

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 2019 and 2018 and
Independent Auditors' Review Report**

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 AND 2018

Table of Content	Page No.	Note Ref.
Cover	-	-
Table of Content	-	-
Independent Auditors' Review Report	-	-
Consolidated Balance Sheets	1	-
Consolidated Statements of Comprehensive Income	2-3	-
Consolidated Statements of Changes in Equity	4	-
Consolidated Statements of Cash Flows	5-6	-
Notes to Consolidated Financial Statements:		
1. General information	7	1
2. Approval of financial statements	7	2
3. Applications of new and revised standards, amendments and interpretations	7-10	3
4. Summary of significant accounting policies	10-12	4
5. Critical accounting judgments and key sources of estimation uncertainty	12	5
6. Contents of significant accounts	13-41	6-29
7. Transactions with related parties	41-43	30
8. Assets pledged as collateral or for security	43	31
9. Significant contingent liabilities and unrecognized commitments	-	-
10. Losses due to major disasters	-	-
11. Significant subsequent events	-	-
12. Other disclosures	43-45	32, 33
13. Separately disclosed items		
a. Information about significant transactions	45, 47-49, 51-52	34
b. Information about investees	45, 50	34
c. Information on investments in mainland China	45	34
14. Segment information	46	35

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	30 September 2019 (Reviewed)		31 December 2018 (Audited)		30 September 2018 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 236,381	8	\$ 302,004	11	\$ 383,054	14
Financial assets at amortized cost - current (Notes 4, 8 and 31)	5,908	-	13,662	-	13,538	-
Trade receivables (Notes 4, 9 and 30)	239,448	9	218,818	8	223,410	8
Other receivables (Notes 9 and 30)	30,291	1	40,842	1	33,203	1
Current tax assets (Note 4)	22,857	1	17,585	1	36,903	1
Inventories (Notes 4 and 10)	35,753	1	24,976	1	30,189	1
Biological assets - current (Notes 4 and 11)	185,283	7	180,862	6	169,128	6
Prepayments (Note 3)	18,414	1	54,893	2	54,747	2
Total current assets	774,335	28	853,642	30	944,172	33
NON-CURRENT ASSETS						
Investments accounted for using equity method (Notes 4 and 13)	17,048	1	16,725	1	18,151	1
Property, plant and equipment (Notes 3, 4, 14 and 31)	1,701,455	60	1,744,166	62	1,722,130	61
Right-of-use assets (Notes 3, 4, 15 and 31)	139,715	5	-	-	-	-
Investment properties (Notes 4, 16 and 31)	49,658	2	50,515	2	-	-
Intangible assets (Notes 4 and 17)	13,628	-	13,536	1	14,783	1
Deferred tax assets (Note 4)	3,134	-	-	-	-	-
Prepayments for land, building and equipment (Notes 19, 31 and 34)	105,821	4	7,666	-	9,475	-
Guarantee deposits	847	-	277	-	4	-
Prepayment of investment (Notes 13)	3,370	-	-	-	-	-
Long-term prepayments for lease (Notes 3, 18 and 31)	-	-	124,191	4	124,672	4
Total non-current assets	2,034,676	72	1,957,076	70	1,889,215	67
TOTAL	<u>\$ 2,809,011</u>	<u>100</u>	<u>\$ 2,810,718</u>	<u>100</u>	<u>\$ 2,833,387</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 188,348	7	\$ 141,051	5	\$ 146,842	5
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 29)	9,338	-	8,878	-	5,885	-
Trade payables (Note 30)	322,325	12	291,193	11	280,316	10
Other payables (Notes 21 and 30)	142,517	5	248,184	9	194,931	7
Current tax liabilities (Note 4)	1,921	-	689	-	17,526	-
Lease liabilities - current (Notes 3, 4 and 15)	9,799	-	-	-	-	-
Current portion of long-term borrowings (Notes 19 and 31)	123,609	4	80,017	3	136,879	5
Total current liabilities	797,857	28	770,012	28	782,379	27
NON-CURRENT LIABILITIES						
Bonds payable (Note 20)	281,596	10	278,315	10	277,198	10
Long-term borrowings (Notes 19 and 31)	991,182	35	954,814	34	934,947	33
Deferred tax liabilities (Note 4)	9,272	1	14,265	-	23,382	1
Lease liabilities - non-current (Notes 3, 4 and 15)	4,756	-	-	-	-	-
Refundable deposits	688	-	394	-	446	-
Total non-current liabilities	1,287,494	46	1,247,788	44	1,235,973	44
Total liabilities	2,085,351	74	2,017,800	72	2,018,352	71
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Share capital						
Ordinary shares	368,198	13	368,165	13	368,165	13
Capital surplus	213,352	7	212,824	7	212,824	8
Retained earnings						
Special reserve	95,811	4	104,981	4	104,981	4
Unappropriated earnings	67,136	2	122,646	4	154,783	5
Total retained earnings	162,947	6	227,627	8	259,764	9
Other equity	(92,617)	(3)	(95,811)	(3)	(98,849)	(4)
Total equity attributable to owners of the Company	651,880	23	712,805	25	741,904	26
NON-CONTROLLING INTERESTS	71,780	3	80,113	3	73,131	3
Total equity	723,660	26	792,918	28	815,035	29
TOTAL	<u>\$ 2,809,011</u>	<u>100</u>	<u>\$ 2,810,718</u>	<u>100</u>	<u>\$ 2,833,387</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			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)	\$ 804,024	100	\$ 706,378	100	\$ 2,285,538	100	\$ 2,116,036	100
OPERATING COSTS (Notes 10, 24 and 30)	(670,440)	(83)	(653,569)	(93)	(1,996,728)	(87)	(1,855,423)	(88)
LOSS ARISING FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL BIOLOGICAL ASSETS (Note 11)	-	-	(5,849)	(1)	-	-	(5,849)	-
GROSS PROFIT	133,584	17	46,960	6	288,810	13	254,764	12
OPERATING EXPENSES (Notes 24 and 30)								
Selling and marketing expenses	(57,035)	(7)	(58,497)	(8)	(176,594)	(8)	(153,118)	(7)
General and administrative expenses	(56,479)	(7)	(51,105)	(7)	(172,729)	(8)	(139,417)	(7)
Expected credit loss (Note 9)	(2,349)	(1)	1,965	-	(1,825)	-	1,938	-
Total operating expenses	(115,863)	(15)	(107,637)	(15)	(351,148)	(16)	(290,597)	(14)
PROFIT (LOSS) FROM OPERATIONS	17,721	2	(60,677)	(9)	(62,338)	(3)	(35,833)	(2)
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	2,536	1	1,203	-	6,957	-	3,264	-
Other gains and losses (Notes 24 and 30)	(7,069)	(1)	(69,634)	(10)	15,814	1	(57,639)	(3)
Finance costs (Note 24)	(13,594)	(2)	(12,746)	(1)	(41,588)	(2)	(28,751)	(1)
Expected credit loss (Note 9)	7	-	-	-	(4,335)	-	-	-
Total non-operating income and expenses	(18,120)	(2)	(81,177)	(11)	(23,152)	(1)	(83,126)	(4)
LOSS BEFORE INCOME TAX	(399)	-	(141,854)	(20)	(85,490)	(4)	(118,959)	(6)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 25)	(6,117)	(1)	8,371	1	6,957	1	2,257	-
NET LOSS FOR THE PERIOD	(6,516)	(1)	(133,483)	(19)	(78,533)	(3)	(116,702)	(6)
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(12,085)	(1)	(4,906)	(1)	3,660	-	13,389	1
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (18,601)	(2)	\$ (138,389)	(20)	\$ (74,873)	(3)	\$ (103,313)	(5)

