

**KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2020 AND 2019**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these consolidated financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language consolidated financial statements shall prevail.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

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English Translation of a Report Originally Issued in Chinese

Review Report of Independent Auditors

To Kee Song Bio-Technology Holdings Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Kee Song Bio-Technology Holdings Limited (the “Company”) and its subsidiaries as of September 30, 2020, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2020, consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of September 30, 2020, consolidated financial performance for the three-month and nine-month periods ended September 30, 2020 and its consolidated cash flows for the nine-month periods ended September 30, 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Other Matter

The consolidated financial statements of the Company and its subsidiaries for the nine-month periods ended September 30, 2019, were reviewed by other auditors, who expressed an unqualified conclusion on those statements on November 8, 2019.

/s/Wang, Yahn-Jyun

/s/Liu, Rong-Jin

Ernst & Young, Taiwan
November 10, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practice to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

September 30, 2020, December 31, 2019 and September 30, 2019 (September 30, 2020 and 2019 are unaudited)
 (Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			Liabilities and Equity	Notes	As of		
		September 30, 2020	December 31, 2019	September 30, 2019			September 30, 2020	December 31, 2019	September 30, 2019
Current assets					Current liabilities				
Cash and cash equivalents	4 and 6	\$380,288	\$231,733	\$236,381	Short-term borrowings	6 and 8	\$291,324	\$215,351	\$188,348
Financial assets at amortised cost, current	4, 6 and 8	5,727	5,889	5,908	Financial liabilities at fair value through profit or loss, current	4 and 6	9,901	10,726	9,338
Trade receivables, net	4, 6 and 7	178,863	244,243	239,448	Trade payables	7	243,651	347,191	322,325
Other receivables	6 and 7	28,434	28,089	30,291	Other payables	6	93,472	119,894	142,517
Current tax assets	4 and 6	18,886	18,841	22,857	Current tax liabilities	4 and 6	4,817	751	1,921
Inventories, net	4, 5 and 6	35,464	45,815	35,753	Lease liabilities, current	4, 6 and 7	5,864	9,162	9,799
Biological assets, current	4, 5 and 6	128,147	187,310	185,283	Current portion of bonds payable	6	286,160	-	-
Prepayments		12,420	17,324	18,414	Current portion of long-term borrowings	6	120,560	128,663	123,609
Total current assets		788,229	779,244	774,335	Total current liabilities		1,055,749	831,738	797,857
Non-current assets					Non-current liabilities				
Investments accounted for using the equity method	4 and 6	9,037	12,298	17,048	Bonds payable	6	-	282,730	281,596
Property, plant and equipment	4, 5, 6, 7 and 8	1,568,426	1,735,693	1,701,455	Long-term borrowings	6	881,913	972,681	991,182
Right-of-use asset	4, 6, 7 and 8	119,979	136,647	139,715	Deferred tax liabilities	4, 5 and 6	26,369	18,344	9,272
Investment properties	4 and 6	45,510	48,878	49,658	Lease liabilities, non-current	4, 6 and 7	1,962	4,999	4,756
Intangible assets	4 and 6	2,788	5,131	13,628	Guarantee deposits		2,058	749	688
Deferred tax assets	4 and 6	1,074	5,658	3,134	Total non-current liabilities		912,302	1,279,503	1,287,494
Prepayment for equipment	8	13,362	15,717	105,821	Total liabilities		1,968,051	2,111,241	2,085,351
Refundable deposits		288	829	847	Equity attributable to the parent company	4 and 6			
Prepayment for investment	6	3,176	3,340	3,370	Common stock		368,198	368,198	368,198
Total non-current assets		1,763,640	1,964,191	2,034,676	Additional paid-in capital		213,352	213,352	213,352
					Retained earnings				
					Special reserve		99,209	95,811	95,811
					Unappropriated earnings		7,697	7,044	67,136
					Total retained earnings		106,906	102,855	162,947
					Other components of equity		(132,974)	(99,209)	(92,617)
					Total equity attributable to the parent company		555,482	585,196	651,880
					Non-controlling interests		28,336	46,998	71,780
					Total equity		583,818	632,194	723,660
Total assets		\$2,551,869	\$2,743,435	\$2,809,011	Total liabilities and equity		\$2,551,869	\$2,743,435	\$2,809,011

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Item	Notes	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2020	2019	2020	2019
Operating revenues	4, 6 and 7	\$612,457	\$804,024	\$1,967,430	\$2,285,538
Operating costs	6 and 7	(499,776)	(670,440)	(1,674,311)	(1,996,728)
Gain arising from changes in fair value less costs to sell biological assets	5 and 6	-	-	-	-
Gross profit		<u>112,681</u>	<u>133,584</u>	<u>293,119</u>	<u>288,810</u>
Operating expenses	4, 6 and 7				
Sales and marketing expenses		(48,588)	(57,035)	(154,338)	(176,594)
General and administrative expenses		(42,606)	(56,479)	(131,212)	(172,729)
Expected credit gains (losses)		923	(2,349)	2,102	(1,825)
Subtotal		<u>(90,271)</u>	<u>(115,863)</u>	<u>(283,448)</u>	<u>(351,148)</u>
Operating income (loss)		<u>22,410</u>	<u>17,721</u>	<u>9,671</u>	<u>(62,338)</u>
Non-operating income and expenses					
Other income	6	1,425	2,536	5,294	6,957
Other gains and losses	6 and 7	17,534	(7,069)	28,474	15,814
Finance costs	6	(12,166)	(13,594)	(36,763)	(41,588)
Expected credit gain (losses)		1,084	7	1,084	(4,335)
Share of profit or loss of associates and joint ventures		1,490	-	(2,687)	-
Subtotal		<u>9,367</u>	<u>(18,120)</u>	<u>(4,598)</u>	<u>(23,152)</u>
Income (loss) from continuing operations before income tax		<u>31,777</u>	<u>(399)</u>	<u>5,073</u>	<u>(85,490)</u>
Income tax (expense) benefit	4, 5 and 6	<u>(3,321)</u>	<u>(6,117)</u>	<u>(17,533)</u>	<u>6,957</u>
Net income (loss)		<u>28,456</u>	<u>(6,516)</u>	<u>(12,460)</u>	<u>(78,533)</u>
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	4 and 6	4,435	(12,085)	(35,916)	3,660
Total other comprehensive (loss) income, net of tax		<u>4,435</u>	<u>(12,085)</u>	<u>(35,916)</u>	<u>3,660</u>
Total comprehensive income (loss)		<u>\$32,891</u>	<u>\$(18,601)</u>	<u>\$(48,376)</u>	<u>\$(74,873)</u>
Net income (loss) attributable to:					
Stockholders of the parent		\$27,133	\$(6,528)	\$4,051	\$(64,599)
Non-controlling interests		1,323	12	(16,511)	(13,934)
		<u>\$28,456</u>	<u>\$(6,516)</u>	<u>\$(12,460)</u>	<u>\$(78,533)</u>
Comprehensive income (loss) attributable to:					
Stockholders of the parent		\$31,241	\$(17,951)	\$(29,714)	\$(61,405)
Non-controlling interests		1,650	(650)	(18,662)	(13,468)
		<u>\$32,891</u>	<u>\$(18,601)</u>	<u>\$(48,376)</u>	<u>\$(74,873)</u>
Earnings (deficits) per share (NTD)	4 and 6				
Earnings per share-basic		<u>\$0.74</u>	<u>\$(0.18)</u>	<u>\$0.11</u>	<u>\$(1.75)</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 For the nine-month periods ended September 30, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

