Kee Song Bio-Technology Holdings Limited and Its Subsidiaries

Consolidated Financial Statements for the Years Ended 31 December 2016 and 2015 and Independent Auditors' Report

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
31 DECEMBER 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 497,048	30	$ 506,214	32
Trade receivables (Notes 4, 7 and 26)	184,201	11	196,562	13
Other receivables (Note 26)	28,500	2	22,255	1
Current tax assets (Notes 4)	-	-	98	-
Inventories (Notes 4 and 8)	38,695	3	36,318	2
Biological assets - current (Notes 4 and 9)	115,436	7	126,650	8
Prepayments	31,164	2	25,630	2
Other financial assets - current (Note 27)	20,137	1	46,751	3
Total current assets	915,181	56	960,478	61
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 11)	3,343	-	-	-
Property, plant and equipment (Notes 4, 12 and 27)	616,407	37	571,918	37
Intangible assets (Notes 4 and 13)	14,133	1	-	-
Prepayment for equipment	73,817	5	3,825	-
Long-term prepayments for lease (Note 14)	24,322	1	25,819	2
Total non-current assets	732,022	44	601,562	39
TOTAL	$ 1,647,203	100	$ 1,562,040	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 27)	$ 70,445	4	$ 33,137	2
Financial liabilities at fair value through profit or loss - current (Note 16)	332	-	430	-
Trade payables (Note 26)	153,261	9	161,270	10
Other payables (Notes 17 and 26)	141,727	9	223,446	14
Current tax liabilities (Notes 4)	17,372	1	23,365	2
Bonds payable (Note 16)	152,029	9	-	-
Long-term borrowings (Notes 15 and 27)	23,228	2	24,890	2
Total current liabilities	558,394	34	466,538	30
NON-CURRENT LIABILITIES				
Bonds payable (Note 16)	-	-	212,529	13
Long-term borrowings (Notes 15 and 27)	177,381	11	93,792	6
Deferred tax liabilities (Notes 4 and 21)	19,676	1	13,357	1
Total non-current liabilities	197,057	12	319,678	20
Total liabilities	755,451	46	786,216	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 16 and 18)				
Share capital				
Ordinary shares	363,995	22	346,057	22
Capital surplus	186,044	11	139,056	9
Retained earnings				
Special reserve	66,526	4	15,163	1
Unappropriated earnings	330,776	20	298,668	19
Total retained earnings	397,302	24	313,831	20
Other equity	(109,822)	(6)	(66,526)	(4)
Total equity attributable to owners of the Company	837,519	51	732,418	47
NON-CONTROLLING INTERESTS	54,233	3	43,406	3
Total equity	891,752	54	775,824	50
TOTAL	$ 1,647,203	100	$ 1,562,040	100

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

(With Deloitte & Touche audit report dated 17 March 2017)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 26)	$ 2,435,794	100	$ 1,837,201	100
OPERATING COSTS (Notes 4, 8, 20 and 26)	1,886,295	78	1,399,499	76
GROSS PROFIT	549,499	22	437,702	24
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	184,535	7	153,622	9
General and administrative expenses	166,819	7	133,741	7
Total operating expenses	351,354	14	287,363	16
PROFIT FROM OPERATIONS	198,145	8	150,339	8
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 20)	7,043	-	3,703	-
Other gains and losses (Notes 20 and 26)	(858)	-	10,994	1
Finance costs (Note 20)	(13,110)	-	(6,674)	-
Total non-operating income and expenses	(6,925)	-	8,023	1
PROFIT BEFORE INCOME TAX	191,220	8	158,362	9
INCOME TAX EXPENSE (Notes 4 and 21)	40,416	2	31,417	2
NET PROFIT FOR THE YEAR	150,804	6	126,945	7
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(47,302)	(2)	(65,994)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 103,502	4	$ 60,951	3
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 135,971	5	$ 129,214	7
Non-controlling interests	14,833	1	(2,269)	-
	$ 150,804	6	$ 126,945	7

(Continued)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 92,675	4	$ 77,851	4
Non-controlling interests	10,827	-	(16,900)	(1)
	$ 103,502	4	$ 60,951	3
EARNINGS PER SHARE (Note 22)				
Basic	$ 3.83		$ 3.79	
Diluted	$ 3.51		$ 3.64	