(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			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ (6,528)	(1)	\$ (125,322)	(18)	\$ (64,599)	(3)	\$ (117,055)	(6)
Non-controlling interests	<u>12</u>	<u>-</u>	<u>(8,161)</u>	<u>(1)</u>	<u>(13,934)</u>	<u>-</u>	<u>353</u>	<u>-</u>
	<u>\$ (6,516)</u>	<u>(1)</u>	<u>\$ (133,483)</u>	<u>(19)</u>	<u>\$ (78,533)</u>	<u>(3)</u>	<u>\$ (116,702)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ (17,951)	(2)	\$ (134,974)	(19)	\$ (61,405)	(3)	\$ (110,923)	(5)
Non-controlling interests	<u>(650)</u>	<u>-</u>	<u>(3,415)</u>	<u>(1)</u>	<u>(13,468)</u>	<u>-</u>	<u>7,610</u>	<u>-</u>
	<u>\$ (18,601)</u>	<u>(2)</u>	<u>\$ (138,389)</u>	<u>(20)</u>	<u>\$ (74,873)</u>	<u>(3)</u>	<u>\$ (103,313)</u>	<u>(5)</u>
LOSSES PER SHARE (Note 26)								
Basic	<u>\$ (0.18)</u>		<u>\$ (3.40)</u>		<u>\$ (1.75)</u>		<u>\$ (3.18)</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		Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Special Reserve	Unappropriated Earnings	Total		Total		
BALANCE AT 1 JANUARY 2018	<u>36,816</u>	<u>\$ 368,165</u>	<u>\$ 197,035</u>	<u>\$ 109,822</u>	<u>\$ 285,405</u>	<u>\$ 395,227</u>	<u>\$ (104,981)</u>	<u>\$ 855,446</u>	<u>\$ 65,521</u>	<u>\$ 920,967</u>
Reversal of special reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,841)</u>	<u>4,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,408)</u>	<u>(18,408)</u>	<u>-</u>	<u>(18,408)</u>	<u>-</u>	<u>(18,408)</u>
Equity component of convertible bonds issued by the Company	<u>-</u>	<u>-</u>	<u>15,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,789</u>	<u>-</u>	<u>15,789</u>
Net loss for the nine months ended 30 September 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,055)</u>	<u>(117,055)</u>	<u>-</u>	<u>(117,055)</u>	<u>353</u>	<u>(116,702)</u>
Other comprehensive income (loss) for the nine months ended 30 September 2018, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,132</u>	<u>6,132</u>	<u>7,257</u>	<u>13,389</u>
Total comprehensive income (loss) for the nine months ended 30 September 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,055)</u>	<u>(117,055)</u>	<u>6,132</u>	<u>(110,923)</u>	<u>7,610</u>	<u>(103,313)</u>
BALANCE AT 30 SEPTEMBER 2018	<u>36,816</u>	<u>\$ 368,165</u>	<u>\$ 212,824</u>	<u>\$ 104,981</u>	<u>\$ 154,783</u>	<u>\$ 259,764</u>	<u>\$ (98,849)</u>	<u>\$ 741,904</u>	<u>\$ 73,131</u>	<u>\$ 815,035</u>
BALANCE AT 1 JANUARY 2019	36,816	\$ 368,165	\$ 212,824	\$ 104,981	\$ 122,646	\$ 227,627	\$ (95,811)	\$ 712,805	\$ 80,113	\$ 792,918
Effect of retrospective application	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81)</u>	<u>(81)</u>	<u>-</u>	<u>(81)</u>	<u>(37)</u>	<u>(118)</u>
BALANCE AT 1 JANUARY 2019 AS RETROSPECTIVE APPLICATION	<u>36,816</u>	<u>368,165</u>	<u>212,824</u>	<u>104,981</u>	<u>122,565</u>	<u>227,546</u>	<u>(95,811)</u>	<u>712,724</u>	<u>80,076</u>	<u>792,800</u>
Reversal of special reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,170)</u>	<u>9,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other changes in capital surplus										
Equity component of convertible bonds issued by the Company	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>
Changes in percentage of ownership interests in subsidiaries (Note 27)	<u>-</u>	<u>-</u>	<u>468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468</u>	<u>5,172</u>	<u>5,640</u>
Net loss for the nine months ended 30 September 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,599)</u>	<u>(64,599)</u>	<u>-</u>	<u>(64,599)</u>	<u>(13,934)</u>	<u>(78,533)</u>
Other comprehensive income (loss) for the nine months ended 30 September 2019, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,194</u>	<u>3,194</u>	<u>466</u>	<u>3,660</u>
Total comprehensive income (loss) for the nine months ended 30 September 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,599)</u>	<u>(64,599)</u>	<u>3,194</u>	<u>(61,405)</u>	<u>(13,468)</u>	<u>(74,873)</u>
Convertible bonds converted to ordinary shares	<u>3</u>	<u>33</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>	<u>-</u>	<u>99</u>
BALANCE AT 30 SEPTEMBER 2019	<u>36,819</u>	<u>\$ 368,198</u>	<u>\$ 213,352</u>	<u>\$ 95,811</u>	<u>\$ 67,136</u>	<u>\$ 162,947</u>	<u>\$ (92,617)</u>	<u>\$ 651,880</u>	<u>\$ 71,780</u>	<u>\$ 723,660</u>

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	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (85,490)	\$ (118,959)
Adjustments for:		
Depreciation expenses	116,816	66,840
Amortization expenses	3,959	3,855
Expected credit loss recognized (reversed) on trade receivables	6,160	(1,938)
Net loss on fair value change of financial liabilities designated as at fair value through profit or loss	437	3,905
Finance costs	41,588	28,751
Interest income	(3,417)	(3,253)
Loss (gain) on disposal of property, plant and equipment	(1,180)	432
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	(22,413)	(45,679)
Other receivables	6,161	(4,202)
Inventories	(10,777)	(4,750)
Biological assets	(3,830)	(19,512)
Prepayments	31,204	(4,729)
Trade payables	31,132	111,051
Other payables	(105,667)	(2,581)
Cash generated from operations	4,683	75,094
Interest received	3,417	3,253
Interest paid	(38,214)	(26,930)
Income tax paid	(5,210)	(15,122)
Net cash generated from (used in) operating activities	(35,324)	36,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(180)
Proceeds from sale of financial assets at amortized cost	7,754	-
Payments for investment under the equity method	-	(16,738)
Increase in prepayment of investment	(3,370)	-
Payment for property, plant and equipment	(74,994)	(401,216)
Proceeds from disposal of property, plant and equipment	12,404	1,601
Increase in guarantee deposits	(570)	-
Decrease in guarantee deposits	-	151
Payment for intangible assets	(4,005)	(6,679)
Increase in prepayments for land, building and equipment	(99,390)	(132)
Net cash used in investing activities	(162,171)	(423,193)

(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	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 50,258	\$ -
Payment for short-term borrowings	-	(56)
Issuance of bonds	-	300,000
Payment for bonds payable	-	(91,800)
Proceeds from long-term borrowings	159,977	327,938
Payment for long-term borrowings	(80,017)	(74,645)
Refund of guarantee deposits received	294	446
Repayment of the principal portion of lease liabilities	(5,527)	-
Dividends paid	-	(18,408)
Change in non-controlling interests	<u>5,640</u>	<u>-</u>
Net cash generated from financing activities	<u>130,625</u>	<u>443,475</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>4,208</u>	<u>4,771</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(62,662)	61,348
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>288,538</u>	<u>321,706</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 225,876</u>	<u>\$ 383,054</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 2019 and 2018:

	30 September	
	2019	2018
Cash and cash equivalents in consolidated balance sheets	\$ 236,381	\$ 383,054
Bank overdrafts	<u>(10,505)</u>	<u>-</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 225,876</u>	<u>\$ 383,054</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 2019 AND 2018 (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”) 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 8 November 2019.