Description	Common Stock	Additional Paid-in Capital	Retained Earnings		Others	Total	Non-Controlling Interests	Total
			Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations			
Balance as of January 1, 2019	\$368,165	\$212,824	\$104,981	\$122,646	\$(95,811)	\$712,805	\$80,113	\$792,918
Impact of retrospective application	-	-	-	(81)	-	(81)	(37)	(118)
Adjusted balance as of January 1, 2019	368,165	212,824	104,981	122,565	(95,811)	712,724	80,076	792,800
Reversal of special reserve	-	-	(9,170)	9,170	-	-	-	-
Equity component of convertible bonds issued by the Company	-	(6)	-	-	-	(6)	-	(6)
Net loss for the nine-month ended September 30, 2019	-	-	-	(64,599)	-	(64,599)	(13,934)	(78,533)
Other comprehensive income, for the nine-month ended September 30, 2019	-	-	-	-	3,194	3,194	466	3,660
Total comprehensive income	-	-	-	(64,599)	3,194	(61,405)	(13,468)	(74,873)
Convertible bonds converted to ordinary shares	33	66	-	-	-	99	-	99
Changes in ownership interests in subsidiaries	-	468	-	-	-	468	5,172	5,640
Balance as of September 30, 2019	\$368,198	\$213,352	\$95,811	\$67,136	\$(92,617)	\$651,880	\$71,780	\$723,660
Balance as of January 1, 2020	\$368,198	\$213,352	\$95,811	\$7,044	\$(99,209)	\$585,196	\$46,998	\$632,194
Special reserve appropriated	-	-	3,398	(3,398)	-	-	-	-
Net income for the nine-month ended September 30, 2020	-	-	-	4,051	-	4,051	(16,511)	(12,460)
Other comprehensive income, for the nine-month ended September 30, 2020	-	-	-	-	(33,765)	(33,765)	(2,151)	(35,916)
Total comprehensive income	-	-	-	4,051	(33,765)	(29,714)	(18,662)	(48,376)
Balance as of September 30, 2020	\$368,198	\$213,352	\$99,209	\$7,697	\$(132,974)	\$555,482	\$28,336	\$583,818

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-month periods ended September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Description	For the nine-month periods ended September 30,	
	2020	2019
Cash flows from operating activities:		
Income (loss) before income tax	\$5,073	\$(85,490)
Adjustments for:		
Depreciation	110,877	116,816
Amortization	2,111	3,959
Expected credit (gains) losses	(3,186)	6,160
(Gain) loss on fair value change of financial liabilities designated as at fair value through profit or loss	(589)	437
Interest expense	36,763	41,588
Interest income	(1,728)	(3,417)
Share of loss of associates and joint ventures	2,687	-
Loss (gain) on disposal of property, plant and equipment	323	(1,180)
Changes in operating assets and liabilities:		
Trade receivables, net	65,943	(22,413)
Other receivables	739	6,161
Inventories, net	10,351	(10,777)
Biological assets	50,416	(3,830)
Prepayment	4,904	31,204
Trade payables	(103,540)	31,132
Other payables	(26,422)	(105,667)
Cash provided by operations	<u>154,722</u>	<u>4,683</u>
Interest received	1,728	3,417
Interest paid	(33,333)	(38,214)
Income tax paid	(903)	(5,210)
Net cash provided by (used in) operating activities	<u>122,214</u>	<u>(35,324)</u>
Cash flows from investing activities:		
Disposal of financial assets at amortized cost	162	7,754
Increase in prepayment for investment	-	(3,370)
Acquisition of property, plant and equipment	(27,259)	(74,994)
Proceeds from disposal of property, plant and equipment	8,747	12,404
Increase in refundable deposits	-	(570)
Decrease in refundable deposits	541	-
Acquisition of intangible assets	-	(4,005)
Increase in prepayments for equipment	1,589	(99,390)
Net cash used in investing activities	<u>(16,220)</u>	<u>(162,171)</u>
Cash flows from financing activities:		
Increase from short-term borrowings	69,052	50,258
Increase from long-term borrowings	-	159,977
Payment for long-term borrowings	(98,871)	(80,017)
Increase in guarantee deposits	1,309	294
Repayment of the principal portion of lease liabilities	(6,976)	(5,527)
Changes in non-controlling interests	-	5,640
Net cash (used in) provided by financing activities	<u>(35,486)</u>	<u>130,625</u>
Effect of exchange rate changes on cash and cash equivalents	71,126	4,208
Net increase (decrease) in cash and cash equivalents	141,634	(62,662)
Cash and cash equivalents at beginning of year	226,449	288,538
Cash and cash equivalents at end of year	<u>\$368,083</u>	<u>\$225,876</u>
Adjustment of cash and cash equivalents at end of year:		
Cash and cash equivalents in the balance sheet	\$380,288	\$236,381
Bank overdraft	(12,205)	(10,505)
Cash and cash equivalents at end of year	<u>\$368,083</u>	<u>\$225,876</u>

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

English Translation of Financial Statements Originally Issued in Chinese
KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-month Periods Ended September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

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

KSH operates as an investment holding company.

The Company and its major operating subsidiaries (collectively “the Group”) are Kee Song Food Corporation (S) Pte. Ltd. (“KSFC”) operating as a poultry slaughterhouse and distributors; Meng Kee Poultry (M) Sdn. Bhd. (“MKP”) operating as a poultry farmer; Kee Song Agriculture (M) Sdn. Bhd. (“KSA”) operating as a poultry farmer and distributors.

The Company’s shares were publicly listed on the TPEX on December 12, 2011. Its registered office is in 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Group for the nine-month periods ended September 30, 2020 and 2019 were authorized for issue by the board of directors on November 10, 2020.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. The new standards and amendments had no material impact on the Group.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

- (2) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment).