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

(With Deloitte & Touche audit report dated 17 March 2017) (Concluded)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
	Share Capital			Retained Earnings		Other Equity			
	Shares (In Thousands)	Amount	Capital Surplus	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total	Non-Controlling Interests	Total Equity
BALANCE AT 1 JANUARY 2015	34,000	$ 340,000	$ 113,106	$ 19,867	$ 208,950	$ (15,163)	$ 666,760	$ -	$ 666,760
Appropriation of 2014 earnings									
Cash dividends	-	-	-	-	(44,200)	-	(44,200)	-	(44,200)
Reversal of special reserve	-	-	-	(4,704)	4,704	-	-	-	-
Equity component of convertible bonds issued by the Company	-	-	9,132	-	-	-	9,132	-	9,132
Net profit for the year ended 31 December 2015	-	-	-	-	129,214	-	129,214	(2,269)	126,945
Other comprehensive income (loss) for the year ended 31 December 2015, net of income tax	-	-	-	-	-	(51,363)	(51,363)	(14,631)	(65,994)
Total comprehensive income (loss) for the year ended 31 December 2015	-	-	-	-	129,214	(51,363)	77,851	(16,900)	60,951
Convertible bonds converted to ordinary shares	606	6,057	16,818	-	-	-	22,875	-	22,875
Equity contribution by non-controlling interests	-	-	-	-	-	-	-	60,306	60,306
BALANCE AT 31 DECEMBER 2015	34,606	346,057	139,056	15,163	298,668	(66,526)	732,418	43,406	775,824
Appropriation of 2015 earnings									
Special reserve appropriated	-	-	-	51,363	(51,363)	-	-	-	-
Cash dividends	-	-	-	-	(52,500)	-	(52,500)	-	(52,500)
Equity component of convertible bonds issued by the Company	-	-	(2,753)	-	-	-	(2,753)	-	(2,753)
Net profit for the year ended 31 December 2016	-	-	-	-	135,971	-	135,971	14,833	150,804
Other comprehensive income for the year ended 31 December 2016, net of income tax	-	-	-	-	-	(43,296)	(43,296)	(4,006)	(47,302)
Total comprehensive income for the year ended 31 December 2016	-	-	-	-	135,971	(43,296)	92,675	10,827	103,502
Convertible bonds converted to ordinary shares	1,793	17,938	49,741	-	-	-	67,679	-	67,679
BALANCE AT 31 DECEMBER 2016	36,399	$ 363,995	$ 186,044	$ 66,526	$ 330,776	$ (109,822)	$ 837,519	$ 54,233	$ 891,752

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

(With Deloitte & Touche audit report dated 17 March 2017)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 191,220	$ 158,362
Adjustments for:		
Depreciation expenses	51,873	35,992
Amortization expenses	802	-
Impairment loss recognized on trade receivables	8,473	222
Net gain on fair value change of financial liabilities designated as at fair value through profit or loss	(7)	(284)
Finance costs	13,110	6,674
Interest income	(7,043)	(3,219)
Loss (gain) on disposal of property, plant and equipment	1,998	(1,038)
Write-down of inventories	2,299	-
Changes in operating assets and liabilities		
Trade receivables	3,229	(55,085)
Other receivables	(6,245)	(3,527)
Inventories	(4,676)	(13,643)
Biological assets	3,641	(115,652)
Prepayment	(5,534)	(19,809)
Trade payables	(8,009)	105,784
Other payables	(81,719)	172,644
Cash generated from operations	163,412	267,421
Interest received	7,043	3,219
Interest paid	(8,775)	(4,898)
Income tax paid	(38,679)	(21,597)
Net cash generated from operating activities	123,001	244,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment under the equity method	(3,440)	-
Acquisition of property, plant and equipment	(136,972)	(345,086)
Proceeds from disposal of property, plant and equipment	586	2,985
Acquisition of intangible assets	(15,365)	-
Decrease in other financial assets - current	26,614	3,899
Increase in prepayments for equipment	(73,524)	(689)
Increase in long-term prepayments for lease	-	(25,819)
Net cash used in investing activities	(202,101)	(364,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	43,604	22,984
Proceeds from issue of bonds payable	-	243,474
Proceeds from long-term borrowings	81,927	6,187
Dividends paid to owners of the Company	(52,500)	(44,200)
Proceeds from equity contribution by non-controlling interests	-	60,306
Net cash generated from financing activities	73,031	288,751

(Continued)

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ 3,199	$ (3,035)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,870)	165,151
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	496,061	330,910
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 493,191	$ 496,061

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at 31 December 2016 and 2015:

	31 December	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 497,048	$ 506,214
Bank overdrafts	(3,857)	(10,153)
Cash and cash equivalents in consolidated statements of cash flow	$ 493,191	$ 496,061

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

(With Deloitte & Touche audit report dated 17 March 2017) (Concluded)

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

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 Brothers Poultry Industries Pte. Ltd. ("KSB 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'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 17 March 2017.

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

a. 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) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting 1 January 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	1 January 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	1 January 2016
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to IAS 1 "Disclosure Initiative"	1 January 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	1 January 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	1 January 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	1 July 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	1 January 2014
IFRIC 21 "Levies"	1 January 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after 1 July 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after 1 July 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after 1 July 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016; the remaining amendments are effective for annual periods beginning on or after 1 January 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

   Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	1 January 2018
IFRS 9 "Financial Instruments"	1 January 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	1 January 2018
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 15 "Revenue from Contracts with Customers"	1 January 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	1 January 2018
IFRS 16 "Leases"	1 January 2019
Amendment to IAS 7 "Disclosure Initiative"	1 January 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	1 January 2017
Amendments to IAS 40 "Transfers of investment property"	1 January 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after 1 January 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after 1 January 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

   a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI). Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

   Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

   The impairment of financial assets

   IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

   For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 16 “Leases”

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

4) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

- Principles for preparing consolidated financial statements

  The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

  Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

  When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

  All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the first-in, first-out (FIFO) cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation, allocated to the individual cash-generating units. Otherwise, corporate assets are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

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

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

5) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - other.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

l. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

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.

1) 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.

2) The Group as lessee

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

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income taxes relating to items recognized other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% surtax on undistributed retained earnings in respect of Taiwan subsidiary is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

q. Biological assets

Biological assets are measured at cost plus transaction costs on initial recognition, and subsequently measured at fair value less costs to sell. The gains or losses arising from the change in fair value less costs to sell are recognized in profit or loss when they are incurred.