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 Group’s accounting policies:

1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Lease”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after 1 January 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not be reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in Singapore and Malaysia are recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on 1 January 2019. Comparative information is not restated.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before 31 December 2019 as short-term leases.
- c) The Group excludes initial direct costs from the measurement of right-of-use assets on 1 January 2019.
- d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on 1 January 2019 is 3%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on 31 December 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on 31 December 2018	\$ 24,408
Less: Recognition exemption for short-term leases	<u>(5,514)</u>
Undiscounted amounts on 1 January 2019	<u>\$ 18,894</u>
Discounted amounts using the incremental borrowing rate on 1 January 2019	<u>\$ 16,016</u>
Lease liabilities recognized on 1 January 2019	<u>\$ 16,016</u>

The Group as lessor

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

The impact on assets, liabilities and equity as of 1 January 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on 1 January 1 2019	Adjustments Arising from Initial Application	Restated on 1 January 1 2019
Long-term prepayments for leases - non-current	\$ 124,191	\$ (124,191)	\$ -
Prepayments	5,275	(5,275)	-
Right-of-use assets	<u>-</u>	<u>145,364</u>	<u>145,364</u>
Total effect on assets	<u>\$ 129,466</u>	<u>\$ 15,898</u>	<u>\$ 145,364</u>
Lease liabilities - current	\$ -	\$ 5,420	\$ 5,420
Lease liabilities - non-current	<u>-</u>	<u>10,596</u>	<u>10,596</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 16,016</u>	<u>\$ 16,016</u>
Retained earnings	\$ -	\$ (81)	\$ (81)
Non-controlling interest	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Total effect on equity	<u>\$ -</u>	<u>\$ (118)</u>	<u>\$ (118)</u>

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 has 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.

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

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” 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, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings. Upon initial application of the above amendment, the related borrowing costs are included in the calculation starting from 2019.

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

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	1 January 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	1 January 2020 (Note 2)

Note 1: 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 2: 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.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	1 January 2020
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

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

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 and biological assets.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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

d. Other significant accounting policies

Except for related accounting policy for lease and 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 2018. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended 31 December 2018.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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 2018.

6. CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018	30 September 2018
Cash on hand	\$ 1,543	\$ 1,036	\$ 1,854
Cash at bank	160,006	155,790	137,196
Cash equivalents			
Time deposits with original maturity less than three months	<u>74,832</u>	<u>145,178</u>	<u>244,004</u>
	<u>\$ 236,381</u>	<u>\$ 302,004</u>	<u>\$ 383,054</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019	31 December 2018	30 September 2018
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Interest rate swap contracts*	\$ 4,751	\$ 5,278	\$ 3,005
Convertible options (Note 20)	<u>4,587</u>	<u>3,600</u>	<u>2,880</u>
	<u>\$ 9,338</u>	<u>\$ 8,878</u>	<u>\$ 5,885</u>

* At the end of the reporting period, outstanding interest rate swap options 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 2019</u>			
SGD18,779	28 June 2018 - 28 June 2021	2.14% Fixed	1.49%-1.74% Floating
<u>31 December 2018</u>			
SGD18,779	28 June 2018 - 28 June 2021	2.14% Fixed	1.49%-1.74% Floating
<u>30 September 2018</u>			
SGD18,779	28 June 2018 - 28 June 2021	2.14% Fixed	1.49%-1.74% Floating

The economic substance of the interest rate swap options 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

	30 September 2019	31 December 2018	30 September 2018
<u>Current</u>			
Domestic investments			
Pledged time deposits with original maturity of more than 3 months	<u>\$ 5,908</u>	<u>\$ 13,662</u>	<u>\$ 13,538</u>

The ranges of interest rate for time deposits with original maturities of more than 3 months were approximately 3.35%, 1.40%-3.35% and 1.40%-3.35% per annum as of 30 September 2019, 31 December 2018 and 30 September 2018.

Financial assets at amortized cost pledged as collateral were set out in Note 31.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	30 September 2019	31 December 2018	30 September 2018
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount - unrelated parties	\$ 259,286	\$ 237,060	\$ 230,684
Less: Allowance for impairment loss	<u>(20,025)</u>	<u>(18,286)</u>	<u>(7,316)</u>
	<u>239,261</u>	<u>218,774</u>	<u>223,368</u>
At amortized cost			
Gross carrying amount - related parties	187	44	42
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>187</u>	<u>44</u>	<u>42</u>
	<u>\$ 239,448</u>	<u>\$ 218,818</u>	<u>\$ 223,410</u>
<u>Other receivables</u>			
At amortized cost			
Gross carrying amount - unrelated parties	\$ 34,520	\$ 40,779	\$ 33,119
Less: Allowance for impairment loss	<u>(4,280)</u>	<u>-</u>	<u>-</u>
	<u>30,240</u>	<u>40,779</u>	<u>33,119</u>
At amortized cost			
Gross carrying amount - related parties	51	63	84
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>51</u>	<u>63</u>	<u>84</u>
	<u>\$ 30,291</u>	<u>\$ 40,842</u>	<u>\$ 33,203</u>

a. Trade receivables

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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. 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 forecasted 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 2019

	Performing	Lifetime ECL (Individually Assessed)	Total
Expected credit loss rate		35.92%	
Gross carrying amount	\$ 203,728	\$ 55,745	\$ 259,473
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(20,025)</u>	<u>(20,025)</u>
Amortized cost	<u>\$ 203,728</u>	<u>\$ 35,720</u>	<u>\$ 239,448</u>

31 December 2018

	Performing	Lifetime ECL (Individually Assessed)	Total
Expected credit loss rate		37.50%	
Gross carrying amount	\$ 188,335	\$ 48,769	\$ 237,104
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(18,286)</u>	<u>(18,286)</u>
Amortized cost	<u>\$ 188,335</u>	<u>\$ 30,483</u>	<u>\$ 218,818</u>

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:

	For the Nine Months Ended 30 September	
	2019	2018
Balance at 1 January	\$ 18,286	\$ 9,562
Add: Net remeasurement (reversal) of loss allowance	1,825	(1,938)
Less: Amounts written off	(128)	(393)
Foreign exchange gains and losses	<u>42</u>	<u>85</u>
Balance at 30 September	<u>\$ 20,025</u>	<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 2019	\$ 203,728	\$ 14,923	\$ 2,716	\$ 18,081	\$ 239,448
31 December 2018	188,335	14,792	1,961	13,730	218,818
30 September 2018	178,616	23,840	7,804	13,150	223,410

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

b. Other receivables

The Group measures the loss allowance for other receivables at an amount equal to lifetime ECLs. The expected credit losses on other 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 forecasted 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 other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For other 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 movements of the loss allowance of other receivables were as follows:

	For the Nine Months Ended 30 September	
	2019	2018
Balance at 1 January	\$ -	\$ -
Add: Net remeasurement of loss allowance	4,335	-
Foreign exchange gains and losses	<u>(55)</u>	<u>-</u>
Balance at 30 September	<u>\$ 4,280</u>	<u>\$ -</u>

10. INVENTORIES

	30 September 2019	31 December 2018	30 September 2018
Trading goods	\$ 2,993	\$ 3,439	\$ 4,329
Finished goods	19,299	16,083	20,659
Raw materials	<u>13,461</u>	<u>5,454</u>	<u>5,201</u>
	<u>\$ 35,753</u>	<u>\$ 24,976</u>	<u>\$ 30,189</u>

The cost of inventories recognized as cost of goods sold for the three months ended 30 September 2019 and 2018 was \$670,440 thousand and \$653,569 thousand, respectively.

The cost of goods sold for the three months ended 30 September 2019 and 2018 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 2019 and 2018 was \$1,996,728 thousand and \$1,855,423 thousand, respectively.

The cost of goods sold for the nine months ended 30 September 2019 and 2018 included inventory write-downs of \$0 thousand each.