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in Associates and Joint Ventures” (IAS 28), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” (IFRS 3) between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

English Translation of Financial Statements Originally Issued in Chinese
KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

- (e) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to be determined by FSC. The Group determined the new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended September 30, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

English Translation of Financial Statements Originally Issued in Chinese
KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)			
			As of			
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Kee Song Holdings Pte. Ltd.(KSH)	Investment holding	100%	100%	100%	
KSH	Kee Song Food Corporation Pte. Ltd.(KSFC)	Importing, slaughtering, wholesaling and retailing poultry and consumable goods of all kinds	100%	100%	100%	
KSH	Meng Kee Poultry (M) Sdn. Bhd.(MKP)	Poultry farming	100%	100%	100%	
KSH	Yong Tai Hoe (Taiwan) Co., Ltd. (YTH)	Poultry farming, wholesaling and retailing poultry and consumable goods of all kinds	100%	100%	100%	
KSH	Kee Song Natural Foods (M) Sdn. Bhd.(KSNF)	Layer farming	100%	100%	100%	
KSH	Kee Song Agriculture (M) Sdn. Bhd.(KSA)	Poultry farming, processing and marketing of poultry related products	70%	70%	70%	
KSH	YKH Holdings (M) Sdn. Bhd.(YKH)	Investment holding	100%	100%	100%	
KSH and YKH	Kee Song Realty (M) Sdn. Bhd.(KSR)	Property investment	70%	70%	70%	
KSH	Fortune I-Kitchen Pte. Ltd.(FIK)	Food caterers	80%	80%	80%	Note 1
KSH	BBQ House Singapore Pte. Ltd.(BBQHS)	Food caterers	-	-	-	Note 2
FIK	BBQ House Singapore Pte. Ltd.(BBQHS)	Food caterers	100%	100%	100%	Note 2
MKP	Lucky Poultry (M) Sdn. Bhd.(LKP)	Processing and marketing of poultry related products	100%	100%	100%	
MKP	Meng Woon Holdings (M) Sdn. Bhd.(MW)	Property investment	100%	100%	100%	
MKP	Kee Song Jaya Feedmills (M) Sdn. Bhd.(KSJ)	Manufacturing of poultry feed products	100%	100%	100%	

Note 1: Refer to Note 6 (24) for the change in FIK shareholding helds by the Group.

Note 2: On June 17, 2019, the Group's board of directors resolved to transfer all BBQHS's shareholding held by KSH to FIK in order to restructure the organization under common control and the base date was determined by the board of directors to be July 1, 2019. After the reorganization, FIK holds all shareholding in BBQHS.

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(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

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The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Group holds the asset primarily for the purpose of trading.
- (c) The Group expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle.
- (b) The Group holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve 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.

All other liabilities are classified as non-current.

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(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

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Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial liabilities or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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(e) 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.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted. Inventories are recorded at the first-in, first-out (FIFO) cost on the balance sheet date.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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(11) Biological assets

Biological assets of the Group are live poultry. Biological assets are measured at their fair value less costs to sell. The fair values are determined based on market prices. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding finance costs and income tax. Gains or losses arising on biological assets at fair value less costs to sell are included in the profit or loss for the period in which they arise. For the biological assets can not be reliably measured at fair value, the biological assets are measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell. Biological assets transfer to inventory are measured at fair value less costs to sell at the maturity day.

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.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

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When the associate or joint venture issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorate basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

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(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	42 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

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Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

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If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group’s intangible assets is as follows:

	<u>Customer List</u>	<u>Operating Licenses and Trademarks</u>
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life (5 years)	Amortized on a straight-line basis over the estimated useful life (3 years)
Internally generated or acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

Sale of goods

The Group manufactures and sells farm animal and meat. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is chicken related products and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

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The credit period of the Group's sale of goods is 60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(19) Borrowing Costs

Borrowing costs in line with the requirements which are directly attributable to the acquisition, construction or production of assets may be capitalized as part of the cost of the asset. All other borrowing costs are recognized as expenses incurred during the period. The borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

(20) Post-employment benefits

Employees of the Company applied under Taiwan's Labor Standards Act adopt the defined contribution plan. The Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Other subsidiaries of the Group adopt defined contribution plan. In accordance with the provisions of Singapore and Malaysia's local provident funds (Central Provident Fund and Employees Provident Fund), the participant defers a portion of their gross salary, which is allocated to a dedicated government account for storage and expend.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income 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 tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

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Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Property, Plant and Equipment

The impairment of property, plant and equipment was based on the recoverable amount of the equipment. Any changes in the future cash flows will affect the recoverable amount of the equipment and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

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Evaluation of inventories

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

Measurement of fair value of biological assets

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

Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$734	\$1,930	\$1,543
Cash at bank	379,554	200,067	160,006
Time deposits	-	29,736	74,832
Total	<u>\$380,288</u>	<u>\$231,733</u>	<u>\$236,381</u>

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(2) Financial assets measured at amortized cost

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits	\$5,727	\$5,889	\$5,908
Current	\$5,727	\$5,889	\$5,908

Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(3) Trade receivables and Other receivables

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Trade receivables	\$206,504	\$275,749	\$259,286
Less: loss allowance	(27,868)	(31,676)	(20,025)
Subtotal	178,636	244,073	239,261
Trade receivables from related parties	227	170	187
Less: loss allowance	-	-	-
Subtotal	227	170	187
Total	\$178,863	\$244,243	\$239,448

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables	\$28,418	\$32,252	\$34,520
Less: loss allowance	-	(4,242)	(4,280)
Subtotal	28,418	28,010	30,240
Other receivables from related parties	16	79	51
Less: loss allowance	-	-	-
Subtotal	16	79	51
Total	\$28,434	\$28,089	\$30,291

Trade receivable and other receivables were not pledged.

Trade receivables are generally on 60 day terms. The total carrying amount as of September 30, 2020, December 31, 2019 and September 30, 2019 were NT\$206,731 thousand, NT\$275,919 thousand and NT\$259,473 thousand, respectively. Please refer to Note 6 (17) for more details on loss allowance of trade receivables for the nine-month periods ended September 30, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

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(4) Inventories, net

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Trading goods	\$3,362	\$3,284	\$2,993
Finished goods	19,032	28,766	19,299
Raw materials	13,070	13,765	13,461
Total	\$35,464	\$45,815	\$35,753

The cost of inventories recognized in expenses amounted to NT\$499,776 thousand and NT\$670,440 thousand for the three-month periods ended September 30, 2020 and 2019, respectively. The cost of goods sold for the three-month periods ended September 30, 2020 and 2019 included inventory write-downs of \$0 thousand for both periods.

The cost of inventories recognized in expenses amounted to NT\$1,674,311 thousand and NT\$1,996,728 thousand for the nine-month periods ended September 30, 2020 and 2019, respectively. The cost of goods sold for the nine-month periods ended September 30, 2020 and 2019 included inventory write-downs of \$0 thousand for both periods.

No inventories were pledged.