Agricultural produce harvested from biological assets is measured initially at fair value less costs to sell at the point of harvest, transferred subsequently to inventory and accounted for accordingly.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	31 December	
	2016	**2015**
Cash on hand	$ 2,076	$ 1,757
Cash at bank	262,321	134,997
Cash equivalents		
Time deposits with original maturity less than three months	232,651	369,460
	$ 497,048	$ 506,214

7. TRADE RECEIVABLES

	31 December 2016	31 December 2015
Trade receivables from unrelated parties	$ 192,369	$ 197,258
Less: Allowance for impairment loss	(8,246)	(732)
	184,123	196,526
Trade receivables from related parties	78	36
Less: Allowance for impairment loss	-	-
	78	36
	$ 184,201	$ 196,562

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

	2016	2015
Individually assessed for impairment		
Balance at 1 January	$ 732	$ 2,294
Add: Impairment losses recognized on receivables	8,473	222
Less: Amounts written off during the period as uncollectible	(300)	(1,613)
Foreign exchange translation gain and losses	(659)	(171)
Balance at 31 December	$ 8,246	$ 732

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

The 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	Past Due But Not Impaired: 31-60 Days	Past Due But Not Impaired: Above 61 Days	Total
31 December 2016	$ 159,990	$ 11,711	$ 4,100	$ 8,400	$ 184,201
31 December 2015	166,156	21,846	6,731	1,829	196,562

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

8. INVENTORIES

	31 December 2016	31 December 2015
Trading goods	$ 8,909	$ 14,534
Finished goods	22,895	16,151
Raw materials	6,891	5,633
	$ 38,695	$ 36,318

The cost of inventories recognized as cost of goods sold for the years ended 31 December 2016 and 2015 was $1,886,295 thousand and $1,399,499 thousand, respectively.

The cost of goods sold for the years ended 31 December 2016 and 2015 included inventory write-downs of $2,299 thousand and $0 thousand, respectively.

9. BIOLOGICAL ASSETS

	Broiler	Breeder	Total
Balance at 1 January 2015	$ 21,289	$ -	$ 21,289
Purchases during the period	756,941	222,048	978,989
Depreciation during the period	-	(63,556)	(63,556)
Disposals during the period	(716,211)	(83,570)	(799,781)
Exchange differences	(5,723)	(4,568)	(10,291)
Balance at 31 December 2015	$ 56,296	$ 70,354	$ 126,650
Balance at 1 January 2016	$ 56,296	$ 70,354	$ 126,650
Purchases during the period	980,110	213,642	1,193,752
Depreciation during the period	-	(55,151)	(55,151)
Disposals during the period	(956,712)	(185,530)	(1,142,242)
Exchange difference	(5,288)	(2,285)	(7,573)
Balance at 31 December 2016	$ 74,406	$ 41,030	$ 115,436

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.

10. SUBSIDIARIES

The consolidated entities are as follows:

			Proportion of Ownership (%)	
			31 December	
Investor	Subsidiaries	Principal Activities	2016	2015
The Company	Kee Song Holdings Pte. Ltd. (KSH Company)	Investment holding	100	100
KSH Company	Kee Song Brothers Poultry Industries Pte. Ltd. (KSB Company)	Importing, slaughtering, wholesaling and retailing poultry and consumable goods of all kinds	100	100
KSH Company	Meng Kee Poultry (M) Sdn. Bhd. (MKP Company)	Poultry farming	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
KSH Company	Kee Song Natural Foods (M) Sdn. Bhd. (KSNF Company)	Layer farming	100	100
KSH Company	Kee Song Agriculture (M) Sdn. Bhd. (KSA Company)	Poultry farming, processing and marketing of poultry related products	70	70
KSH Company	YKH Holdings (M) Sdn. Bhd. (YKH Company)	Investment holding	100	100
KSH Company and YKH Company	Kee Song Realty (M) Sdn. Bhd. (KSR Company)	Property investment	70	70
KSH Company	Kee Song Ocean Pte. Ltd. (KSO Company)	Processing and marketing of seafood products	60	60
KSH Company	Celsius Link International Pte. Ltd. (CLI Company)	Transportation Support	100	-
MKP Company	Lucky Poultry (M) Sdn. Bhd. (LKP Company)	Processing and marketing of poultry related products	100	100
MKP Company	Meng Woon Holdings (M) Sdn. Bhd. (MW Company)	Property investment	100	100
MKP Company	Kee Song Jaya Feedmills (M) Sdn. Bhd. (KSJ Company)	Manufacturing of poultry feed products	100	100

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2016	31 December 2015
Investments in associates	$ 3,343	$ -