11. BIOLOGICAL ASSETS

	Broiler	Breeder	Total
Balance at 1 January 2019	\$ 116,054	\$ 64,808	\$ 180,862
Purchases during the period	1,683,195	51,243	1,734,438
Depreciation during the period	-	(54,817)	(54,817)
Disposals during the period	(1,675,791)	-	(1,675,791)
Exchange difference	<u>316</u>	<u>275</u>	<u>591</u>
Balance at 30 September 2019	<u>\$ 123,774</u>	<u>\$ 61,509</u>	<u>\$ 185,283</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, 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 2019	31 December 2018	30 September 2018
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)	Layser 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 (d)
KSH Company	Celsius Link International Pte. Ltd. (CLI Company)	Transportation support	-	100	100 (d)
KSH Company	Fortune I-Kitchen Pte. Ltd. (FIK Company)	Food caterers	80	100	100 (a)(c)
KSH Company	BBQ House Singapore Pte. Ltd. (BBQHS Company)	Food caterers	-	100	100 (a)(b)
FIK Company	BBQ House Singapore Pte. Ltd. (BBQHS Company)	Food caterers	100	-	- (b)
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

- a. FIK Company (formerly known as Katong Satay Singapore Pte. Ltd. and it has been changed and approved by Accounting and Corporate Regulatory Authority in Singapore on 14 June 2019) and BBQHS Company were established in May 2018, for developing the Group's cooked food business and online sales in Singapore.
- b. On 17 June 2019, the Group's board of directors resolved to transfer all BBQHS Company's shareholding held by KSH Company to FIK Company in order to restructure the organization under common control and the base date was determined by the board of directors to be 1 July 2019. After the reorganization, FIK Company holds all shareholding in BBQHS Company.
- c. Refer to note 27 for the change of FIK Company's shareholding holds by the Group.
- d. KSO Company and CLI Company were liquidated in March and August 2019, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	30 September 2019	31 December 2018	30 September 2018
Investments in associates	<u>\$ 17,048</u>	<u>\$ 16,725</u>	<u>\$ 18,151</u>

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. The Group also invested additional \$3,370 thousand (SGD150 thousand) in capital issuing of Singapore Poultry Hub Pte. Ltd. in August 2019. The change registration hasn't been completed as of 30 September 2019 and the amount was recorded under "prepayment of investment".

The Group invested additional \$270 thousand (SGD12 thousand) in capital issuing of Iceberg Cold Storage Pte. Ltd., which the group held 25% equity in August 2019.

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

14. PROPERTY, PLANT AND EQUIPMENT

- a. Assets used by the Group - 2019

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction Progress and Equipment Awaiting Examination	Total
<u>Cost</u>						
Balance at 1 January 2019	\$ 122,541	\$ 1,233,279	\$ 555,046	\$ 252,219	\$ 52,626	\$ 2,215,711
Additions	3,313	3,080	47,648	14,947	6,006	74,994
Disposals	(4,535)	(6,278)	(11,433)	(5,759)	-	(28,005)
Reclassification	-	42,236	2,123	-	(51,462)	(7,103)
Exchange differences	309	3,646	1,374	596	771	6,696
Balance at 30 September 2019	<u>\$ 121,628</u>	<u>\$ 1,275,963</u>	<u>\$ 594,758</u>	<u>\$ 262,003</u>	<u>\$ 7,941</u>	<u>\$ 2,262,293</u>
<u>Accumulated depreciation</u>						
Balance at 1 January 2019	\$ -	\$ 177,057	\$ 179,586	\$ 114,902	\$ -	\$ 471,545
Depreciation	-	39,729	40,541	25,335	-	105,605
Disposals	-	(5,636)	(5,887)	(5,258)	-	(16,781)
Exchange differences	-	186	156	127	-	469
Balance at 30 September 2019	<u>\$ -</u>	<u>\$ 211,336</u>	<u>\$ 214,396</u>	<u>\$ 135,106</u>	<u>\$ -</u>	<u>\$ 560,838</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction Progress and Equipment Awaiting Examination	Total
<u>Net carrying amount</u>						
Balance at 1 January 2019	\$ 122,541	\$ 1,056,222	\$ 375,460	\$ 137,317	\$ 52,626	\$ 1,744,166
Balance at 30 September 2019	<u>\$ 121,628</u>	<u>\$ 1,064,627</u>	<u>\$ 380,362</u>	<u>\$ 126,897</u>	<u>\$ 7,941</u>	<u>\$ 1,701,455</u>

(Concluded)

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings were set out in Note 31.

b. 2018

	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)	(7,582)	-	(10,577)
Reclassification	-	292,767	24,989	7,904	(328,444)	(2,784)
Exchange differences	940	5,507	1,816	688	(434)	8,517
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	-	796	455	391	-	1,642
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>
<u>Net carrying amount</u>						
Balance at 1 January 2018	\$ 120,537	\$ 846,882	\$ 186,894	\$ 100,266	\$ 131,117	\$ 1,385,696
Balance at 30 September 2018	<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>

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 31.

15. LEASE ARRANGEMENT

a. Right-of-use assets - 2019

	30 September 2019	
<u>Carrying amounts</u>		
Land		\$ 131,056
Buildings		5,534
Other equipment		<u>3,125</u>
		<u>\$ 139,715</u>
	1 July 2019 to 30 September 2019	1 January 2019 to 30 September 2019
Additions to right-of-use assets		<u>\$ 4,066</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,745	\$ 7,377
Buildings	436	1,701
Other equipment	<u>364</u>	<u>1,099</u>
	<u>\$ 3,545</u>	<u>\$ 10,177</u>

b. Lease liabilities - 2019

	30 September 2019	
<u>Carrying amounts</u>		
Current		<u>\$ 9,799</u>
Non-current		<u>\$ 4,756</u>

Range of discount rate for lease liabilities was as follows:

	30 September 2019
Land	1.85%-5%
Buildings	1.85%-5%
Other equipment	1.85%-5%

c. Material lease-in activities and terms

The Group leases certain motor vehicle for the use of transportation with lease terms of 2 to 5 years.

The Group also leases certain buildings for the use of factory and office with lease terms of 2 to 5 years. The Group does not have bargain options to acquire buildings at the expiry of the lease period.

The above 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.

Right of use assets for lease as collateral for bank borrowings were set out in Note 31.

d. Other lease information

2019

	1 July 2019 to 30 September 2019	1 January 2019 to 30 September 2019
Expenses relating to short-term leases	\$ <u>4,621</u>	\$ <u>14,228</u>
Total cash outflow for leases		\$ <u>(20,165)</u>

The Group leases certain office equipment and motor vehicle which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	31 December 2018	30 September 2018
Not later than 1 year	\$ 11,325	\$ 8,818
Later than 1 year and not later than 5 years	<u>8,665</u>	<u>9,354</u>
	<u>\$ 19,900</u>	<u>\$ 18,172</u>

16. INVESTMENT PROPERTIES

	Buildings
<u>Cost</u>	
Balance at 1 January 2019	\$ 56,957
Effect of foreign currency exchange differences	<u>184</u>
Balance at 30 September 2019	<u>\$ 57,141</u>
<u>Accumulated depreciation</u>	
Balance at 1 January 2019	\$ 6,442
Depreciation expenses	1,034
Effect of foreign currency exchange differences	<u>7</u>
Balance at 30 September 2019	<u>\$ 7,483</u>
Carrying amounts at 30 September 2019	<u>\$ 49,658</u>

Operating leases relate to leasing of investment properties with lease terms between 2 to 3 years, and with an option to extend. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of 30 September 2019 was as follows:

	30 September 2019
Year 1	\$ 2,403
Year 2	1,402
Year 3	<u>109</u>
	<u>\$ 3,914</u>

The future minimum lease payments of non-cancellable operating lease commitments as of 31 December 2018 were as follows:

	31 December 2018
Not later than 1 year	\$ 2,360
Later than 1 year and not later than 5 years	<u>3,254</u>
	<u>\$ 5,614</u>

Investment properties were depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	42 years
-----------	----------

The fair value of investment properties as of 31 December 2018 was \$71,660 thousand. Management of the Company had assessed and determined that there were no significant changes in the fair value as of 30 September 2019, as compared to that as of 31 December 2018.

The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs.

Investment properties as collateral for bank borrowings were set out in Note 31.

