose of this bank borrowing was for an acquisition of new factory. According to the long-term loan arrangement, KSFC should maintain a net worth of not lower than SGD7,500 thousand and the borrowing amount should not exceed 80% of the market value of the new factory.

Details on property, plant and equipment pledged as security for borrowings are disclosed in Note 29.

18. BONDS PAYABLE

a. Unsecured domestic convertible bonds

	30 September 2018	31 December 2017	30 September 2017
Principal amount	\$ 300,000	\$ 91,800	\$ 91,800
Discounts on bonds payable	<u>(22,802)</u>	<u>(1,450)</u>	<u>(1,987)</u>
	277,198	90,350	89,813
Less: Current portion	<u>-</u>	<u>(90,350)</u>	<u>(89,813)</u>
	<u>\$ 227,198</u>	<u>\$ -</u>	<u>\$ -</u>
Embedded derivatives	<u>\$ 2,880</u>	<u>\$ -</u>	<u>\$ -</u>
Equity component	<u>\$ 15,789</u>	<u>\$ 3,702</u>	<u>\$ 3,702</u>

The first unsecured domestic convertible bonds payable

- 1) Issue size and issue price: NT\$250,000 thousand, each with a face value of NT\$100 thousand, issued based on 100% of par value.
- 2) Coupon rate: 0% per annum.
- 3) Issue period: From 15 September 2015 to 15 September 2018
- 4) Terms of exchange:
 - a) Conversion Securities: Ordinary shares of the Company.
 - b) Conversion Period: The bonds are convertible at any time on or after 16 October 2015 and prior to 15 September 2018 into ordinary shares of the Company.
 - c) Conversion Price and Adjustment: The conversion price was originally NT\$38.8 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. As of 15 September 2018, the conversion price was adjusted to NT\$35.48 per share.
- 5) The Company's call option:

Under the following circumstances, effective from 1 month after the issuance until 40 days to maturity, the Company may recall the convertible bonds at par value per year:

- a) The closing price of the Company's common stocks exceeds 30% of the last adjusted conversion price for a period of 30 consecutive business days.
- b) The balance of the Company's total bonds currently in circulation falls lower than 10% of par value.

6) Bondholder's put option:

The bondholders will have the right, at such holder's option, to redeem the bonds held by such holder on the date that two years from the issuance date. (At par value with interest calculated at the rate of 2.01%.)

b. Unsecured domestic bonds payable conversions are as follows:

	1 January 2018 to 30 September 2018		1 January 2017 to 31 December 2017		1 January 2017 to 30 September 2017	
	Par Value of Convertible Bonds	Numbers of Shares Converted	Par Value of Convertible Bonds	Numbers of Shares Converted	Par Value of Convertible Bonds	Numbers of Shares Converted
Converted amount at the beginning	\$ 107,400	2,816,000	\$ 91,800	2,399,000	\$ 91,800	2,399,000
Converted amount during the period	<u> </u>	<u> -</u>	<u>15,600</u>	<u>417,000</u>	<u>15,600</u>	<u>417,000</u>
Converted amount at the end	<u>\$ 107,400</u>	<u>2,816,000</u>	<u>\$ 107,400</u>	<u>2,816,000</u>	<u>\$ 107,400</u>	<u>2,816,000</u>

In September 2017, the bondholders redeemed the bonds at par value \$50,800 thousand (with interest \$1,021 thousand). The Company recognized a loss on redemption of bonds payable of \$2,121 thousand.

The outstanding convertible bonds were fully repaid on 15 September 2018.

The second unsecured domestic convertible bonds payable

- 1) Issue size and issue price: NT\$300,000 thousand, each with a face value of NT\$100 thousand, issued based on 100% of par value.
- 2) Coupon rate: 0% per annum.
- 3) Issue period: From 10 September 2018 to 10 September 2023
- 4) Terms of exchange:
 - a) Conversion Securities: Ordinary shares of the Company.
 - b) Conversion Period: The bonds are convertible at any time on or after 11 January 2019 and prior to 10 September 2023 into ordinary shares of the Company.
 - c) Conversion Price and Adjustment: The conversion price was originally NT\$30 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

5) The Company's call option:

Under the following circumstances, effective from 4 month after the issuance until 40 days to maturity, the Company may recall the convertible bonds at par value per year:

- a) The closing price of the Company's common stocks exceeds 30% of the last adjusted conversion price for a period of 30 consecutive business days.
- b) The balance of the Company's total bonds currently in circulation falls lower than 10% of par value.

6) Bondholder's put option:

The bondholders will have the right, at such holder's option, to redeem the bonds held by such holder on the date that three years from the issuance date. (At par value with interest calculated at the rate of 1.5075%.)

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.1341% per annum on initial recognition.