(5) Biological assets

	Broiler	Breeder	Total
Balance at January 1, 2020	\$126,989	\$60,321	\$187,310
Purchase during the period	1,008,434	184,614	1,193,048
Depreciation during the period	-	(44,494)	(44,494)
Disposals during the period	(1,058,643)	(140,327)	(1,198,970)
Gain on changes in fair value less costs to sell of biological assets	31,491	-	31,491
Loss on changes in fair value less costs to sell of biological assets	(31,491)	-	(31,491)
Exchange difference	(5,779)	(2,968)	(8,747)
Balance at September 30, 2020	71,001	57,146	128,147
	Broiler	Breeder	Total
Balance at January 1, 2019	\$116,054	\$64,808	\$180,862
Purchase during the period	1,683,195	51,243	1,734,438
Depreciation during the period	-	(54,817)	(54,817)
Disposals during the period	(1,675,791)	-	(1,675,791)
Exchange difference	316	275	591
Balance at September 30, 2019	\$123,774	\$61,509	\$185,283

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Biological assets are comprised of broiler chicken, breeder chicken, etc. Biological assets, other than broiler chicken which are measured at fair value less costs to sell at each reporting date, are measured at cost less accumulated depreciation and impairment losses. The fair value of broiler chicken is measured using the price negotiated by both parties.

The market prices or fair values at the present condition of breeders are unavailable due to short production cycle; the market prices or fair values at present condition of broiler chickens are difficult to obtain. The valuation based on a discounted cash flow method is considered unreliable given the uncertainty with respect to external factors such as climate, weather, diseases etc. Therefore, breeders and broiler chicken are measured using the cost approach. Cost of biological assets includes all costs incurred during the growth cycle such as cost of new-born breeder chicken, feed costs, and other farm costs. Bearer biological assets are depreciated using the straight-line method through the productive period of each biological asset. The productive period of breeder is approximately 22~65 weeks;

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.

(6) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of					
	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:						
Singapore Poultry Hub Pte. Ltd.	\$9,037	25%	\$12,298	25%	\$17,048	25%

The Group invested additional NT\$3,176 thousand (SGD150 thousand) in capital issuing of Singapore Poultry Hub Pte. Ltd. in August, 2019. The change registration has not been completed as of September 30, 2020 and the amount was recorded under “prepayment of investment”. The fair value of the investment in Singapore Poultry Hub Pte. Ltd. before considering the additional invested capital was NT\$9,037 thousand, NT\$12,298 thousand, and NT\$17,048 thousand, as at September 30, 2020, December 31, 2019, and September 30, 2019, respectively. The total comprehensive (loss) income of the Group’s investments in Singapore Poultry Hub Pte. Ltd. was NT\$(2,687) thousand, NT\$(4,677) thousand, and NT\$0 thousand, as at September 30, 2020, December 31, 2019, and September 30, 2019, respectively.

The Group invested additional NT\$270 thousand (SGD12 thousand) in capital issuing of Iceberg Cold Storage Pte. Ltd., which the Group held 30% equity in August, 2019.

The associates had no contingent liabilities or capital commitments as at September 30, 2020, December 31, 2019, and September 30, 2019.

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(7) Property, plant and equipment

	As of		
	September 30,	December 31,	September 30,
	2020	2019	2019
Owner occupied property, plant and equipment	\$1,568,426	\$1,735,693	\$1,701,455

(a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost :						
As of January 1, 2020	\$120,637	\$1,349,281	\$593,305	\$256,876	\$4,074	\$2,324,173
Additions	-	3,952	8,860	11,870	2,577	27,259
Disposals	-	-	(5,582)	(14,456)	-	(20,038)
Reclassification	-	-	476	2	(478)	-
Exchange differences	(5,937)	(66,469)	(29,236)	(12,892)	(263)	(114,797)
As of September 30, 2020	\$114,700	\$1,286,764	\$567,823	\$241,400	\$5,910	\$2,216,597
As of January 1, 2019	\$122,541	\$1,233,279	\$555,046	\$252,219	\$52,626	\$2,215,711
Additions	3,313	3,080	47,648	14,947	6,006	74,994
Disposals	(4,535)	(6,278)	(11,433)	(5,759)	-	(28,005)
Reclassification	-	42,236	2,123	-	(51,462)	(7,103)
Exchange differences	309	3,646	1,374	596	771	6,696
As of September 30, 2019	\$121,628	\$1,275,963	\$594,758	\$262,003	\$7,941	\$2,262,293
Depreciation and impairment:						
As of January 1, 2020	\$-	\$221,810	\$226,265	\$140,405	\$-	\$588,480
Depreciation	-	36,265	40,071	24,273	-	100,609
Disposals	-	-	(2,314)	(8,654)	-	(10,968)
Reclassification	-	-	(1)	1	-	-
Exchange differences	-	(11,299)	(11,529)	(7,122)	-	(29,950)
As of September 30, 2020	\$-	\$246,776	\$252,492	\$148,903	\$-	\$648,171
As of January 1, 2019	\$-	\$177,057	\$179,586	\$114,902	\$-	\$471,545
Depreciation	-	39,729	40,541	25,335	-	105,605
Disposals	-	(5,636)	(5,887)	(5,258)	-	(16,781)
Exchange differences	-	186	156	127	-	469
As of September 30, 2019	\$-	\$211,336	\$214,396	\$135,106	\$-	\$560,838
Net carrying amount as of :						
September 30, 2020	\$114,700	\$1,039,988	\$315,331	\$92,497	\$5,910	\$1,568,426
December 31, 2019	\$120,637	\$1,127,471	\$367,040	\$116,471	\$4,074	\$1,735,693
September 30, 2019	\$121,628	\$1,064,627	\$380,362	\$126,897	\$7,941	\$1,701,455

Please refer to Note 8 for more details on property, plant and equipment under pledge.

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(8) Investment property

The Group's investment properties include owned investment properties.

The Group has entered into commercial property leases on its investment properties with terms between 2 and 3 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>Buildings</u>
Cost:	
As of January 1, 2020	\$56,631
Exchange differences	(2,788)
As of September 30, 2020	\$53,843
As of January 1, 2019	\$56,957
Exchange differences	184
As of September 30, 2019	\$57,141
Depreciation and impairment:	
As of January 1, 2020	\$7,753
Depreciation	973
Exchange differences	(393)
As of September 30, 2020	\$8,333
As of January 1, 2019	\$6,442
Depreciation	1,034
Exchange differences	7
As of September 30, 2019	\$7,483
Net carrying amount as of:	
September 30, 2020	\$45,510
December 31, 2019	\$48,878
September 30, 2019	\$49,658

	<u>Three-month periods</u> <u>ended September 30,</u>		<u>Nine-month periods</u> <u>ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Rental income from investment property	\$461	\$598	\$1,553	\$1,802

Please refer to Note 8 for more details on investment properties under pledge.