Details on pricipal activities, principal place of business and country of incorporation of the associates are disclosed in Table 4.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction Progress and Equipment Awaiting Examination	Total
Cost						
Balance at 1 January 2015	$ 64,533	$ 288,478	$ 150,330	$ 145,008	$ 2,194	$ 650,543
Additions	49,337	125,340	108,202	37,956	24,251	345,086
Disposals	-	-	-	(17,884)	-	(17,884)
Exchange differences	(14,405)	(39,223)	(12,433)	(9,914)	(1,669)	(77,644)
Reclassification	-	2,344	-	-	(2,344)	-
Balance at 31 December 2015	$ 99,465	$ 376,939	$ 246,099	$ 155,166	$ 22,432	$ 900,101
Accumulated depreciation						
Balance at 1 January 2015	$ -	$ 124,470	$ 120,293	$ 91,463	$ -	$ 336,226
Depreciation	-	13,145	7,599	15,248	-	35,992
Disposals	-	-	-	(15,937)	-	(15,937)
Exchange differences	-	(17,501)	(4,850)	(5,747)	-	(28,098)
Balance at 31 December 2015	$ -	$ 120,114	$ 123,042	$ 85,027	$ -	$ 328,183
Net carrying amount						
Balance at 31 December 2015	$ 99,465	$ 256,825	$ 123,057	$ 70,139	$ 22,432	$ 571,918
Cost						
Balance at 1 January 2016	$ 99,465	$ 376,939	$ 246,099	$ 155,166	$ 22,432	$ 900,101
Additions	14,427	3,866	21,033	54,234	43,412	136,972
Disposals	-	-	(20)	(16,675)	-	(16,695)
Exchange differences	(7,275)	(21,697)	(13,699)	(9,717)	(4,726)	(57,114)
Balance at 31 December 2016	$ 106,617	$ 359,108	$ 253,413	$ 183,008	$ 61,118	$ 963,264

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction Progress and Equipment Awaiting Examination	Total
Accumulated depreciation						
Balance at 1 January 2016	$ -	$ 120,114	$ 123,042	$ 85,027	$ -	$ 328,183
Depreciation	-	18,103	14,745	19,025	-	51,873
Disposals	-	-	(5)	(14,106)	-	(14,111)
Exchange differences	-	(8,403)	(6,326)	(4,359)	-	(19,088)
Balance at 31 December 2016	$ -	$ 129,814	$ 131,456	$ 85,587	$ -	$ 346,857
Net carrying amount						
Balance at 31 December 2016	$ 106,617	$ 229,294	$ 121,957	$ 97,421	$ 61,118	$ 616,407

(Concluded)

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

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

Property, plant and equipment pledged as collateral for bank borrowings disclosed in Note 27.

13. INTANGIBLE ASSETS

	Customer List
Cost	
Balance at 1 January 2016	$ -
Additions	15,365
Exchange differences	(993)
Balance at 31 December 2016	$ 14,372
Accumulated amortization and impairment	
Balance at 1 January 2016	$ -
Amortization expense	259
Exchange differences	(20)
Balance at 31 December 2016	$ 239
Balance at 31 December 2016	$ 14,133

The above items of intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

Customer List	5 years

14. LONG-TERM PREPAYMENTS FOR LEASE

	31 December	
	2016	2015
Non-current assets	$ 24,322	$ 25,819

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

15. BORROWINGS

a. Short-term borrowings

	31 December	
	2016	2015
Bank overdrafts	$ 3,857	$ 10,153
Secured bank loans*	66,588	22,984
	$ 70,445	$ 33,137

* The range of weighted average effective interest rate on bank loans was 7.85% and 4.10%-7.85% per annum as of 31 December 2016 and 2015, respectively.

Details on property, plant and equipment pledged as security for borrowings are disclosed in Note 27.

b. Long-term borrowings

	Maturity	Significant Terms	31 December 2016	31 December 2015
Secured bank loans*	2010.05.13-2034.03.05	Principal and interest are payable on monthly	$ 152,734	$ 98,900
Finance leases*	2011.02.27-2021.11.29	Principal and interest are payable on monthly	47,875	19,782
			200,609	118,682
Less: Current portion			(23,228)	(24,890)
Long-term borrowings			$ 177,381	$ 93,792

* The range of weighted average effective interest rate on bank loans was 1.98%-7.10% and 1.98%-8.13% per annum as of 31 December 2016 and 2015, respectively.

Details on property, plant and equipment pledged as security for borrowings are disclosed in Note 27.

16. BONDS PAYABLE

a. Unsecured domestic convertible bonds

	31 December 2016	31 December 2015
Principal amount	$ 158,200	$ 226,500
Discounts on bonds payable	(6,171)	(13,971)
	152,029	212,529
Less: Current portion	(152,029)	-
	$ -	$ 212,529
Embedded derivatives	$ 332	$ 430
Equity component	$ 6,379	$ 9,132

The first unsecured domestic convertible bonds payable

1) Issue size and issue price: NT$250,000 thousand, each with a face value of NT$100 thousand, issued based on 100% of par value.

2) Coupon rate: 0% per annum.

3) Issue period: From 15 September 2015 to 15 September 2018.

4) Terms of exchange:

   a) Conversion Securities: Ordinary shares of the Company.

   b) Conversion Period: The bonds are convertible at any time on or after 16 October 2015 and prior to 15 September 2018 into ordinary shares of the Company.

   c) Conversion Price and Adjustment: The conversion price was originally NT$38.8 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. As of 31 December 2016, the conversion price was adjusted to NT$37.41 per share.

5) The Company's call option:

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

   a) The closing price of the Company's common stocks exceeds 30% of the last adjusted conversion price for a period of 30 consecutive business days.