19. OTHER PAYABLES

	30 September 2018	31 December 2017	30 September 2017
Payables for salaries or bonus	\$ 41,431	\$ 40,168	\$ 43,557
Other payables - related parties	44	-	68
Payables for purchase or maintenance of equipment	57,360	41,256	38,235
Penalty payable (Note 30)	59,966	-	-
Others	<u>36,130</u>	<u>50,718</u>	<u>47,919</u>
	<u>\$ 194,931</u>	<u>\$ 132,142</u>	<u>\$ 129,779</u>

20. EQUITY

Share Capital - Ordinary Shares

	30 September 2018	31 December 2017	30 September 2017
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>36,816</u>	<u>36,816</u>	<u>36,816</u>
Shares issued	<u>\$ 368,165</u>	<u>\$ 368,165</u>	<u>\$ 368,165</u>

As at 30 September 2018, the bonds holders had exercised their right to convert bonds into 28,165 shares of NT\$10 par value ordinary share of the Company. The newly issued shares had been approved and registered with relevant authorities.

Capital Surplus

	30 September 2018	31 December 2017	30 September 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)			
Additional paid-in capital	\$ 113,106	\$ 113,106	\$ 113,106
Arising from conversion of bonds	78,179	78,179	78,179
May be used to offset a deficit (Note 2)			
Arising from expired share options	5,750	2,048	2,048
May not be used for any purpose			
Arising from share options	<u>15,789</u>	<u>3,702</u>	<u>3,702</u>
	<u>\$ 212,824</u>	<u>\$ 197,035</u>	<u>\$ 197,035</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

Note 2: Such capital surplus may be used to offset a deficit.

Retained Earnings and Dividend Policy

According to the Company's Memorandum and Articles of Association, the Company may distribute profits in accordance with a proposal for profit distribution approved by the Board and sanctioned by the Shareholders by an Ordinary Resolution in annual general meetings. The Board shall set aside out of profits for the relevant financial year: (i) a reserve for payment of tax for the relevant year; (ii) an amount to offset losses incurred in previous years; and (iii) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules. The remaining amount shall be distributed in the following sequence and manner upon approval by the Shareholders:

- a. No more than 3% as employees' bonus;
- b. No more than 3% as directors' bonus; and
- c. The balance as dividends to shareholders. The dividends shall not be less than 10% of net profit after tax earned in such financial year deducting reserves, employees' bonus and directors' bonus.

Dividends to the Shareholders and the employees' bonus may be distributed, in the discretion of the Board of Directors, by way of cash or by way of applying such sum in paying up in fall unissued shares or a combination of both for allocation and distribution to Shareholders or employees. Cash dividends to Shareholders shall not be less than 10 % of the total amount of dividends to Shareholders, provided, however, that the Board may adjust the cash dividends payout ratio in any given year based on the Company's net income and business operations for the respective financial year. When the employees' bonus is distributed by way of an issue of fully paid shares, the recipients may include qualified employees of the Company's subsidiaries. No unpaid dividend and bonus shall bear interest as against the Company.

In accordance with the Order No. 1010012865 issued by FSC on 6 April 2012, on the first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. The above-mentioned Order has no impact to the Company.

The distribution of earnings distribution and dividends per share for the years ended 31 December 2017 and 2016 was approved by the shareholders' meeting held on 25 June 2018 and on 19 June 2017, respectively. The details of earnings distribution and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
(Reversal) appropriation of special reserve	\$ (4,841)	\$ 43,296		
Common stock cash dividend	18,408	48,411	\$ 0.5	\$ 1.31

For information about the accrual basis of the employees' bonus and remuneration to directors and the actual appropriations, please refer to employee benefits expense in Note 22(e).

21. REVENUE

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Revenue from contracts with customers				
Revenue from sale of goods-fresh chicken	\$ 262,207	\$ 246,120	\$ 757,783	\$ 764,162
Revenue from live broilers and day old chick	388,549	355,960	1,217,900	926,002
Others	<u>55,622</u>	<u>64,040</u>	<u>140,353</u>	<u>205,004</u>
	<u>\$ 706,378</u>	<u>\$ 666,120</u>	<u>\$ 2,116,036</u>	<u>\$ 1,895,168</u>

Refer to Note 33 for information about disaggregation of revenue.

22. COMPREHENSIVE INCOME ITEM DETAILS

a. Other income

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Interest income	\$ 1,916	\$ 842	\$ 3,253	\$ 2,712
Others	<u>7</u>	<u>3</u>	<u>11</u>	<u>434</u>
	<u>\$ 1,203</u>	<u>\$ 845</u>	<u>\$ 3,264</u>	<u>\$ 3,146</u>

b. Other gains and losses

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Net foreign exchange gains (losses)	\$ (608)	\$ 1,152	\$ 2,725	\$ (666)
(Loss) gain on disposal of property, plant and equipment	(249)	34	(432)	(1)
Net gain arising on financial liabilities designated as at FVTPL	(3,905)	115	(3,905)	283
Loss on redemption of bonds payable	-	(2,121)	-	(2,121)
Penalty and fines (Note 30)	(60,014)	-	(60,014)	-
Others	<u>(4,858)</u>	<u>1,924</u>	<u>3,987</u>	<u>7,637</u>
	<u>\$ (69,634)</u>	<u>\$ 1,104</u>	<u>\$ (57,639)</u>	<u>\$ 5,132</u>