The fair values of investment properties were NT\$61,897 thousand and NT\$71,660 thousand as of December 31, 2019 and 2018, respectively. The Company's management assessed that the fair value of its investment properties did not change significantly in the nine-month periods ended September 30, 2020 and 2019.

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(9) Intangible assets

	Customer List	Operating Licenses and Trademarks	Total
Cost:			
As of January 1, 2020	\$14,660	\$10,598	\$25,258
Exchange differences	(721)	(521)	(1,242)
As of September 30, 2020	<u>\$13,939</u>	<u>\$10,077</u>	<u>\$24,016</u>
As of January 1, 2019	\$14,771	\$6,718	\$21,489
Separate acquisition	-	4,005	4,005
Exchange differences	52	(29)	23
As of September 30, 2019	<u>\$14,823</u>	<u>\$10,694</u>	<u>\$25,517</u>
Amortization and impairment:			
As of January 1, 2020	\$9,529	\$10,598	\$20,127
Amortization	2,111	-	2,111
Exchange differences	(489)	(521)	(1,010)
As of September 30, 2020	<u>\$11,151</u>	<u>\$10,077</u>	<u>\$21,228</u>
As of January 1, 2019	\$6,647	\$1,306	\$7,953
Amortization	2,252	1,707	3,959
Exchange differences	(5)	(18)	(23)
As of September 30, 2019	<u>\$8,894</u>	<u>\$2,995</u>	<u>\$11,889</u>
Net carrying amount as of:			
September 30, 2020	<u>\$2,788</u>	<u>\$-</u>	<u>\$2,788</u>
December 31, 2019	<u>\$5,131</u>	<u>\$-</u>	<u>\$5,131</u>
September 30, 2019	<u>\$5,929</u>	<u>\$7,699</u>	<u>\$13,628</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020	2019	2020	2019
Sells and marketing expenses	<u>\$699</u>	<u>\$1,316</u>	<u>\$2,111</u>	<u>\$3,959</u>

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(10) Short-term borrowings

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Bank overdrafts	\$12,205	\$5,284	\$10,505
Secured bank loans	279,119	210,067	177,843
Total	<u>\$291,324</u>	<u>\$215,351</u>	<u>\$188,348</u>

The range of weighted average effective interest rate on bank loans was 4.65%-9.95%, 2.20%-8.13% and 2.20%-8.13% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

KSA breached certain terms of its loan arrangement as of December 31, 2019, which were primarily related to the debt-equity ratio of KSA. The carrying amount of the secured bank loans was NT\$127,897 thousand as of December 31, 2019. KSA received a waiver from the bank on February 27, 2020.

The Group's unused bank loans of credits (including long-term and short-term) amounted to NT\$601,536 thousand, NT\$706,507 thousand, and NT\$801,593 thousand, as at September 30, 2020, December 31, 2019, and September 30, 2019, respectively.

Please refer to Note 8 for more details on assets pledged as security for borrowings.

(11) Financial liabilities at fair value through profit or loss

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Held for trading:			
Derivative not designated as hedging instruments			
Interest rate swap contracts	\$5,223	\$4,579	\$4,751
Convertible options	4,678	6,147	4,587
Total	<u>\$9,901</u>	<u>\$10,726</u>	<u>\$9,338</u>
Current	<u>\$9,901</u>	<u>\$10,726</u>	<u>\$9,338</u>

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As of the balance sheet date, outstanding interest rate swap contracts not under hedge accounting are as follows:

As of September 30, 2020

Amount in contract (in thousands)	Period to maturity	Range of interest rate paid	Range of interest rate received
SGD18,779	June 28, 2018 ~June 28, 2021	2.14% Fixed	0.06%~2.02% Floating

As of December 31, 2019

Amount in contract (in thousands)	Period to maturity	Range of interest rate paid	Range of interest rate received
SGD18,779	June 28, 2018 ~June 28, 2021	2.14% Fixed	1.49%~2.09% Floating

As of September 30, 2019

Amount in contract (in thousands)	Period to maturity	Range of interest rate paid	Range of interest rate received
SGD18,779	June 28, 2018 ~June 28, 2021	2.14% Fixed	1.49%~1.74% Floating

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

(12) Other payables

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Payables for salaries and bonus	\$38,715	\$37,140	\$46,136
Payables for purchase or maintenance of equipment	29,159	51,330	68,156
Others	25,598	31,424	28,225
Total	<u>\$ 93,472</u>	<u>\$119,894</u>	<u>\$142,517</u>

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(13) Bonds payable

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Liability component:			
Principal amount	\$299,900	\$299,900	\$299,900
Discounts on bonds payable	(13,740)	(17,170)	(18,304)
Subtotal	286,160	282,730	281,596
Less: current portion	(286,160)	-	-
Net	\$-	\$282,730	\$281,596
Embedded derivative	\$4,678	\$6,147	\$4,587
Equity component	\$15,783	\$15,783	\$15,783

On September 10, 2018, the Company issued zero coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

The second unsecured domestic convertible bonds payable

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

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(e) Important redemption clauses:

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

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

(f) Bondholder's put option

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

The second unsecured domestic bonds payable conversions were as follows:

	Nine-month periods ended September 30,			
	2020		2019	
	Par Value of Convertible Bonds	Numbers of Shares Converted	Par Value of Convertible Bonds	Numbers of Shares Converted
Converted amount at the beginning	\$100	3	\$-	-
Converted amount during the period	-	-	100	3
Converted amount at the end	\$100	3	\$100	3

(14) Long-term borrowings

Details of long-term borrowings as of September 30, 2020, December 31, 2019 and September 30, 2019 are as follows:

Lenders	As of September 30, 2020	Maturity date and terms of repayment
Secured bank loans	\$904,045	Repayable monthly from June 1, 2013 to April 17, 2039 and interest is paid monthly.
Finance leases	98,428	Repayable monthly from August 17, 2015 to March 31, 2025 and interest is paid monthly.
Subtotal	1,002,473	
Less: current portion	(120,560)	
Total	\$881,913	

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Lenders	As of December 31, 2019	Maturity date and terms of repayment
Secured bank loans	\$977,623	Repayable monthly from June 1, 2013 to April 17, 2039 and interest is paid monthly.
Finance leases	123,721	Repayable monthly from August 17, 2015 to June 14, 2024 and interest is paid monthly.
Subtotal	1,101,344	
Less: current portion	(128,663)	
Total	<u>\$972,681</u>	

Lenders	As of September 30, 2019	Maturity date and terms of repayment
Secured bank loans	\$990,649	Repayable monthly from June 1, 2013 to April 17, 2039 and interest is paid monthly.
Finance leases	124,142	Repayable monthly from August 17, 2015 to June 14, 2024 and interest is paid monthly.
Subtotal	1,114,791	
Less: current portion	(123,609)	
Total	<u>\$991,182</u>	

The range of weighted average effective interest rate on long-term borrowings were both 1.38%-8.13% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019.