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

6) Bondholder's put option:

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

b. Unsecured domestic bonds payable conversions are as follows:

	2016		2015	
	Par Value of Convertible Bonds	Numbers of Shares Converted	Par Value of Convertible Bonds	Numbers of Shares Converted
Converted amount at the beginning	$ 23,500	606,000	$ -	-
Converted amount during the period	68,300	1,793,000	23,500	606,000
Converted amount at the end	$ 91,800	2,399,000	$ 23,500	606,000

17. OTHER PAYABLES

	31 December	
	2016	2015
Payables for purchase or maintenance of equipment	$ 25,399	$ 122,912
Payables for salaries or bonus	44,874	40,627
Other payables - related parties	41,441	36,181
Others	30,013	23,726
	$ 141,727	$ 223,446

18. EQUITY

Share Capital - Ordinary Shares

	31 December	
	2016	2015
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	36,399	34,606
Shares issued	$ 363,995	$ 346,057

As at 31 December 2016, the bonds holders had exercised their right to convert bonds into 23,995,000 shares of NT$10 par value ordinary share of the Company. The newly issued shares had been approved and registered with the relevant authorities.

Capital Surplus

	31 December	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Additional paid-up capital	$ 113,106	$ 113,106
Arising from conversion of bonds	66,559	16,818
May not be used for any purpose		
Arising from share options	6,379	9,132
	$ 186,044	$ 139,056

* 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).

Retained Earnings and Dividend Policy

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

a. No more than 3% as employees' bonus;

b. No more than 3% as directors' bonus; and

c. The balance as dividends to shareholders. The dividends shall not be less than 10% of net profit after tax earned in such financial year deducting reserves, employees' bonus and directors' bonus.

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

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

The appropriations of earnings for 2015 and 2014 was approved in the shareholders' meeting on 27 June 2016 and on 22 June 2015, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Appropriation (reversal) of special reserve	$ 51,363	$ (4,704)	$ -	$ -
Cash dividends	52,500	44,200	1.48	1.30

For information about the accrual basis of the employees' bonus and remuneration to directors and the actual appropriations are disclosed in Note 20.e.

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on 17 March 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Appropriation of special reserve	$ 43,296	$ -
Cash dividends	48,411	1.33

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on 19 June 2017.

19. REVENUE

	For the Year Ended 31 December	
	2016	2015
Revenue from the sale of goods	$ 2,435,327	$ 1,837,201
Other operating revenue	467	-
	$ 2,435,794	$ 1,837,201

20. COMPREHENSIVE INCOME ITEM DETAILS

a. Other income

	For the Year Ended 31 December	
	2016	2015
Interest income	$ 7,043	$ 3,219
Others	-	484
	$ 7,043	$ 3,703

b. Other gains and losses

	For the Year Ended 31 December	
	2016	2015
Net foreign exchange (loss) gain	$ (10,408)	$ 79
(Loss) gain on disposal of property, plant and equipment	(1,998)	1,038
Net gain arising on financial liabilities designated as at FVTPL	7	284
Others	11,541	9,593
	$ (858)	$ 10,994

c. Finance costs

	For the Year Ended 31 December 2016	2015
Interest expenses from bank borrowings	$ 8,775	$ 4,898
Interest expenses from convertible bonds	4,335	1,776
	$ 13,110	$ 6,674

d. Depreciation

	For the Year Ended 31 December 2016	2015
Property, plant and equipment	$ 51,873	$ 35,992
An analysis of depreciation by function		
Operating costs	$ 31,341	$ 19,774
Operating expenses	20,532	16,218
	$ 51,873	$ 35,992
Long-term prepayments for lease	$ 543	$ -
Intangible assets	259	-
	$ 802	$ -
An analysis of depreciation by function		
Operating costs	$ 543	$ -
Operating expenses	259	-
	$ 802	$ -

e. Employee benefits expense

	For the Year Ended 31 December					
	2016			2015		
	Cost of Sales	Operating expenses	Total	Cost of Sales	Operating expenses	Total
Salaries	$ 110,744	$ 184,116	$ 294,860	$ 84,744	$ 152,663	$ 237,407
Provident fund and post-employee benefits - defined contribution plans	4,702	14,203	18,905	3,502	11,556	15,058
Other employee benefits	17,226	11,600	28,826	12,840	10,569	23,409
	$ 132,672	$ 209,919	$ 342,591	$ 101,086	$ 174,788	$ 275,874

Note: For the years ended 31 December 2016 and 2015 the numbers of the Group's employees were 568 and 525 respectively.

For the years ended 31 December 2016 and 2015, the bonus to employees and the remuneration to directors were $0 thousand respectively. 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 2015 and 2014 approved by the shareholders' meetings on 27 June 2016 and on 22 June 2015 were $0 thousand respectively.

There was no difference between the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meetings on 27 June 2016 and on 22 June 2015, and the respective amounts recognized in the consolidated financial statements for the years ended 31 December 2016 and 2015.