17. INTANGIBLE ASSETS

<u>Cost</u>	Customer List	Operating Licenses and Trademarks	Total
Balance at 1 January 2019	\$ 14,771	\$ 6,718	\$ 21,489
Additions	-	4,005	4,005
Exchange differences	<u>52</u>	<u>(29)</u>	<u>23</u>
Balance at 30 September 2019	<u>\$ 14,823</u>	<u>\$ 10,694</u>	<u>\$ 25,517</u>

(Continued)

	Customer List	Operating Licenses and Trademarks	Total
Balance at 1 January 2019	\$ 6,647	\$ 1,306	\$ 7,953
Amortization expense	2,252	1,707	3,959
Exchange differences	<u>(5)</u>	<u>(18)</u>	<u>(23)</u>
Balance at 30 September 2019	<u>\$ 8,894</u>	<u>\$ 2,995</u>	<u>\$ 11,889</u>
Carrying amounts at 30 September 2019	<u>\$ 5,929</u>	<u>\$ 7,699</u>	<u>\$ 13,628</u>
<u>Cost</u>			
Balance at 1 January 2018	\$ 14,611	\$ -	\$ 14,611
Additions	-	6,695	6,695
Exchange differences	<u>116</u>	<u>(5)</u>	<u>111</u>
Balance at 30 September 2018	<u>\$ 14,727</u>	<u>\$ 6,690</u>	<u>\$ 21,417</u>
<u>Accumulated amortization</u>			
Balance at 1 January 2018	\$ 3,652	\$ -	\$ 3,652
Amortization expense	2,249	744	2,993
Exchange differences	<u>(10)</u>	<u>(1)</u>	<u>(11)</u>
Balance at 30 September 2018	<u>\$ 5,891</u>	<u>\$ 743</u>	<u>\$ 6,634</u>
Carrying amounts at 30 September 2018	<u>\$ 8,836</u>	<u>\$ 5,947</u>	<u>\$ 14,783</u> (Concluded)

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

18. LONG-TERM PREPAYMENTS FOR LEASE - 2018

	30 September 2019	31 December 2018	30 September 2018
Non-current assets	<u>\$ -</u>	<u>\$ 124,191</u>	<u>\$ 124,672</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.

Long-term prepayments for lease as collateral for bank borrowings were set out in Note 31.

19. BORROWINGS

a. Short-term borrowings

	30 September 2019	31 December 2018	30 September 2018
Bank overdrafts	\$ 10,505	\$ 13,466	\$ -
Secured bank loans*	<u>177,843</u>	<u>127,585</u>	<u>146,842</u>
	<u>\$ 188,348</u>	<u>\$ 141,051</u>	<u>\$ 146,842</u>

* The range of weighted average effective interest rate on bank loans was 2.20%-8.13%, 2.20%-7.85% and 2.20%-7.85% per annum as of 30 September 2019, 31 December 2018 and 30 September 2018, respectively.

Details on assets pledged as security for borrowings are disclosed in Note 31.

b. Long-term borrowings

	Maturity	Significant Terms	30 September 2019	31 December 2018	30 September 2018
Secured bank loans*	2013.06.01- 2039.04.17	Principal and interest are paid monthly	\$ 990,649	\$ 924,048	\$ 973,164
Finance leases*	2015.08.17- 2024.06.14	Principal and interest are paid monthly	124,142	110,783	98,662
			<u>1,114,791</u>	<u>1,034,831</u>	<u>1,071,826</u>
Less: Current portion			<u>(123,609)</u>	<u>(80,017)</u>	<u>(136,879)</u>
Long-term borrowings			<u>\$ 991,182</u>	<u>\$ 954,814</u>	<u>\$ 934,947</u>

* The range of weighted average effective interest rate on bank loans was 1.38%-8.13% per annum as of 30 September 2019, 31 December 2018 and 30 September 2018.

KSFC acquired new bank borrowing facilities in the amount 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. As of 30 September 2019, the amount of bank borrowing facilities was \$410,457 thousand.

KSFC acquired new bank borrowing facilities in the amount of \$76,871 thousand from UOB secured by KSFC's new factory. The purpose of this bank borrowing was for prepayment of factory \$86,468 thousand (account for prepayments for land, building and equipment).

Details on assets pledged as security for borrowings are disclosed in Note 31.

20. BONDS PAYABLE

	30 September 2019	31 December 2018	30 September 2018
Principal amount	\$ 299,900	\$ 300,000	\$ 300,000
Discounts on bonds payable	<u>(18,304)</u>	<u>(21,685)</u>	<u>(22,802)</u>
	<u>\$ 281,596</u>	<u>\$ 278,315</u>	<u>\$ 277,198</u>
Embedded derivatives	<u>\$ 4,587</u>	<u>\$ 3,600</u>	<u>\$ 2,880</u>
Equity component	<u>\$ 15,783</u>	<u>\$ 15,789</u>	<u>\$ 15,789</u>

The first unsecured domestic convertible bonds payable

- a. 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.
- b. Coupon rate: 0% per annum.
- c. Issue period: From 15 September 2015 to 15 September 2018
- d. Terms of exchange:

- 1) Conversion Securities: Ordinary shares of the Company.
- 2) 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.
- 3) 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.

- e. 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:

- 1) 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.
- 2) The balance of the Company's total bonds currently in circulation falls lower than 10% of par value.

- f. 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%.)

The first unsecured domestic bonds payable conversions were as follows:

	1 January 2018 to 15 September 2018	
	Par Value of Convertible Bonds	Numbers of Shares Converted
Converted amount at the beginning	\$ 107,400	2,816,000
Converted amount during the period	<u>-</u>	<u>-</u>
Converted amount at the end	<u>\$ 107,400</u>	<u>2,816,000</u>

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

The second unsecured domestic convertible bonds payable

- a. 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.
- b. Coupon rate: 0% per annum.
- c. Issue period: From 10 September 2018 to 10 September 2023
- d. Terms of exchange:

- 1) Conversion securities: Ordinary shares of the Company.
- 2) 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.
- 3) 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.

- e. 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:

- 1) 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.
- 2) The balance of the Company's total bonds currently in circulation falls lower than 10% of par value.

- f. 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 second unsecured domestic bonds payable conversions were as follows:

	1 January 2019 to 30 September 2019		10 September 2018 to 30 September 2018	
	Par Value of Convertible Bonds	Numbers of Shares Converted	Par Value of Convertible Bonds	Numbers of Shares Converted
Converted amount at the beginning	\$ -	-	\$ -	-
Converted amount during the period	<u>100</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Converted amount at the end	<u>\$ 100</u>	<u>3,000</u>	<u>\$ -</u>	<u>-</u>

21. OTHER PAYABLES

	30 September 2019	31 December 2018	30 September 2018
Payables for salaries or bonus	\$ 46,136	\$ 40,228	\$ 41,431
Other payables - related parties	-	-	44
Payables for purchase or maintenance of equipment	68,156	115,383	57,360
Penalty payable (Note 32)	-	60,219	59,966
Others	<u>28,225</u>	<u>32,354</u>	<u>36,130</u>
	<u>\$ 142,517</u>	<u>\$ 248,184</u>	<u>\$ 194,931</u>

22. EQUITY

Share Capital - Ordinary Shares

	30 September 2019	31 December 2018	30 September 2018
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>36,819</u>	<u>36,816</u>	<u>36,816</u>
Shares issued	<u>\$ 368,198</u>	<u>\$ 368,165</u>	<u>\$ 368,165</u>

As at 30 September 2019, the bonds holders had exercised their right to convert bonds into \$33 thousand 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 2019	31 December 2018	30 September 2018
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	78,245	78,179	78,179
May be used to offset a deficit (Note 2)			
Changes in percentage of ownership interests in subsidiaries	468	-	-
Arising from expired share options	5,750	5,750	5,750
May not be used for any purpose			
Arising from share options	<u>15,783</u>	<u>15,789</u>	<u>15,789</u>
	<u>\$ 213,352</u>	<u>\$ 212,824</u>	<u>\$ 212,824</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:

- No more than 3% as employees' bonus;
- No more than 3% as directors' bonus; and
- 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 deficits compensation for the year ended 31 December 2018 and the appropriations of earnings and dividends per share for the years ended 31 December 2017 were approved by the shareholders' meeting held on 17 June 2019 and on 25 June 2018, respectively were as follows:

	Appropriation of Earnings (The Deficits Compensation)		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Reversal of special reserve	\$ (9,170)	\$ (4,841)		
Common stock cash dividend	-	18,408	\$ -	\$ 0.5

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 24(e).