c. Finance costs

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Interest on bank borrowings	\$ 12,010	\$ 3,663	\$ 26,930	\$ 10,064
Interest on convertible bonds	<u>736</u>	<u>831</u>	<u>1,821</u>	<u>2,596</u>
	<u>\$ 12,746</u>	<u>\$ 4,494</u>	<u>\$ 28,751</u>	<u>\$ 12,660</u>

d. Depreciation and amortization

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Property, plant and equipment	<u>\$ 26,935</u>	<u>\$ 16,396</u>	<u>\$ 66,840</u>	<u>\$ 43,798</u>
An analysis of depreciation by function				
Operating costs	\$ 16,188	\$ 10,652	\$ 42,701	\$ 27,420
Operating expenses	<u>10,747</u>	<u>5,744</u>	<u>24,139</u>	<u>16,378</u>
	<u>\$ 26,935</u>	<u>\$ 16,396</u>	<u>\$ 66,840</u>	<u>\$ 43,798</u>

(Continued)

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Long-term prepayments for lease	\$ 680	\$ 86	\$ 862	\$ 293
Intangible assets	<u>1,493</u>	<u>713</u>	<u>2,993</u>	<u>2,576</u>
	<u>\$ 2,173</u>	<u>\$ 799</u>	<u>\$ 3,855</u>	<u>\$ 2,869</u>
An analysis of amortization by function				
Operating costs	\$ 680	\$ 86	\$ 862	\$ 293
Operating expenses	<u>1,493</u>	<u>713</u>	<u>2,993</u>	<u>2,576</u>
	<u>\$ 2,173</u>	<u>\$ 799</u>	<u>\$ 3,855</u>	<u>\$ 2,869</u>

(Concluded)

e. Employee benefits expense

	For the Three Months Ended 30 September					
	2018			2017		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Salaries	\$ 29,145	\$ 53,294	\$ 82,439	\$ 24,225	\$ 46,150	\$ 70,375
Provident fund and post-employee benefits - defined contribution plans	1,082	4,545	5,627	914	3,775	4,689
Other employee benefits	<u>4,363</u>	<u>3,196</u>	<u>7,559</u>	<u>3,637</u>	<u>2,276</u>	<u>5,913</u>
	<u>\$ 34,590</u>	<u>\$ 61,035</u>	<u>\$ 95,625</u>	<u>\$ 28,776</u>	<u>\$ 52,201</u>	<u>\$ 80,977</u>
	For the Nine Months Ended 30 September					
	2018			2017		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Salaries	\$ 84,232	\$ 148,123	\$ 232,355	\$ 76,594	\$ 145,056	\$ 221,650
Provident fund and post-employee benefits - defined contribution plans	2,978	12,686	15,664	3,304	11,327	14,631
Other employee benefits	<u>13,578</u>	<u>8,568</u>	<u>22,146</u>	<u>14,124</u>	<u>7,737</u>	<u>21,861</u>
	<u>\$ 100,788</u>	<u>\$ 169,377</u>	<u>\$ 270,165</u>	<u>\$ 94,022</u>	<u>\$ 164,120</u>	<u>\$ 258,142</u>

For the three months and nine months ended 30 September 2018 and 2017, the bonus to employees and the remuneration to directors were \$0 thousand each. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The amounts of the bonus to employees and the remuneration to directors for 2017 and 2016 approved by the shareholders' meetings on 25 June 2018 and on 19 June 2017 were \$0 thousand each.

There was no difference between the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meetings on 25 June 2018 and on 19 June 2017, and the respective amounts recognized in the consolidated financial statements for the years ended 31 December 2017 and 2016.

Information on the bonus to employees, directors and supervisors for 2017 and 2016 resolved by the shareholders' meeting in 2018 and 2017 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Current tax				
In respect of the current period	\$ (8,762)	\$ 3,576	\$ 571	\$ 20,959
Adjustments for prior periods	93	42	93	593
Deferred tax				
In respect of the current period	1,378	2,688	(1,841)	3,593
Adjustments for prior years	<u>(1,080)</u>	<u>(322)</u>	<u>(1,080)</u>	<u>(465)</u>
Income tax expense (benefit) recognized in loss (profit)	<u>\$ (8,371)</u>	<u>\$ 5,984</u>	<u>\$ (2,257)</u>	<u>\$ 24,680</u>

b. Income tax conditions imposed on the Group are as follows:

- 1) The Company was incorporated in the Cayman Islands, where companies are exempted from corporate income tax.
- 2) The Company's subsidiaries, KSH Company, KSFC Company, KSO Company, CLI Company, KSS Company and BBQHS Company were incorporated in Singapore; MKP Company, LKP Company, MW Company, KSJ Company, KSNF Company, KSA Company, KSR Company, and YKH Company were incorporated in Malaysia; YTH Company was incorporated in ROC. Income tax rate for profit-making companies for each country is as follows:

Singapore

- a) In accordance with the provisions of the Singapore Income Tax Act, the taxable income is determined as total revenue for this financial year less cost of sales, operating expenses, loss, tax incentives and tax exemptions. The net amount will be the basis for calculating the profit-seeking enterprise income tax for this financial year.