Information on the bonus to employees, directors and supervisors for 2015 and 2014 resolved by the shareholders' meeting in 2016 and 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended 31 December	
	2016	**2015**
Current tax		
In respect of the current period	$ 34,331	$ 30,530
Adjustments for prior years	(1,547)	(1,645)
Deferred tax		
In respect of the current period	7,734	2,229
Effect of tax rate changes	(314)	-
Adjustments for prior years	212	303
Income tax expense recognized in profit or loss	$ 40,416	$ 31,417

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended 31 December	
	2016	**2015**
Profit before tax	$ 191,220	$ 158,362
Income tax expense calculated at the statutory rate	$ 32,507	$ 26,922
Nondeductible expenses in determining taxable income	6,987	4,468
Tax-exempt income	(635)	(33)
Tax exemptions and rebates	(1,885)	(1,088)
Investment credits	(3,041)	(2,296)
Unrecognized deductible temporary differences	1,150	2,238
Effect of tax rate changes	(314)	-

(Continued)

	For the Year Ended 31 December	
	2016	2015
Effect of different tax rate of group entities operating in other jurisdictions	$ 6,976	$ 2,549
Adjustments for prior years' tax	(1,335)	(1,342)
Others	6	(1)
Income tax expense recognized in profit or loss	$ 40,416	$ 31,417

(Concluded)

b. Deferred tax assets and liabilities

The movements of deferred tax liabilities were as follows:

For the year ended 31 December 2016

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences	$ 13,357	$ 7,632	$ (1,313)	$ 19,676

For the year ended 31 December 2015

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences	$ 12,106	$ 2,532	$ (1,281)	$ 13,357

c. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	31 December	
	2016	2015
Unused tax losses	$ 7,230	$ 7,132
Deductible temporary differences	$ 1,303	$ 1,571

d. 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, KSB Company, KSO Company, and CLI 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 was 25% in or before 2015. Local corporate tax rate reduced from 25% to 24 %, effective in 1 January 2016.

Taiwan

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

b) Local corporate tax rate is 17%.

e. Income tax assessments

The income tax returns through 2014 of KSH Company, KSB Company, MKP Company, KSNF Company, KSJ Company, LKP Company, MW Company and YTH Company have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

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

Net Profit for the Period

	For the Year Ended 31 December	
	2016	**2015**
Earnings used in computation of basic earnings per share	$ 135,971	$ 129,214
Convertible bonds	3,619	1,054
Earnings used in computation of diluted earnings per share	$ 139,590	$ 130,268

Weighted Average Number of Ordinary Shares Outstanding

(In Thousand Shares)

	For the Year Ended 31 December	
	2016	**2015**
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	35,520	34,097
Effect of potentially dilutive ordinary shares		
Convertible bonds	4,229	1,703
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	39,749	35,800

23. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

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

	31 December	
	2016	**2015**
Not later than 1 year	$ 5,156	$ 7,054
Later than 1 year and not later than 5 years	486	2,604
	$ 5,642	$ 9,658

24. 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.

25. 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.

	31 December			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ 152,029	$ 170,065	$ 212,529	$ 243,488

2) Fair value hierarchy

31 December 2016

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	$ 170,065	$ -	$ -	$ 170,065

31 December 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost				
Convertible bonds	$ 243,488	$ -	$ -	$ 243,488

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

1) Fair value hierarchy

31 December 2016

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Embedded derivatives	$ -	$ 332	$ -	$ 332

31 December 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Embedded derivatives	$ -	$ 430	$ -	$ 430

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.

c. Categories of financial instruments

	31 December	
	2016	**2015**
Financial assets		
Loans and receivables (Note 1)	$ 727,810	$ 770,025
Financial liabilities		
Financial liabilities at FVTPL held for trading	332	430
Amortized cost (Note 2)	718,071	749,064

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, other payables, bonds payable, curent portion of long-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 activates. 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 and interest rate risk.

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

a) Foreign currency risk

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

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

b) Interest rate risk

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

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

	31 December	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 20,137	$ 46,751
Cash flow interest rate risk		
Financial assets	494,972	504,457
Financial liabilities	(423,083)	(151,818)

Sensitivity analysis

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

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended 31 December 2016 and 2015 would increase/decrease by $72 thousand and $353 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 31 December 2016 and 2015, trade receivables from top ten customers represent 52% and 54% 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**	**3-5 Years**	**5+ Years**
31 December 2016				
Trade payables	$ 294,988	$ -	$ -	$ -
Bonds payable	161,380	-	-	-
Borrowings	105,663	49,494	64,470	93,729
	$ 562,030	$ 49,494	$ 64,470	$ 93,729
31 December 2015				
Trade payables	$ 384,716	$ -	$ -	$ -
Bonds payable	-	230,389	-	-
Borrowings	60,512	35,777	23,502	51,890
	$ 445,228	$ 266,166	$ 23,502	$ 51,890

26. 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. Sales of goods

Related Parties Categories	For the Year Ended 31 December	
	2016	2015
Other related parties	$ 1,450	$ 969

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

b. Purchases of goods

Related Parties Categories	For the Year Ended 31 December	
	2016	2015
Other related parties	$ 27,862	$ 29,623

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

c. Operating expense - rental expense

Related Parties Categories	For the Year Ended 31 December	
	2016	2015
Key management personnel	$ 280	$ 293

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

d. Other gains and losses

Related Parties Categories	For the Year Ended 31 December	
	2016	2015
Other related parties	$ 382	$ 393

e. Trade receivables from related parties

Related Parties Categories	31 December	
	2016	2015
Other related parties	$ 78	$ 36

f. Other receivables from related parties

Related Parties Categories	31 December	
	2016	2015
Other related parties	$ 102	$ 131

g. Trade payables to related parties

Related Parties Categories	31 December 2016	31 December 2015
Other related parties	$ 1,121	$ 4,205

h. Other payables to related parties

Related Parties Categories	31 December 2016	31 December 2015
Other related parties	$ 41,441	$ 36,181

i. Compensation of key management personnel

	For the Year Ended 31 December 2016	For the Year Ended 31 December 2015
Short-term employee benefits	$ 35,762	$ 33,239
Post-employment benefits	1,945	1,414
	$ 37,707	$ 34,653