KSFC acquired new bank borrowing facilities in the amount of NT\$431,901 thousand secured by KSFC's new factory. The purpose of this bank borrowing was for an acquisition of new factory. According to the long-term loan arrangement, KSFC should maintain a net worth of not lower than SGD10,000 thousand and the borrowing amount should not exceed 80% of the market value of the new factory. As of September 30, 2020, the amount of bank borrowing facilities was NT\$358,501 thousand.

In April 2019, KSFC acquired new bank borrowing facilities secured by KSFC's new factory. As of September 30, 2020, the amount of bank borrowing facilities was NT\$71,967 thousand.

KSA breached certain terms of its loan arrangement as of December 31, 2019, which were primarily related to the debt-equity ratio of KSA. The carrying amount of the bank loan was NT\$7,382 thousand as of December 31, 2019. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker and received a waiver on February 27, 2020. Since the lender has not agreed to waive its right to demand immediate repayment at the end of the year, the loan has been classified as a current liability at December 31, 2019. KSA received waiver on February 27, 2020, since the lender has agreed to waive its right to demand immediate repayment at the end of the year, the loan is not required to classify as a current liability as at September 30, 2020.

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KSFC breached certain terms of its loan arrangement during March 2020, which were primarily related to the debt-equity ratio of KSFC. The carrying amount of the bank loan was NT\$592,460 thousand as of March 31, 2020. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker and received a waiver on March 24, 2020. Since the lender has agreed to waive its right to demand immediate repayment at the end of the year, the loan is not required to be classified as a current liability.

Details borrowings pledged as security are disclosed in Note 8.

(15) Equities

(a) Common stock

The Company's authorized capital and issued capital were NT\$1,000,000 thousand and NT\$368,198 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

As at September 30, 2020, the bond holders exercised their right to convert bonds into NT\$33 thousand of NT\$10 par value ordinary share of the Company. The newly issued shares had been approved and registered with relevant authorities.

(b) Capital surplus

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
Additional paid-in capital	\$113,106	\$113,106	\$113,106
Arising from conversion of bonds	78,245	78,245	78,245
<u>May be used to offset a deficit</u>			
Changes in percentage of ownership interests in subsidiaries	468	468	468
Arising from expired share options	5,750	5,750	5,750
<u>May not be used for any purpose</u>			
Arising from share options	15,783	15,783	15,783
Total	<u>\$213,352</u>	<u>\$213,352</u>	<u>\$213,352</u>

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According to the Company Act, the capital reserve shall not be used except for offset the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's 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 regulations. 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;
- 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 April 6, 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.

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The appropriations of earnings for 2019 and 2018 that was approved by the shareholders' meeting held on June 15, 2020 and June 17, 2019, respectively. The details of appropriation are as follows:

	Appropriation of earnings	
	2019	2018
Special reserve appropriated	\$3,398	\$-
Reversal of special reserve	-	(9,170)

Please refer to Note 6 (19) for details on employees' compensation and remuneration to directors.

(d) Non-controlling interests

	For the nine-month periods ended September 30,	
	2020	2019
Beginning balance	\$46,998	\$80,076
Loss attributable to non-controlling interests	(16,511)	(13,934)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(2,151)	466
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	-	5,172
Ending balance	\$28,336	\$71,780

(16) Operating revenue

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Revenue from contracts with customers				
Revenue from sale of goods-fresh chicken	\$277,675	\$272,250	\$852,407	\$802,762
Revenue from live broilers and day old chick	277,407	468,202	929,829	1,298,599
Others	57,375	63,572	185,194	184,177
Total	\$612,457	\$804,024	\$1,967,430	\$2,285,538

Please refer to Note 14 for information about disaggregation of revenue.

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(17) Expected credit gains (losses)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Operating expenses - Expected credit (losses) gains				
Trade receivables	\$923	\$(2,349)	\$2,102	\$(1,825)
Non-operating income and expenses - Expected credit (losses) gains				
Other receivables	-	7	-	(4,335)
Total	<u>\$923</u>	<u>\$(2,342)</u>	<u>\$2,102</u>	<u>\$(6,160)</u>

Please refer to Note 12 for more details on credit risk.

The credit risk for the Group's measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Due to the Group's counterparties are financial institutions with good credit, the loss allowance is NT\$0 thousand of expected credit losses (loss ratio of 0%).

The Group measures the loss allowance of its trade receivables (including trade receivables and other receivables) at an amount equal to lifetime expected credit losses. As the Group's historical credit loss experience shows significantly different loss patterns for different customer, the provision for loss allowance based on status according to the Group's different customer base. The assessment of the Group's loss allowance as September 30, 2020, December 31, 2019 and September 30, 2019 is as follows:

The allowance of trade receivables, details are as follows:

As of September 30, 2020

	Not yet due	Overdue			Total
		≤30 days	31~60 days	≥61 days	
Gross carrying amount	\$154,152	\$9,035	\$-	\$43,544	\$206,731
Loss rate	-%	-%	-%	64%	
Lifetime expected credit losses	-	-	-	(27,868)	(27,868)
Carrying amount of trade receivables	<u>\$154,152</u>	<u>\$9,035</u>	<u>\$-</u>	<u>\$15,676</u>	<u>\$178,863</u>

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As of December 31, 2019

	Not yet due	Overdue			Total
		<=30 days	31~60 days	>=61 days	
Gross carrying amount	\$211,967	\$24,583	\$2,009	\$37,360	\$275,919
Loss rate	-%	-%	-%	85%	
Lifetime expected credit losses	-	-	-	(31,676)	(31,676)
Carrying amount of trade receivables	\$211,967	\$ 24,583	\$2,009	\$5,684	\$244,243

As of September 30, 2019

	Not yet due	Overdue			Total
		<=30 days	31~60 days	>=61 days	
Gross carrying amount	\$203,728	\$14,923	\$2,716	\$38,106	\$259,473
Loss rate	-%	-%	-%	52.55%	
Lifetime expected credit losses	-	-	-	(20,025)	(20,025)
Carrying amount of trade receivables	\$203,728	\$14,923	\$2,716	\$18,081	\$239,448

The movement in the provision for impairment of notes receivable, accounts receivable and other receivables during the nine-month periods ended September 30, 2020 and 2019 is as follows:

	Trade Receivables	Other Receivables
Balance as of January 1, 2020	\$31,676	\$4,242
Reversal for the current period	(2,102)	(1,084)
Write off	(167)	(3,158)
Exchange rate differences	(1,539)	-
As of September 30, 2020	<u>\$27,868</u>	<u>\$-</u>
Balance as of January 1, 2019	\$18,286	\$-
(Reversal) / addition for the current period	1,825	4,335
Write off	(128)	-
Exchange rate differences	42	(55)
As of September 30, 2019	<u>\$20,025</u>	<u>\$4,280</u>

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(18) Leases

(a) Group as lessee

The Group leases various property (building), motor vehicle, with lease terms of 2 to 5 years. There are no restrictions placed upon the Group by entering into these leases.