- b) In accordance with the Singapore Income Tax Act, 75% on the first SGD10,000 of taxable income is exempted; 50% on the next SGD10,000 - SGD290,000 of the taxable income is exempted.
- c) Local corporate tax rate is 17%.

Malaysia

- a) In accordance with the provisions of the Malaysia Income Tax Act, the taxable income is determined as total revenue for this financial year less cost of sales, operating expenses, loss, tax incentives and tax exemptions. The net amount will be the basis for calculating the profit-seeking enterprise income tax for the financial year.
- b) Local corporate tax rate is 24%.

Taiwan

- a) In accordance with the provisions of the Taiwan ROC Income Tax Act, the taxable income is determined as total revenue for this financial year less cost of sales, operating expenses, loss, tax incentives and tax exemptions. The net amount will be the basis for calculating the profit-seeking enterprise income tax for the financial year.
- b) Local corporate tax rate was 17% in or before 2017. Local corporate tax rate adjusted from 17% to 20%, effective in 1 January 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.
- c. Income tax assessments

The income tax returns through 2016 of KSH Company, KSFC Company, KSO Company, MKP Company, LKP Company, MW Company, KSJ Company, KSNF Company, KSA Company, KSR Company, YKH Company and YTH Company have been examined and cleared by the tax authorities.

24. EARNINGS (LOSSES) PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings/(losses) per share from continuing operations were as follows:

Net Profit for the Period

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Earnings (losses) used in computation of basic earnings (losses) per share	\$ (125,322)	\$ 7,787	\$ (117,055)	\$ 53,380
Convertible bonds	<u>-</u>	<u>461</u>	<u>-</u>	<u>1,401</u>
Earnings (losses) used in computation of diluted earnings (losses) per share	<u>\$ (125,322)</u>	<u>\$ 8,248</u>	<u>\$ (117,055)</u>	<u>\$ 54,781</u>

Weighted Average Number of Ordinary Shares Outstanding

(In Thousand Shares)

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	36,816	36,816	36,816	36,631
Effect of potentially dilutive ordinary shares				
Convertible bonds	<u>-</u>	<u>2,542</u>	<u>-</u>	<u>2,542</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>36,816</u>	<u>39,358</u>	<u>36,816</u>	<u>39,173</u>

If the outstanding convertible bonds issued by the Company were converted to ordinary shares for the three months and nine months ended 30 September 2018, they were anti-dilutive and excluded from the computation of diluted earnings per share.

25. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

The Group leased lands and buildings under operating leases. The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	30 September 2018	31 December 2017	30 September 2017
Not later than 1 year	\$ 8,818	\$ 8,970	\$ 9,432
Later than 1 year and not later than 5 years	<u>9,354</u>	<u>1,041</u>	<u>1,739</u>
	<u>\$ 18,172</u>	<u>\$ 10,011</u>	<u>\$ 11,171</u>

26. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

- 1) Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	<u>30 September 2018</u>		<u>31 December 2017</u>		<u>30 September 2017</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Financial liabilities measured at amortized cost						
Convertible bonds	\$ 277,198	\$ 273,000	\$ 90,350	\$ 91,708	\$ 89,813	\$ 93,636

- 2) Fair value hierarchy

30 September 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	<u>\$ 273,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,000</u>

31 December 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	<u>\$ 91,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,708</u>

30 September 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	<u>\$ 93,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,636</u>

b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

30 September 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Financial liabilities held for trading	\$ -	\$ 3,005	\$ -	\$ 3,005
Embedded derivatives	<u>-</u>	<u>2,880</u>	<u>-</u>	<u>2,880</u>
	<u>\$ -</u>	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ 5,885</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Embedded derivatives	Derive fair value of derivatives instruments with the inputs from observable assets and liabilities in the market.
Derivatives - interest rate swap contracts	Discounted cash flow. Future cash flows are estimated based on observable market interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	30 September 2018	31 December 2017	30 September 2017
<u>Financial assets</u>			
Loans and receivables (Note 1)	\$ -	\$ 540,151	\$ 640,831
Financial assets at amortized cost (Note 2)	651,355	-	-
<u>Financial liabilities</u>			
Financial liabilities at FVTPL held for trading	5,885	-	-
Amortized cost (Note 3)	1,971,559	1,359,849	1,306,854

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents (cash on hand excluded), trade receivables, other receivable and other financial assets and guarantee deposits.

Note 2: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents (cash on hand excluded), trade receivables, other receivable and other financial assets and guarantee deposits.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, other payables, bonds payable (including bonds payable-current portion), long-term borrowings (including long-term borrowings-current portion) and deposits received.

d. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

1) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk (see (a) below) and interest rate risk (see (b) below).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable; there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. Foreign currency risk is not material to the Group.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at floating interest rates and bank borrowings with floating interest rates.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	30 September 2018	31 December 2017	30 September 2017
Fair value interest rate risk			
Financial assets	\$ 13,538	\$ 13,358	\$ 13,255
Cash flow interest rate risk			
Financial assets	381,200	321,931	408,630
Financial liabilities	(1,218,668)	(1,058,442)	(986,549)

Sensitivity analysis

The sensitivity analysis were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended 30 September 2018 and 2017 would decrease/increase by \$628 thousand and \$433 thousand, respectively.

2) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As at 30 September 2018, 31 December 2017 and 30 September 2017, trade receivables from top ten customers represent 53%, 50% and 60% of the total trade receivables of the Group, respectively.

The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

3) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with floating interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	On Demand or Less than 1 Year	1-2 Years	2-5 Years	5+ Years
<u>30 September 2018</u>				
Trade payable	\$ 475,247	\$ -	\$ -	\$ -
Bonds payable	-	-	304,523	-
Borrowings	<u>321,611</u>	<u>231,344</u>	<u>494,671</u>	<u>508,853</u>
	<u>\$ 796,858</u>	<u>\$ 231,344</u>	<u>\$ 799,194</u>	<u>\$ 508,853</u>
<u>31 December 2017</u>				
Trade payable	\$ 301,363	\$ 44	\$ -	\$ -
Bonds payable	91,800	-	-	-
Borrowings	<u>256,228</u>	<u>177,712</u>	<u>233,861</u>	<u>447,200</u>
	<u>\$ 649,391</u>	<u>\$ 177,756</u>	<u>\$ 233,861</u>	<u>\$ 447,200</u>

(Continued)

	On Demand or Less than 1 Year	1-2 Years	2-5 Years	5+ Years
<u>30 September 2017</u>				
Trade payable	\$ 320,246	\$ 60	\$ -	\$ -
Bonds payable	91,800	-	-	-
Borrowings	<u>162,594</u>	<u>177,658</u>	<u>239,429</u>	<u>463,679</u>
	<u>\$ 574,640</u>	<u>\$ 177,718</u>	<u>\$ 239,429</u>	<u>\$ 463,679</u> (Concluded)

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties were disclosed below.

a. Related parties names/categories

Related Parties Names	Related Parties Categories
Project Dignity Pte. Ltd.	Other related parties
Excelsior Management Sdn. Bhd.	Other related parties
Otemchi Biotechnologies Pte. Ltd.	Other related parties
Otemchi Biotechnologies Sdn Bhd	Other related parties
Agro Worldwide Sdn. Bhd.	Other related parties
Lee Kim Kiong	Other related parties
Lee Wee Keng	Other related parties
Ong Kian San	Key management personnel
Ong Kee Song	Key management personnel

b. Sales of goods

Related Parties Categories	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Other related parties	<u>\$ 342</u>	<u>\$ 272</u>	<u>\$ 936</u>	<u>\$ 914</u>

Selling prices and terms of sales from related parties were similar to those from third parties.

c. Purchases of goods

Related Parties Categories	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Other related parties	<u>\$ 3,318</u>	<u>\$ 4,924</u>	<u>\$ 20,179</u>	<u>\$ 12,930</u>

Purchase prices and terms of purchases from related parties were similar to those from third parties.

d. Operating expense - rental expense

Related Parties Categories	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Key management personnel	<u>\$ 112</u>	<u>\$ 106</u>	<u>\$ 337</u>	<u>\$ 246</u>

Rental of office from related parties, lease prices were refer to the general local rent prices.

e. Other gains and losses

Related Parties Categories	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Other related parties	<u>\$ 33</u>	<u>\$ 62</u>	<u>\$ 101</u>	<u>\$ 235</u>

f. Trade receivables from related parties

Related Parties Categories	30 September 2018	31 December 2017	30 September 2017
Other related parties	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 54</u>

g. Other receivables from related parties

Related Parties Categories	30 September 2018	31 December 2017	30 September 2017
Other related parties	<u>\$ 84</u>	<u>\$ 89</u>	<u>\$ 155</u>

h. Trade payables to related parties

Related Parties Categories	30 September 2018	31 December 2017	30 September 2017
Other related parties	<u>\$ 2,507</u>	<u>\$ 1,418</u>	<u>\$ 3,223</u>

i. Other payables to related parties

Related Parties Categories	30 September 2018	31 December 2017	30 September 2017
Other related parties - Lee Kim Kiong	\$ -	\$ -	\$ 45
Other related parties	<u>44</u>	<u>-</u>	<u>23</u>
	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 68</u>

j. Compensation of key management personnel

	1 July 2018 to 30 September 2018	1 July 2017 to 30 September 2017	1 January 2018 to 30 September 2018	1 January 2017 to 30 September 2017
Short-term employee benefits	\$ 11,028	\$ 10,566	\$ 32,414	\$ 35,336
Post-employment benefits	<u>746</u>	<u>550</u>	<u>2,338</u>	<u>1,901</u>
	<u>\$ 11,774</u>	<u>\$ 11,116</u>	<u>\$ 34,752</u>	<u>\$ 37,237</u>

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral:

	30 September 2018	31 December 2017	30 September 2017
Property, plant and equipment	\$ 1,320,880	\$ 911,553	\$ 954,000
Financial assets at amortized cost - time deposits	13,538	-	-
Other financial assets - time deposits	<u>-</u>	<u>13,358</u>	<u>13,255</u>
	<u>\$ 1,334,418</u>	<u>\$ 924,911</u>	<u>\$ 967,255</u>