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral:

	31 December 2016	31 December 2015
Property, plant and equipment	$ 242,647	$ 206,217
Other financial assets - time deposits	20,137	46,751
	$ 262,784	$ 252,968

28. OTHER MATTERS

On 8 March 2016, KSB Company received a Notice of Proposed Infringement Decision ("PID") from the Competition Commission of Singapore ("CCS"). CCS provisionally finds that 13 fresh chicken distributors, including KSB Company, participated in agreements and/or concerted practices relating to not competing for each other's customers and to the quantum and timing of price movements in relation to the sale and distribution of fresh chickens in Singapore. The purpose of the PID is to give each party an opportunity to make representations on CCS's proposed decision. KSB Company has appointed Attorney-at-Law and has submitted the representations to CCS on 3 May 2016. Thus, the Group cannot reasonably estimate related liability.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

31 December 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
SGD	$ 21,271	22.29	$ 474,125
MYR	28,692	7.19	206,193
Financial liabilities			
Monetary items			
SGD	4,476	22.29	99,780
MYR	54,912	7.19	394,615

31 December 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
SGD	$ 26,366	23.26	$ 613,243
MYR	16,378	7.66	125,481
Financial liabilities			
Monetary items			
SGD	4,388	23.26	102,055
MYR	46,872	7.66	359,107

For the years ended 31 December 2016 and 2015, net foreign exchange (losses) gains were $(10,408) thousand and $79 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.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: Table 2.

2) Endorsements/guarantees provided: Table 3.

3) Marketable securities held: None.

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

9) Trading in derivative instruments: None.

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.

31. 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
2016						
External customer	$ 1,441,255	$ 987,669	$ 2,428,924	$ 6,870	$ -	$ 2,435,794
Inter-company	869	630,477	631,346	10,884	(642,230)	-
Segment revenue	$ 1,442,124	$ 1,618,146	$ 3,060,270	$ 17,754	$ (642,230)	$ 2,435,794
Segment profit (loss)	$ 133,240	$ 94,076	$ 227,316	$ (35,950)	$ (146)	$ 191,220
2015						
External customer	$ 1,314,310	$ 517,617	$ 1,831,927	$ 5,274	$ -	$ 1,837,201
Inter-company	722	595,538	596,260	740	(597,000)	-
Segment revenue	$ 1,315,032	$ 1,113,155	$ 2,428,187	$ 6,014	$ (597,000)	$ 1,837,201
Segment profit (loss)	$ 145,465	$ 35,122	$ 180,587	$ (22,593)	$ 368	$ 158,362

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.

c. Geographical information

The Group operates in Southern-Eastern Asia and it is also where the Group's revenue from external customers from.

d. Information about major customers

Included in revenues arising from sales of $2,435,794 thousand and $1,837,201 thousand in 2016 and 2015 respectively, are revenues of approximately $484,105 thousand and $424,240 thousand which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2016 and 2015.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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)
	For the year ended 31 December 2016						
0	The Company	KSB Company	a	Other receivables	$ 129,282	Normal	8
1	MKP Company	KSB Company	c	Sales	513,404	Normal	21
		LKP Company	a	Sales	61,137	Normal	3
		LKP Company	a	Other receivables	22,996	Normal	1
2	KSH Company	KSA Company	a	Other receivables	80,195	Normal	5
3	KSA Company	KSR Company	c	Other receivables	68,238	Normal	4
4	KSB Company	KSO Company	c	Other receivables	22,415	Normal	1
		KSO Company	c	Purchase of goods	10,884	Normal	-

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.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

LOANS TO OTHERS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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	KSB Company	Other receivables	Yes	$ 383,389 (SGD 17,200)	$ 383,389 (SGD 17,200)	$ 129,283 (SGD 5,800)	-	b	$ -	Working capital	$ -	-	$ -	$ 837,519	$ 837,519
1	KSH Company	YTH Company	Other receivables	Yes	7,579 (SGD 340)	7,579 (SGD 340)	-	-	b	-	Working capital	-	-	-	837,519	837,519
		KSO Company	Other receivables	Yes	22,290 (SGD 1,000)	22,290 (SGD 1,000)	-	5.25	b	-	Working capital	-	-	-	335,008	837,519
		KSA Company	Other receivables	Yes	79,186 (MYR 11,019)	79,186 (MYR 11,019)	79,186 (MYR 11,019)	5.00	b	-	Working capital	-	-	-	335,008	837,519
		YKH Company	Other receivables	Yes	2,264 (MYR 315)	2,264 (MYR 315)	2,264 (MYR 315)	-	b	-	Working capital	-	-	-	837,519	837,519
2	MKP Company	LKP Company	Other receivables	Yes	28,745 (MYR 4,000)	28,745 (MYR 4,000)	22,996 (MYR 3,200)	-	b	-	Working capital	-	-	-	837,519	837,519
3	KSB Company	KSO Company	Other receivables	Yes	22,290 (SGD 1,000)	22,290 (SGD 1,000)	22,290 (SGD 1,000)	5.25	b	-	Working capital	-	-	-	335,008	837,519