23. REVENUE

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Revenue from contracts with customers				
Revenue from sale of goods-fresh chicken	\$ 272,250	\$ 262,207	\$ 802,762	\$ 757,783
Revenue from live broilers and day old chick	468,202	388,549	1,298,599	1,217,900
Others	<u>63,572</u>	<u>55,622</u>	<u>184,177</u>	<u>140,353</u>
	<u>\$ 804,024</u>	<u>\$ 706,378</u>	<u>\$ 2,285,538</u>	<u>\$ 2,116,036</u>

Refer to Note 35 for information about disaggregation of revenue.

24. COMPREHENSIVE INCOME ITEM DETAILS

a. Other income

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Interest income	\$ 928	\$ 1,196	\$ 3,417	\$ 3,253
Rental income	<u>1,608</u>	<u>7</u>	<u>3,540</u>	<u>11</u>
	<u>\$ 2,536</u>	<u>\$ 1,203</u>	<u>\$ 6,957</u>	<u>\$ 3,264</u>

b. Other gains and losses

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Net foreign exchange gains (losses)	\$ (3,158)	\$ (608)	\$ 1,023	\$ 2,725
Gain (loss) on disposal of property, plant and equipment	(6,217)	(249)	1,180	(432)
Net loss arising on financial liabilities designated as at FVTPL	(189)	(3,905)	(437)	(3,905)
Penalty and fines (Note 32)	-	(60,014)	-	(60,014)
Others	<u>2,495</u>	<u>(4,858)</u>	<u>14,048</u>	<u>3,987</u>
	<u>\$ (7,069)</u>	<u>\$ (69,634)</u>	<u>\$ 15,814</u>	<u>\$ (57,639)</u>

c. Finance costs

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Interest on bank borrowings	\$ 12,337	\$ 12,010	\$ 37,804	\$ 26,930
Interest on lease liabilities	128	-	410	-
Interest on convertible bonds	<u>1,129</u>	<u>736</u>	<u>3,374</u>	<u>1,821</u>
	<u>\$ 13,594</u>	<u>\$ 12,746</u>	<u>\$ 41,588</u>	<u>\$ 28,751</u>

d. Depreciation and amortization

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Property, plant and equipment	\$ 36,079	\$ 26,935	\$ 105,605	\$ 66,840
Right-of-use assets	3,545	-	10,177	-
Investment properties	<u>344</u>	<u>-</u>	<u>1,034</u>	<u>-</u>
	<u>\$ 39,968</u>	<u>\$ 26,935</u>	<u>\$ 116,816</u>	<u>\$ 66,840</u>
An analysis of depreciation by function				
Operating costs	\$ 22,794	\$ 16,188	\$ 64,869	\$ 42,701
Operating expenses	<u>17,174</u>	<u>10,747</u>	<u>51,947</u>	<u>24,139</u>
	<u>\$ 39,968</u>	<u>\$ 26,935</u>	<u>\$ 116,816</u>	<u>\$ 66,840</u>

(Continued)

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Long-term prepayments for lease	\$ -	\$ 680	\$ -	\$ 862
Intangible assets	<u>1,316</u>	<u>1,493</u>	<u>3,959</u>	<u>2,993</u>
	<u>\$ 1,316</u>	<u>\$ 2,173</u>	<u>\$ 3,959</u>	<u>\$ 3,855</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ 680	\$ -	\$ 862
Operating expenses	<u>1,316</u>	<u>1,493</u>	<u>3,959</u>	<u>2,993</u>
	<u>\$ 1,316</u>	<u>\$ 2,173</u>	<u>\$ 3,959</u>	<u>\$ 3,855</u>

(Concluded)

e. Employee benefits expense

	For the Three Months Ended 30 September					
	2019			2018		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Salaries	\$ 31,728	\$ 55,488	\$ 87,216	\$ 29,145	\$ 53,294	\$ 82,439
Provident fund and post-employee benefits - defined contribution plans	1,301	4,713	6,014	1,082	4,545	5,627
Other employee benefits	<u>5,333</u>	<u>2,634</u>	<u>7,967</u>	<u>4,363</u>	<u>3,196</u>	<u>7,559</u>
	<u>\$ 38,362</u>	<u>\$ 62,835</u>	<u>\$ 101,197</u>	<u>\$ 34,590</u>	<u>\$ 61,035</u>	<u>\$ 95,625</u>
	For the Nine Months Ended 30 September					
	2019			2018		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Salaries	\$ 94,147	\$ 165,976	\$ 260,123	\$ 84,232	\$ 148,123	\$ 232,355
Provident fund and post-employee benefits - defined contribution plans	3,844	14,226	18,070	2,978	12,686	15,664
Other employee benefits	<u>14,957</u>	<u>8,118</u>	<u>23,075</u>	<u>13,578</u>	<u>8,568</u>	<u>22,146</u>
	<u>\$ 112,948</u>	<u>\$ 188,320</u>	<u>\$ 301,268</u>	<u>\$ 100,788</u>	<u>\$ 169,377</u>	<u>\$ 270,165</u>

For the nine months ended 30 September 2019 and 2018, 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 2018 and 2017 approved by the shareholders' meetings on 17 June 2019 and 25 June 2018 were \$0 thousand each.

Information on the bonus to employees, directors and supervisors for 2018 and 2017 resolved by the shareholders' meeting in 2019 and 2018 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

a. Income tax recognized in profit or loss

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

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Current tax				
In respect of the current period	\$ 572	\$ (8,762)	\$ 1,173	\$ 571
Adjustments for prior periods	<u>191</u>	<u>93</u>	<u>152</u>	<u>93</u>
	<u>763</u>	<u>(8,669)</u>	<u>1,325</u>	<u>664</u>
Deferred tax				
In respect of the current period	5,187	1,378	(8,449)	(1,841)
Adjustments for prior years	<u>167</u>	<u>(1,080)</u>	<u>167</u>	<u>(1,080)</u>
	<u>5,354</u>	<u>298</u>	<u>(8,282)</u>	<u>(2,921)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 6,117</u>	<u>\$ (8,371)</u>	<u>\$ (6,957)</u>	<u>\$ (2,257)</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, FIK 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) The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.
- c. Income tax assessments

The income tax returns through 2017 of KSH Company, KSFC 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.

26. DEFICITS PER SHARE

Unit: NT\$ Per Share

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Basic earnings per share	\$ (0.18)	\$ (3.40)	\$ (1.75)	\$ (3.18)

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

Net Loss for the Period

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Deficits used in computation of basic earnings per share	\$ (6,528)	\$ (125,322)	\$ (64,599)	\$ (117,055)

Weighted Average Number of Ordinary Shares Outstanding

(In Thousand Shares)

	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	<u>36,819</u>	<u>36,816</u>	<u>36,819</u>	<u>36,816</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 2019 and 2018, they were anti-dilutive and excluded from the computation of diluted earnings per share.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 1 July 2019, the Group subscribed for additional new shares of FIK Company at a percentage different from its existing ownership percentage, reducing its continuing interest from 100% to 80%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	FIK Company
Cash consideration received	\$ 5,640
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(5,172)</u>
Differences recognized from equity transactions	<u>\$ 468</u>
	FIK Company
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 468</u>

28. 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.

29. 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 2019</u>		<u>31 December 2018</u>		<u>30 September 2018</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	\$ 281,596	\$ 259,414	\$ 278,315	\$ 234,900	\$ 277,198	\$ 273,000

2) Fair value hierarchy

30 September 2019

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	<u>\$ 259,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,414</u>

31 December 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	<u>\$ 234,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,900</u>

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>

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

1) Fair value hierarchy

30 September 2019

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Financial liabilities held for trading	\$ -	\$ 4,751	\$ -	\$ 4,751
Embedded derivatives	<u>-</u>	<u>4,587</u>	<u>-</u>	<u>4,587</u>
	<u>\$ -</u>	<u>\$ 9,338</u>	<u>\$ -</u>	<u>\$ 9,338</u>

31 December 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Financial liabilities held for trading	\$ -	\$ 5,278	\$ -	\$ 5,278
Embedded derivatives	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>3,600</u>
	<u>\$ -</u>	<u>\$ 8,878</u>	<u>\$ -</u>	<u>\$ 8,878</u>

30 September 2018

	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 option contracts	Discounted cash flow and option pricing model. Future cash flows are estimated based on observable market interest rates at the end of the reporting period and contract interest rates, also adjust future cash flows referring to option pricing interval, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	30 September 2019	31 December 2018	30 September 2018
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 511,332	\$ 574,567	\$ 651,355
<u>Financial liabilities</u>			
Financial liabilities at FVTPL held for trading	9,338	8,878	5,885
Amortized cost (Note 2)	2,064,820	1,993,968	1,971,559

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, other payables, lease liabilities, bonds payable, short-term and long-term borrowings.