30. OTHER MATTERS

On 8 March 2016 and 21 December 2017, KSFC Company received a Notice of Proposed Infringement Decision (“PID”) and the Supplementary Proposed Infringement Decision (“SPID”) from the Competition Commission of Singapore (“CCS”). CCS has issued an Infringement Decision (“ID”) against thirteen fresh chicken distributors for engaging in anti-competitive agreements to coordinate the amount and timing of price increases, and agreeing not to compete for each other’s customers in the market for the supply of fresh chicken products in Singapore on 12 September 2018. CCS has imposed the financial penalties on the thirteen fresh chicken distributors, including KSFC Company, whose amounted to SGD 2,689 thousand (approximately NTD 60,014 thousand), and the penalty was recorded under “other gains and losses”. KSFC Company has appointed attorney-at-law to appeal against the financial penalty.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

30 September 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
SGD	\$ 13,039	22.30	\$ 290,768
MYR	28,396	7.36	209,093

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
SGD	\$ 41,428	22.30	\$ 923,843
MYR	103,874	7.36	764,873
			(Concluded)

31 December 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
SGD	\$ 15,983	22.21	\$ 354,915
MYR	23,879	7.31	174,456

Financial liabilities

Monetary items			
SGD	31,377	22.21	696,749
MYR	82,259	7.31	600,966

30 September 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
SGD	\$ 19,509	22.36	\$ 436,311
MYR	26,297	7.19	188,965

Financial liabilities

Monetary items			
SGD	31,081	22.36	695,131
MYR	74,881	7.19	538,083

For the nine months ended 30 September 2018 and 2017, net foreign exchange gains (losses) were \$2,725 thousand and \$(666) thousand, respectively. It is impractical to disclose net foreign exchange gain (losses) by each significant foreign currency due to the variety of the foreign currency transactions functional currencies of the group entities.

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 2.

- 2) Endorsements/guarantees provided: Table 3.
 - 3) Marketable securities held: None.
 - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: Notes 7, 22 and 27.
 - 10) Intercompany relationships and significant intercompany transactions: Table 1.
 - 11) Information on investees: Table 4.
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: None.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.

33. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

- a. Poultry and processing distribution: Engages in business of importing, slaughtering, wholesaling and retailing poultry and consumable goods of all kinds;
- b. Poultry farming: Engages in the business of poultry farming;

The other operating segments not reported above have been aggregated and disclosed under other operating segments below.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices among operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Poultry and Processing Distribution	Poultry Farming	Subtotal	Other Operating Segments (Note 1)	Adjustments and Eliminations (Note 2)	Total
<u>1 January 2018 to 30 September 2018</u>						
External customer	\$ 890,536	\$ 1,221,814	\$ 2,112,350	\$ 3,686	\$ -	\$ 2,116,036
Inter-company	<u>3,217</u>	<u>463,319</u>	<u>466,536</u>	<u>13,257</u>	<u>(479,793)</u>	<u>-</u>
Segment revenue	<u>\$ 893,753</u>	<u>\$ 1,685,133</u>	<u>\$ 2,578,886</u>	<u>\$ 16,943</u>	<u>\$ (479,793)</u>	<u>\$ 2,116,036</u>
Segment profit (loss)	<u>\$ (62,741)</u>	<u>\$ (38,421)</u>	<u>\$ (101,162)</u>	<u>\$ (23,563)</u>	<u>\$ 5,766</u>	<u>\$ (118,959)</u>
<u>1 January 2017 to 30 September 2017</u>						
External customer	\$ 958,302	\$ 932,577	\$ 1,890,879	\$ 4,289	\$ -	\$ 1,895,168
Inter-company	<u>12</u>	<u>453,662</u>	<u>453,674</u>	<u>22,760</u>	<u>(476,434)</u>	<u>-</u>
Segment revenue	<u>\$ 958,314</u>	<u>\$ 1,386,239</u>	<u>\$ 2,344,553</u>	<u>\$ 27,049</u>	<u>\$ (476,434)</u>	<u>\$ 1,895,168</u>
Segment profit (loss)	<u>\$ 27,813</u>	<u>\$ 79,633</u>	<u>\$ 107,446</u>	<u>\$ (12,505)</u>	<u>\$ 853</u>	<u>\$ 95,794</u>

Note 1: Other operating segments are those which never meet the quantitative thresholds for reportable segment.

Note 2: Inter-segment revenues are eliminated on consolidation and recorded under the "adjustment and elimination" column.

TABLE 1

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	For the nine months ended 30 September 2018						
	The Company	KSFC Company	a	Other receivables	\$ 66,900	Normal	1
1	MKP Company	KSFC Company	c	Sales	389,599	Normal	18
		KSFC Company	c	Trade payables	35,207	Normal	1
		LKP Company	c	Sales	55,117	Normal	3
		LKP Company	c	Trade receivables	18,200	Normal	1
		LKP Company	c	Other receivables	23,563	Normal	1
2	KSH Company	MKP Company	c	Other receivables	33,872	Normal	1
3	KSA Company	KSR Company	c	Other receivables	38,380	Normal	1

Note 1: Business between the parent and subsidiaries is numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered from 1 in order.