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

Right of use assets for lease as collateral for bank borrowings were set out in Note 8.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$113,510	\$125,756	\$131,056
Buildings	3,518	6,344	5,534
Other equipment	2,951	4,547	3,125
Total	<u>\$119,979</u>	<u>\$136,647</u>	<u>\$139,715</u>

During the nine-month periods ended September 30, 2020 and 2019, the Group's additions to right-of-use assets amounted to NT\$641 thousand and NT\$4,066 thousand, respectively.

(ii) Lease liabilities

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Lease liabilities	\$5,864	\$9,162	\$9,799
Current	1,962	4,999	4,756
Non-current	<u>\$7,826</u>	<u>\$14,161</u>	<u>\$14,555</u>

Please refer to Note 6 (20) (c) for the interest on lease liabilities recognized during the nine-month periods ended September 30, 2020 and 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

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B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Land	\$911	\$2,745	\$5,056	\$7,377
Buildings	1,402	436	2,851	1,701
Other equipment	457	364	1,388	1,099
Total	\$2,770	\$3,545	\$9,295	\$10,177

C. Income and costs relating to leasing activities

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
The expenses relating to short-term leases	\$1,859	\$4,621	\$6,950	\$14,228

D. Cash outflow relating to leasing activities

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Total cash flow for leases	\$5,655	\$6,954	\$14,122	\$20,165

(19) Summary statement of employee benefits, depreciation and amortization expense by function:

	Three-month periods ended September 30,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$32,873	\$45,081	\$77,954	\$31,728	\$55,488	\$87,216
Provident fund and post-employee benefits-defined contribution plans	1,522	3,547	5,069	1,301	4,713	6,014
Other employee benefits	3,556	2,319	5,875	5,333	2,634	7,967
Depreciation	20,866	15,477	36,343	22,794	17,174	39,968
Amortization	-	699	699	-	1,316	1,316

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	Nine-month periods ended September 30,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$105,828	\$141,048	\$246,876	\$94,147	\$165,976	\$260,123
Provident fund and post-employee benefits-defined contribution plans	4,790	11,275	16,065	3,844	14,226	18,070
Other employee benefits	16,302	4,661	20,963	14,957	8,118	23,075
Depreciation	64,032	46,845	110,877	64,869	51,947	116,816
Amortization	-	2,111	2,111	-	3,959	3,959

For the nine-month periods ended September 30, 2020 and 2019, the bonus to employees and the remuneration to directors were \$0 thousand each. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The amounts of the bonus to employees and the remuneration to directors for 2019 and 2018 approved by the shareholders' meetings on June 15, 2020 and June 17, 2019 were all \$0 thousand.

Information relevant to the aforementioned employees and directors' compensation can be obtained from the "Market Observation Post System" on the website of the TPEX.

(20) Non-operating income and expenses

(a) Other income

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Rental income	\$971	\$1,608	\$3,566	\$3,540
Interest income	454	928	1,728	3,417
Total	<u>\$1,425</u>	<u>\$2,536</u>	<u>\$5,294</u>	<u>\$6,957</u>

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(b) Other gains and losses

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$(789)	\$(6,217)	\$(323)	\$1,180
Foreign exchange (losses) gains, net	1,655	(3,158)	(8,111)	1,023
Gain (loss) on financial liabilities at fair value through profit or loss (Note)	3,585	(189)	589	(437)
Others	13,083	2,495	36,319	14,048
Total	\$17,534	\$(7,069)	\$28,474	\$15,814

Note: Balances arose from held for trading financial liabilities.

(c) Finance costs

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Interest on borrowings from bank	\$(10,943)	\$(12,337)	\$(33,137)	\$(37,804)
Interest on lease liabilities	(75)	(128)	(196)	(410)
Interest on convertible bonds	(1,148)	(1,129)	(3,430)	(3,374)
Total	\$(12,166)	\$(13,594)	\$(36,763)	\$(41,588)

(21) Components of other comprehensive income

For the three-month periods ended September 30, 2020:

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of foreign operations	\$4,435	\$-	\$4,435	\$-
Total	\$4,435	\$-	\$4,435	\$-

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For the three-month periods ended September 30, 2019:

	Reclassification adjustments	Other comprehensive		Other comprehensive
Arising during the period	during the period	income, before tax	Income tax expense	income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of foreign operations	\$(12,085)	\$-	\$(12,085)	\$-
Total	\$(12,085)	\$-	\$(12,085)	\$-

For the nine-month periods ended September 30, 2020:

	Reclassification adjustments	Other comprehensive		Other comprehensive
Arising during the period	during the period	income, before tax	Income tax expense	income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of foreign operations	\$(35,916)	\$-	\$(35,916)	\$-
Total	\$(35,916)	\$-	\$(35,916)	\$-

For the nine-month periods ended September 30, 2019:

	Reclassification adjustments	Other comprehensive		Other comprehensive
Arising during the period	during the period	income, before tax	Income tax expense	income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of foreign operations	\$3,660	\$-	\$3,660	\$-
Total	\$3,660	\$-	\$3,660	\$-

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(22) Income tax

The major components of income tax expense (income) for the three-month and nine-month periods ended September 30, 2020 and 2019 were as follows:

Income tax expense (income) recognized in profit or loss

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Current income tax expense (income)				
Current income tax charge	\$1,910	\$572	\$4,151	\$1,173
Adjustments in respect of current income tax of prior periods	-	191	-	152
Deferred tax expense (income)				
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,410	5,187	13,799	(8,449)
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	1	167	(417)	167
Total	<u>\$3,321</u>	<u>\$6,117</u>	<u>\$17,533</u>	<u>\$(6,957)</u>

Income tax conditions imposed on the Group are as follows:

The Company was incorporated in the Cayman Islands, where companies are exempted from corporate income tax.

The Company's subsidiaries, KSH Company, KSFC Company, FIK Company and BBQHS Company were incorporated in Singapore; MKP Company, LKP Company, MW Company, KSJ Company, KSNF Company, KSA Company, KSR Company, and YKH Company were incorporated in Malaysia; YTH Company was incorporated in ROC. Income tax rate for profit-making companies for each country is as follows:

Singapore

- a) In accordance with the 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.

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

Taiwan

- a) In accordance with the 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 20%.