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.

Sensitivity analysis

The Group was mainly exposed to the SGD and the MYR.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal

and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	SGD Impact		MYR Impact	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Profit or loss	\$ 6,634 (i)	\$6,331 (i)	\$6,067 (ii)	\$5,558 (ii)

i. This was mainly attributable to the exposure outstanding on SGD denominated cash and cash equivalents, receivables and payables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on MYR denominated cash and cash equivalents, receivables and payables, which were not hedged at the end of the reporting period.

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 2019	31 December 2018	30 September 2018
Fair value interest rate risk			
Financial assets	\$ 5,908	\$ 13,662	\$ 13,538
Financial liabilities	(14,555)	-	-
Cash flow interest rate risk			
Financial assets	234,838	300,968	381,200
Financial liabilities	(1,303,139)	(1,175,882)	(1,218,668)

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 lower/higher and all other variables were held constant, the Group's pre-tax profit for the nine months ended 30 September 2019 and 2018 would decrease/increase by \$801 thousand and \$628 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 2019, 31 December 2018 and 30 September 2018, trade receivables from top ten customers represent 51%, 56% and 53% 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 2019</u>				
Trade payable	\$ 464,842	\$ -	\$ -	\$ -
Lease liabilities	12,486	3,966	2,259	-
Bonds payable	-	304,423	-	304,423
Borrowings	<u>344,262</u>	<u>257,197</u>	<u>243,481</u>	<u>644,221</u>
	<u>\$ 821,590</u>	<u>\$ 565,586</u>	<u>\$ 245,740</u>	<u>\$ 948,644</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 12,486</u>	<u>\$ 6,225</u>

	On Demand or Less than 1 Year	1-2 Years	2-5 Years	5+ Years
<u>31 December 2018</u>				
Trade payable	\$ 539,377	\$ -	\$ -	\$ -
Bonds payable	-	-	304,523	-
Borrowings	<u>283,905</u>	<u>232,398</u>	<u>238,893</u>	<u>665,481</u>
	<u>\$ 823,282</u>	<u>\$ 232,398</u>	<u>\$ 543,416</u>	<u>\$ 665,481</u>
<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>

30. 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 Food Holdings Pte. Ltd.	Other related parties
Ong Kian San	Key management personnel
Ong Kee Song	Key management personnel

b. Sales of goods

Related Parties Categories	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Other related parties	<u>\$ 505</u>	<u>\$ 342</u>	<u>\$ 1,227</u>	<u>\$ 936</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 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Other related parties	<u>\$ 5,550</u>	<u>\$ 3,318</u>	<u>\$ 15,913</u>	<u>\$ 20,179</u>

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

d. Lease arrangements

Related Parties Categories	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
<u>Lease expense</u>				
Key management personnel	<u>\$ 112</u>	<u>\$ 112</u>	<u>\$ 338</u>	<u>\$ 337</u>

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

e. Other gains and losses

Related Parties Categories	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Other related parties	<u>\$ 33</u>	<u>\$ 33</u>	<u>\$ 101</u>	<u>\$ 101</u>

f. Trade receivables from related parties

Related Parties Categories	30 September 2019	31 December 2018	30 September 2018
Other related parties	<u>\$ 187</u>	<u>\$ 44</u>	<u>\$ 42</u>

g. Other receivables from related parties

Related Parties Categories	30 September 2019	31 December 2018	30 September 2018
Other related parties	<u>\$ 51</u>	<u>\$ 63</u>	<u>\$ 84</u>

h. Trade payables to related parties

Related Parties Categories	30 September 2019	31 December 2018	30 September 2018
Other related parties	<u>\$ 4,068</u>	<u>\$ 3,865</u>	<u>\$ 2,507</u>

i. Other payables to related parties

Related Parties Categories	30 September 2019	31 December 2018	30 September 2018
Other related parties	\$ <u>-</u>	\$ <u>-</u>	\$ <u>44</u>

j. Compensation of key management personnel

Related Parties Categories	1 July 2019 to 30 September 2019	1 July 2018 to 30 September 2018	1 January 2019 to 30 September 2019	1 January 2018 to 30 September 2018
Short-term employee benefits	\$ 10,598	\$ 11,028	\$ 31,327	\$ 32,414
Post-employment benefits	<u>667</u>	<u>746</u>	<u>2,047</u>	<u>2,338</u>
	<u>\$ 11,265</u>	<u>\$ 11,774</u>	<u>\$ 33,374</u>	<u>\$ 34,752</u>

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral:

	30 September 2019	31 December 2018	30 September 2018
Financial assets at amortized cost - time deposits	\$ 5,908	\$ 13,662	\$ 13,538
Property, plant and equipment	1,150,986	1,242,362	1,320,880
Right-of-use assets	97,603	-	-
Investment properties	49,658	50,515	-
Prepayments for land, building and equipment	86,468	-	-
Long-term prepayments for lease	<u>-</u>	<u>99,950</u>	<u>99,899</u>
	<u>\$ 1,390,623</u>	<u>\$ 1,406,489</u>	<u>\$ 1,434,317</u>

32. 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 and Consumer Commission of Singapore (“CCCS”). CCCS 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. CCCS has imposed the financial penalties on the thirteen fresh chicken distributors, including KSFC Company, whose amounted to SGD2,689 thousand (approximately NT\$60,014 thousand). On 12 November 2018, KSFC has lodged an appeal with Competition Appeal Board against the quantum of the penalty. Notwithstanding the appeal, KSFC has fully accounted for the penalty. In June 2019, there is a reduction of penalty amounted to SGD361 thousand (approximately NT\$8,275 thousand) under the appeal proceedings, and the reversal of penalty was recorded under “other gains and losses”. The penalty amounted to SGD2,328 thousand (approximately NT\$51,739 thousand) was fully paid to CCCS in August 2019.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

30 September 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
SGD	\$ 12,226	22.47	\$ 274,667
MYR	30,367	7.41	225,071

Financial liabilities

Monetary items			
SGD	41,755	22.47	938,095
MYR	112,221	7.41	831,742

31 December 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
SGD	\$ 15,928	22.39	\$ 356,687
MYR	26,842	7.39	198,242

Financial liabilities

Monetary items			
SGD	43,323	22.39	970,161
MYR	102,506	7.39	757,060

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

Financial liabilities

Monetary items			
SGD	41,428	22.30	923,843
MYR	103,874	7.36	764,873

For the three months ended 30 September 2019 and 2018, net foreign exchange losses were \$3,158 thousand and \$608 thousand, respectively. For the nine months ended 30 September 2019 and 2018, net foreign exchange gains were \$1,023 thousand and \$2,725 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.

34. 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: Table 6.
- 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 and 29.
- 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.