Note 2: Relationship between parties is numbered as follows:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. One subsidiary to another subsidiary.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: If the account is a balance sheet account, it was calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it was calculated by dividing the interim cumulative balance into consolidated operating revenues.

Note 4: Important dealings circumstances of this table by the Group is in accordance with the principle of deciding whether to significant expression and the amounts were over NT\$10,000 thousand (included).

Note 5: Offset in the preparation of the consolidated financial statements.

TABLE 2

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limits (Note 4)
													Item	Value		
0	The Company	KSFC Company	Other receivables	Yes	\$ 223,000 (SGD 10,000)	\$ 223,000 (SGD 10,000)	\$ 66,900 (SGD 3,000)	-	b	\$ -	Working capital	\$ -	-	\$ -	\$ 741,904	\$ 741,904
1	KSH Company	MKP Company	Other receivables	Yes	36,817 (MYR 5,000)	36,817 (MYR 5,000)	33,872 (MYR 4,600)	-	b	-	Working capital	-	-	-	814,884	814,884
		YKH Company	Other receivables	Yes	2,319 (MYR 315)	2,319 (MYR 315)	2,319 (MYR 315)	-	b	-	Working capital	-	-	-	814,884	814,884
		KSFC Company	Other receivables	Yes	111,500 (SGD 5,000)	111,500 (SGD 5,000)	4,460 (SGD 200)	-	b	-	Working capital	-	-	-	814,884	814,884
		KSO Company	Other receivables	Yes	22,300 (SGD 1,000)	22,300 (SGD 1,000)	16,725 (SGD 750)	-	b	-	Working capital	16,725	-	-	325,954	814,884
2	MKP Company	LKP Company	Other receivables	Yes	23,563 (MYR 3,200)	29,454 (MYR 4,000)	23,563 (MYR 3,200)	-	b	-	Working capital	-	-	-	148,701	148,701
3	KSFC Company	KSO Company	Other receivables	Yes	22,300 (SGD 1,000)	- SGD -	- SGD -	-	b	-	Working capital	-	-	-	159,492	398,731
4	MW Company	MKP Company	Other receivables	Yes	3,166 (MYR 430)	3,166 (MYR 430)	3,166 (MYR 430)	-	b	-	Working capital	-	-	-	5,404	5,404
5	CLI Company	KSFC Company	Other receivables	Yes	8,920 (SGD 400)	8,920 (SGD 400)	6,690 (SGD 300)	-	b	-	Working capital	-	-	-	8,943	8,943
6	KSA Company	KSR Company	Other receivables	Yes	36,936 (MYR 5,016)	36,936 (MYR 5,016)	33,988 (MYR 4,616)	-	b	-	Working capital	-	-	-	232,486	232,486

Note 1: Business between the parent and subsidiaries is numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered from 1 in order.

Note 2: Nature of transactions are categorized as follows:

- a. Receivables from related companies.
- b. Receivables from related parties.
- c. Contracts with shareholders.
- d. Prepayments.
- e. Payment on behalf.
- f. Etc.

Note 3: Nature of financing is numbered as follows:

- a. With those who have business dealings.
- b. With those who have short term loan borrowing.

Note 4: According to “Procedures for Lending Fund to Other Parties” of the Company, the accumulated balance of loan and the amount of loan lent to any individual entity by the Company and its subsidiaries shall not exceed 40% of the Company’s net worth. The restriction shall not apply to inter-company loans of funds between foreign companies in which the public company holds, directly or indirectly, 100% of the voting shares.

Note 5: Offset in the preparation of the consolidated financial statements.

TABLE 3**KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 3 and 4)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	KSFC Company	c	\$ 1,483,808	\$ 106,702 (US\$ 3,500)	\$ 91,459 (US\$ 3,000)	\$ - (US\$ -)	\$ -	12.33	\$ 2,967,616	Y	N	N
1	KSH Company	MKP Company	c	1,629,768	347,739 (MYR 47,225)	347,739 (MYR 47,225)	173,060 (MYR 23,503)	264,510	46.87	3,259,536	N	N	N
		LKP Company	c	1,629,768	67,081 (MYR 9,110)	63,399 (MYR 8,610)	9,285 (MYR 1,261)	38,143	8.55	3,259,536	N	N	N
		KSFC Company	c	1,629,768	1,147,917 (SGD 51,476)	1,147,917 (SGD 51,476)	748,451 (SGD 33,563)	841,913	154.73	3,259,536	N	N	N
		KSR Company	c	1,629,768	26,808 (MYR 3,641)	26,808 (MYR 3,641)	33,988 (MYR 4,616)	26,808	3.61	3,259,536	N	N	N
		KSA Company	c	1,629,768	518,927 (MYR 70,473)	518,927 (MYR 70,473)	336,695 (MYR 45,725)	390,066	69.95	3,259,536	N	N	N
2	MKP Company	LKP Company	c	297,402	957 (MYR 130)	957 (MYR 130)	361 (MYR 49)	957	0.13	594,803	N	N	N

Note 1: Business between the parent and subsidiaries is numbered as follows:

- Parent: 0.
- Subsidiaries are numbered from 1 in order.