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.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED TO OTHERS
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 (Note 3)	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)										
1	KSH Company	KSB Company	c	$ 1,675,038	$ 559,576 (SGD 25,104)	$ 314,385 (SGD 14,104)	$ 84,204 (SGD 3,778)	$ -	37.54	$ 1,675,038	N	N	N
		MKP Company	c	1,675,038	90,210 (MYR 12,553)	90,210 (MYR 12,553)	3,857 (MYR 537)	-	10.77	1,675,038	N	N	N
		LKP Company	c	1,675,038	61,874 (MYR 8,610)	61,874 (MYR 8,610)	16,063 (MYR 2,235)	-	7.39	1,675,038	N	N	N
		KSA Company	c	1,675,038	319,461 (MYR 44,454)	316,414 (MYR 44,030)	47,187 (MYR 6,566)	73,980	37.78	1,675,038	N	N	N
		KSR Company	c	1,675,038	27,431 (MYR 3,817)	27,431 (MYR 3,817)	- (MYR -)	56,911	3.28	1,675,038	N	N	N
2	MKP Company	LKP Company	c	1,675,038	934 (MYR 130)	934 (MYR 130)	673 (MYR 94)	-	0.11	1,675,038	N	N	N

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 information of endorser and endorsee are categorized as follows:

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

Note 3: The maximum balance of endorsement/guarantee in total and to individual company cannot exceeded of 200% of the Company's net worth.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED 31 DECEMBER 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of 31 December 2016			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				31 December 2016	31 December 2015	Shares	Percentage of Ownership	Carrying Amount			
The Company	KSH Company	Singapore	Investment holding	$ 241,257 (SGD 10,219)	$ 177,985 (SGD 7,519)	10,219,061	100	$ 818,896	$ 162,666 (SGD 6,964)	$ 162,666 (SGD 6,964)	Note
KSH Company	KSB Company	Singapore	Slaughtering and poultry distribution	35,374 (SGD 1,500)	35,374 (SGD 1,500)	1,500,000	100	369,486, (SGD 16,576)	111,918 (SGD 4,792)	111,918 (SGD 4,792)	Note
	MKP Company	Malaysia	Poultry farming	145,621 (MYR 15,000)	145,621 (MYR 15,000)	8,000,000	100	145,646, (SGD 6,534)	12,933 (SGD 554)	12,938 (SGD 554)	Note
	YTH Company	Taiwan	Poultry farming and distribution	14,000	6,500	1,400,000	100	4,586 (SGD 206)	(2,490) (SGD (107))	(2,490) (SGD (107))	Note
	KSNF Company	Malaysia	Layer farming	- (MYR -)	- (MYR -)	2	100	(145) (SGD (7))	(52) (SGD (2))	(52) (SGD (2))	Note
	KSA Company	Malaysia	Poultry farming and distribution	108,778 (MYR 12,600)	108,778 (MYR 12,600)	12,600,000	70	132,626 (SGD 5,950)	62,240 (SGD 2,665)	43,568 (SGD 1,865)	Note
	YKH Company	Malaysia	Investment holding	- (MYR -)	- (MYR -)	2	100	88 (SGD 4)	172 (SGD 7)	172 (SGD 7)	Note
	KSR Company	Malaysia	Property investment	6,261 (MYR 735)	6,261 (MYR 735)	735,000	49	5,727, (SGD 257)	1,100 (SGD 47)	539 (SGD 23)	Note
	KSO Company	Singapore	Processing and marking of seafood products	1,365 (SGD 60)	1,365 (SGD 60)	60,000	60	(9,171) (SGD (411))	(10,423) (SGD (446))	(6,254) (SGD (268))	Note
	CLI Company	Singapore	Transportation Support	11,145 (SGD 500)	- (SGD -)	500,000	100	11,094 (SGD 498)	(54) (SGD (2))	(54) (SGD (2))	Note
MKP Company	LKP Company	Malaysia	Processing and poultry distribution	60,976 (MYR 6,250)	60,976 (MYR 6,250)	4,000,000	100	23,383 (MYR 3,254)	4,114 (MYR 528)	4,114 (MYR 528)	Note
	MW Company	Malaysia	Property investment	5,949 (MYR 616)	5,949 (MYR 616)	616,000	100	5,194 (MYR 723)	130 (MYR 17)	130 (MYR 17)	Note
	KSJ Company	Malaysia	Manufacturing of poultry feed products	28,219 (MYR 3,000)	28,219 (MYR 3,000)	3,000,000	100	21,396, (MYR 2,977)	(5) (MYR (1))	(5) (MYR (1))	Note
YKH Company	KSR Company	Malaysia	Property investment	2,683 (MYR 315)	2,683 (MYR 315)	315,000	21	2,455 (MYR 342)	1,100 (SGD 47)	231 (SGD 10)	Note
KSH Company	Singapore Poultry Hub Pte. Ltd.	Singapore	Slaughtering and poultry distribution	3,440 (SGD 150)	- (SGD -)	150,000	30	3,344 (SGD 150)	- (SGD -)	- (SGD -)	

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

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2016
(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	KSB Company	Affiliated company	Sale	$ (513,404)	(89.16)	30 days	$ -	-	$ 9,003	4.9	

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