35. 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 2019 to 30 September 2019</u>						
External customer	\$ 981,200	\$ 1,304,338	\$ 2,285,538	\$ -	\$ -	\$ 2,285,538
Inter-company	<u>3,255</u>	<u>492,466</u>	<u>495,721</u>	<u>-</u>	<u>(495,721)</u>	<u>-</u>
Segment revenue	<u>\$ 984,455</u>	<u>\$ 1,796,804</u>	<u>\$ 2,781,259</u>	<u>\$ -</u>	<u>\$ (495,721)</u>	<u>\$ 2,285,538</u>
Segment profit (loss)	<u>\$ (4,720)</u>	<u>\$ (51,773)</u>	<u>\$ (56,493)</u>	<u>\$ (17,823)</u>	<u>\$ (11,174)</u>	<u>\$ (85,490)</u>
<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>

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 2019
(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 2019						
	The Company	KSFC Company	a	Other receivables	\$ 190,964	Normal	7
1	MKP Company	KSFC Company	c	Sales	429,435	Normal	19
		KSFC Company	c	Unearned sales revenue	38,757	Normal	1
		LKP Company	c	Sales	53,569	Normal	2
		LKP Company	c	Trade receivables	15,273	Normal	1
2	LKP Company	KSR Company	c	Other gains and losses	11,094	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 2019
(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	\$ 224,664 (SGD 10,000)	\$ 224,664 (SGD 10,000)	\$ 190,964 (SGD 8,500)	-	b	\$ -	Working capital	\$ -	-	\$ -	\$ 260,752	\$ 260,752
1	KSH Company	MKP Company	Other receivables	Yes	37,058 (MYR 5,000)	37,058 (MYR 5,000)	- (MYR -)	-	b	-	Working capital	-	-	-	742,003	742,003
		YKH Company	Other receivables	Yes	2,335 (MYR 315)	2,335 (MYR 315)	2,335 (MYR 315)	-	b	-	Working capital	-	-	-	742,003	742,003
		KSFC Company	Other receivables	Yes	112,332 (SGD 5,000)	112,332 (SGD 5,000)	- (SGD -)	-	b	-	Working capital	-	-	-	742,003	742,003
		BBQHS Company	Other receivables	Yes	6,740 (SGD 300)	6,740 (SGD 300)	6,740 (SGD 300)	-	b	-	Working capital	-	-	-	742,003	742,003
		FIK Company	Other receivables	Yes	2,247 (SGD 100)	- (SGD -)	- (SGD -)	-	b	-	Working capital	-	-	-	742,003	742,003
2	MKP Company	LKP Company	Other receivables	Yes	23,717 (MYR 3,200)	23,717 (MYR 3,200)	7,412 (MYR 1,000)	-	b	-	Working capital	-	-	-	147,354	147,354
3	MW Company	MKP Company	Other receivables	Yes	3,187 (MYR 430)	3,187 (MYR 430)	3,187 (MYR 430)	-	b	-	Working capital	-	-	-	5,478	5,478
4	KSA Company	KSR Company	Other receivables	Yes	9,582 (MYR 1,293)	9,582 (MYR 1,293)	9,582 (MYR 1,293)	-	b	-	Working capital	-	-	-	68,670	68,670

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 2019
(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	d	\$ 1,303,760	\$ 93,098 (US\$ 3,000)	\$ 93,098 (US\$ 3,000)	\$ - (US\$ -)	\$ -	14.28	\$ 2,607,520	Y	N	N
1	KSH Company	MKP Company	d	1,484,006	350,016 (MYR 47,225)	350,016 (MYR 47,225)	187,098 (MYR 25,244)	308,035	47.17	2,968,012	N	N	N
		LKP Company	d	1,484,006	67,520 (MYR 9,110)	63,814 (MYR 8,610)	4,761 (MYR 642)	38,392	8.60	2,968,012	N	N	N
		KSFC Company	d	1,484,006	1,232,907 (SGD 54,878)	1,153,690 (SGD 51,352)	831,653 (SGD 37,018)	940,259	155.48	2,968,012	N	N	N
		KSR Company	b	1,484,006	33,884 (MYR 4,572)	33,884 (MYR 4,572)	30,789 (MYR 4,154)	33,883	4.57	2,968,012	N	N	N
		KSA Company	b	1,484,006	543,076 (MYR 73,273)	543,076 (MYR 73,273)	400,368 (MYR 54,019)	408,184	73.19	2,968,012	N	N	N
		SPH Company	e	1,484,006	229,483 (SGD 10,214)	229,483 (SGD 10,214)	131,169 (SGD 5,838)	-	30.93	2,968,012	N	N	N
2	MKP Company	LKP Company	d	294,708	964 (MYR 130)	964 (MYR 130)	151 (MYR 20)	964	0.65	589,416	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:

- Business deals between the Company and guarantee party.
- 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%.
- Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 90%.
- Owing to the joint venture funded by all shareholders on its endorsement of its holding company.

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 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of 30 September 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				30 September 2019	31 December 2018	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	\$ 742,003	\$ (51,486) (SGD -2,263)	\$ (51,486) (SGD -2,263)	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	393,036 (SGD 17,494)	(8,928) (SGD -392)	(8,928) (SGD -392)	Note 1
	MKP Company	Malaysia	Poultry farming	181,332 (MYR 20,000)	181,332 (MYR 20,000)	13,000,000	100	147,354 (SGD 6,559)	15,928 (SGD 700)	15,983 (SGD 702)	Note 1
	YTH Company	Taiwan	Poultry farming and distribution	14,000	14,000	1,400,000	100	3,072 (SGD 137)	(239) (SGD -10)	(239) (SGD -10)	Note 1
	KSNF Company	Malaysia	Layer farming	- (MYR -)	- (MYR -)	2	100	(47) (SGD -2)	(31) (SGD -1)	(31) (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	120,172 (SGD 5,349)	(40,903) (SGD -1,798)	(28,632) (SGD -1,258)	Note 1
	YKH Company	Malaysia	Investment holding	- (MYR -)	- (MYR -)	2	100	(352) (SGD -16)	(81) (SGD -4)	(81) (SGD -4)	Note 1
	KSR Company	Malaysia	Property investment	6,261 (MYR 735)	6,261 (MYR 735)	735,000	49	36,689 (SGD 1,633)	(106) (SGD -5)	(52) (SGD -2)	Note 1
	KSO Company	Singapore	Processing and marking of seafood products	- (SGD -)	1,365 (SGD 60)	-	-	Note 2	Note 2	Note 2	Note 1
	CLI Company	Singapore	Transportation Support	- (SGD -)	11,145 (SGD 500)	-	-	Note 3	Note 3	Note 3	Note 1
	FIK Company	Singapore	Food caterers	33,177 (SGD 1,450)	- (SGD -)	1,250,000	80	14,251 (SGD 634)	(15,369) (SGD -675)	(13,708) (SGD -604)	Note 1
	FIK Company	BBQHS Company	Food caterers	23,607 (SGD 1,050)	23,607 (SGD 1,050)	1,050,000	100	9,061 (SGD 403)	(12,393) (SGD -545)	(12,393) (SGD -545)	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	35,106 (MYR 4,737)	16,656 (MYR 2,218)	16,656 (MYR 2,218)	Note 1
	MW Company	Malaysia	Property investment	5,949 (MYR 616)	5,949 (MYR 616)	616,000	100	5,478 (MYR 739)	23 (MYR 3)	23 (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	14,379 (MYR 1,940)	(8) (MYR -1)	(8) (MYR -1)	Note 1
YKH Company	KSR Company	Malaysia	Property investment	2,683 (MYR 315)	2,683 (MYR 315)	315,000	21	2,362 (MYR 319)	(106) (MYR -5)	(22) (MYR -1)	Note 1
KSH Company	Singapore Poultry Hub Pte. Ltd.	Singapore	Slaughtering and poultry distribution	18,150 (SGD 875)	18,150 (SGD 875)	875,000	25	16,778 (SGD 747)	- (SGD -)	- (SGD -)	
	Iceberg Cold Storage Pte. Ltd.	Singapore	Cold storage	270 (SGD 12)	1 (SGD -)	12,000	30	270 (SGD 12)	- (SGD -)	- (SGD -)	

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

Note 2: Liquidated in March 2019.

Note 3: Liquidated in August 2019.

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 2019
(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	\$ (429,435)	(84.24)	30 days	\$ -	-	\$ (38,757) Unearned sales revenue	(38.89)	

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

TABLE 6

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
KSFC Company	JTC Poultry Processing Hub @ Buroh #04-04, 3 Buroh Lane Singapore 618285	11 March 2019	\$ 86,468 (SGD 3,802)	Paid (account for prepayments for land, building and equipment)	Jurong Town Corporation	Not related party	-	-	-	-	The bid of Government project - Jurong Town Corporation	For operating and office use	None