Note 2: Relationship information of endorser and endorsee are categorized as follows:

- Direct holding of the subsidiaries' common stocks for more than 50%.
- Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- Direct and indirect holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.

Note 3: The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceeded of 200% of the individual companies' net assets.

Note 4: The maximum balance of endorsement/guarantee in total cannot exceeded of 400% of the individual companies' net assets.

TABLE 4

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of 30 September 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				30 September 2018	31 December 2017	Shares	Percentage of Ownership	Carrying Amount			
The Company	KSH Company	Singapore	Investment holding	\$ 292,190 (SGD 12,519)	\$ 292,190 (SGD 12,519)	12,519,061	100	\$ 814,884	\$ (102,609) (SGD (4,598))	\$ (102,609) (SGD (4,598))	Note 1
KSH Company	KSFC Company	Singapore	Slaughtering and poultry distribution	86,307 (SGD 3,800)	86,307 (SGD 3,800)	3,800,000	100	398,731 (SGD 17,880)	(58,795) (SGD (2,634))	(58,795) (SGD (2,634))	Note 1
	MKP Company	Malaysia	Poultry farming	181,332 (MYR 20,000)	181,332 (MYR 20,000)	13,000,000	100	149,620 (SGD 6,709)	(34,256) (SGD (1,535))	(32,308) (SGD (1,448))	Note 1
	YTH Company	Taiwan	Poultry farming and distribution	14,000	14,000	1,400,000	100	3,338 (SGD 150)	(66) (SGD (3))	(66) (SGD (3))	Note 1
	KSNF Company	Malaysia	Layer farming	- (MYR -)	- (MYR -)	2	100	(219) (SGD (10))	(33) (SGD (1))	(33) (SGD (1))	Note 1
	KSA Company	Malaysia	Poultry farming and distribution	108,778 (MYR 12,600)	108,778 (MYR 12,600)	12,600,000	70	162,740 (SGD 7,298)	(4,063) (SGD (182))	(2,844) (SGD (127))	Note 1
	YKH Company	Malaysia	Investment holding	- (MYR -)	- (MYR -)	2	100	(251) (SGD (11))	(125) (SGD (6))	(125) (SGD (6))	Note 1
	KSR Company	Malaysia	Property investment	6,261 (MYR 735)	6,261 (MYR 735)	735,000	49	5,530 (SGD 248)	132 (SGD 6)	64 (SGD 3)	Note 1
	KSO Company	Singapore	Processing and marking of seafood products	1,365 (SGD 60)	1,365 (SGD 60)	60,000	60	Note 2	Note 2	Note 2	Note 1, 2
	CLI Company	Singapore	Transportation Support	11,145 (SGD 500)	11,145 (SGD 500)	500,000	100	8,943 (SGD 401)	(2,305) (SGD (103))	(2,305) (SGD (103))	Note 1
	KSS Company	Singapore	Processing and preserving of meat and meat products	- (SGD -)	- (SGD -)	2	100	(1,845) (SGD (83))	(1,847) (SGD (83))	(1,847) (SGD (83))	Note 1
	BBQHS Company	Singapore	Food caterers	- (SGD -)	- (SGD -)	2	100	85 (SGD 4)	85 (SGD 4)	85 (SGD 4)	Note 1
MKP Company	LKP Company	Malaysia	Processing and poultry distribution	60,976 (MYR 6,250)	60,976 (MYR 6,250)	4,000,000	100	19,259 (MYR 2,615)	(3,632) (MYR (484))	(3,632) (MYR (484))	Note 1
	MW Company	Malaysia	Property investment	5,949 (MYR 616)	5,949 (MYR 616)	616,000	100	5,404 (MYR 734)	19 (MYR 3)	19 (MYR 3)	Note 1
	KSJ Company	Malaysia	Manufacturing of poultry feed products	28,219 (MYR 3,000)	28,219 (MYR 3,000)	3,000,000	100	14,277 (MYR 1,939)	(9) (MYR (1))	(9) (MYR (1))	Note 1
YKH Company	KSR Company	Malaysia	Property investment	2,683 (MYR 315)	2,683 (MYR 315)	315,000	21	2,370 (MYR 322)	132 (SGD 6)	28 (SGD 1)	Note 1
KSH Company	Singapore Poultry Hub Pte. Ltd.	Singapore	Slaughtering and poultry distribution	18,150 (SGD 875)	2,897 (SGD 125)	875,000	25	18,151 (SGD 814)	- (SGD -)	- (SGD -)	
	Iceberg Cold Storage Pte. Ltd.	Singapore	Cold storage	1 (SGD -)	1 (SGD -)	30	30	1 (SGD -)	- (SGD -)	- (SGD -)	

Note 1: Offset in the preparation of the consolidated financial statements.

Note 2: Under liquidation.

TABLE 5

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
MKP Company	KSFC Company	Affiliated company	Sale	\$ (389,599)	(82.41)	30 days	\$ -	-	\$ (35,207)	37.84	

Note: Offset in the preparation of the consolidated financial statements.