The assessment of income tax returns

As of September 30, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
Subsidiary – KSH	Assessed up to 2018
Subsidiary – KSFC	Assessed up to 2018
Subsidiary – MKP	Assessed up to 2018
Subsidiary – LKP	Assessed up to 2018
Subsidiary – MW	Assessed up to 2018
Subsidiary – KSJ	Assessed up to 2018
Subsidiary – KSNF	Assessed up to 2018
Subsidiary – KSA	Assessed up to 2018
Subsidiary – KSR	Assessed up to 2018
Subsidiary – YKH	Assessed up to 2018
Subsidiary – YTH	Assessed up to 2018

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(23) Earnings per share

Basic deficits per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Basic earnings (deficits) per share

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Gain (losses) attributable to ordinary equity holders of the Company (in thousand NT\$)	\$27,133	\$(6,528)	\$4,051	\$(64,599)
Weighted average number of ordinary shares outstanding for basic earnings (deficits) per share (in thousands)	36,819	36,819	36,819	36,819
Basic earnings (deficits) per share (NT\$)	\$0.74	\$(0.18)	\$0.11	\$(1.75)

If the outstanding convertible bonds issued by the Company were converted to ordinary shares for the three-month and nine-month periods ended September 30, 2020 and 2019, they were anti-dilutive and excluded from the computation of diluted earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(24) Changes in parent's interest in subsidiaries

Acquisition of new shares in a subsidiary not in proportionate to ownership interest

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

	FIK
Cash consideration received	\$5,640
Decrease to non-controlling interests	(5,172)
Difference recognized in capital surplus within equity	\$468
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	\$468

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7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Project Dignity Pte. Ltd.	Other related parties
Excelsior Management Sdn. Bhd.	Other related parties
Otemchi Biotechnologies Pte. Ltd.	Other related parties
Otemchi Biotechnologies Sdn. Bhd.	Other related parties
Agro Worldwide Sdn. Bhd.	Other related parties
Lee Kim Kiong	Other related parties
Lee Wee Keng	Other related parties
Ong Food Holdings Pte. Ltd.	Other related parties
Ong Kian San	Key management personnel
Ong Kee Song	Key management personnel

Significant transactions with the related parties

(1) Sales

	<u>Three-month periods</u> <u>ended September 30,</u>		<u>Nine-month periods</u> <u>ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$705</u>	<u>\$505</u>	<u>\$2,010</u>	<u>\$1,227</u>

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

(2) Purchases

	<u>Three-month periods</u> <u>ended September 30,</u>		<u>Nine-month periods</u> <u>ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$5,782</u>	<u>\$5,550</u>	<u>\$17,202</u>	<u>\$15,913</u>

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

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(3) Rental expense

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Key management personnel	\$105	\$112	\$317	\$338

The Group rents offices from related parties. The lease prices were determined based on the general local rent prices and were paid monthly.

(4) Other gains and losses

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Other related parties	\$(1)	\$33	\$63	\$101

(5) Trade receivables from related parties

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Other related parties	\$227	\$170	\$187

(6) Other receivables from related parties

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Other related parties	\$16	\$79	\$51

(7) Trade payables to related parties

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Other related parties	\$4,198	\$4,482	\$4,068

(8) Key management personnel compensation

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Short term employee benefits	\$8,313	\$10,598	\$25,168	\$31,327
Post-employment benefits	434	667	1,413	2,047
Total	\$8,747	\$11,265	\$26,581	\$33,374

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8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount			Secured liabilities
	As of			
	September 30, 2020	December 31, 2019	September 30, 2019	
Financial assets at amortized cost - time deposits	\$5,727	\$5,889	\$5,908	Pledged fixed deposits
Property, plant and equipment	1,198,224	1,119,801	1,150,986	Long/short borrowings
Right-of-use assets	88,616	95,850	97,603	Long/short borrowings
Investment properties	45,510	48,878	49,658	Long/short borrowings
Prepayments for equipment	-	-	86,468	Long/short borrowings
Total	<u>\$1,338,077</u>	<u>\$1,270,418</u>	<u>\$1,390,623</u>	

9. Significant contingencies and unrecognized contractual commitments

On March 8, 2016 and December 21, 2017, KSFC Company received a Notice of Proposed Infringement Decision (“PID”) and the Supplementary Proposed Infringement Decision (“SPID”) from the Competition Commission of Singapore (“CCCS”). CCCS has issued an Infringement Decision (“ID”) against thirteen fresh chicken distributors for engaging in anti-competitive agreements to coordinate the amount and timing of price increases, and agreeing not to compete for each other’s customers in the market for the supply of fresh chicken products in Singapore on September 12, 2018. CCCS has imposed the financial penalties on the thirteen fresh chicken distributors, including KSFC Company, amounting to SGD2,689 thousand (approximately NT\$60,014 thousand). On November 12, 2018, KSFC has lodged an appeal with the Competition Appeal Board (“CAB”) against the quantum of the penalty. Notwithstanding the appeal, KSFC has fully accounted for the penalty. In June 2019, there was a reduction of penalty in the amount of SGD361 thousand (approximately NT\$8,275 thousand) under the appeal proceedings, and the reversal of penalty was recorded under “other gains and losses”. The penalty amounting to SGD2,328 thousand (approximately NT\$51,739 thousand) was fully paid to CCCS in August 2019.

10. Losses due to major disasters

None.

11. Significant subsequent events

Effect of COVID-19

Recently the emergence and wide spread of COVID-19, the major operating subsidiaries located in Malaysia and Singapore are affected by quarantines, travel restrictions, and the temporary closure of stores and facilities. Because of the significant uncertainties surrounding the COVID-19 outbreak, the extent of the business and the related financial impact cannot be predicted at this time.

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12. Others

(1) Categories of financial instruments

Financial assets

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets measured at amortized cost:			
Cash and cash equivalents (exclude cash on hand)	\$379,554	\$229,803	\$234,838
Financial assets measured at amortized cost	5,727	5,889	5,908
Trade receivables (including related parties)	178,863	244,243	239,448
Other receivables (including related parties)	28,434	28,089	30,291
Refundable deposits	288	829	847
Total	\$592,866	\$508,853	\$511,332

Financial liabilities

	As of		
	September 30, 2020	December 31, 2019	September 30, 2019
Financial liabilities at amortized cost:			
Short-term borrowings	\$291,324	\$215,351	\$188,348
Trade payables (including related parties)	243,651	347,191	322,325
Other payables	93,472	119,894	142,517
Lease liabilities	7,826	14,161	14,555
Bonds payables (including current portion with maturity less than 1 year)	286,160	282,730	281,596
Long-term borrowings (including current portion with maturity less than 1 year)	1,002,473	1,101,344	1,114,791
Guarantee deposits	2,058	749	688
Subtotal	1,926,964	2,081,420	2,064,820
Financial assets at fair value through profit or loss:			
Held for trading	9,901	10,726	9,338
Subtotal	9,901	10,726	9,338
Total	\$1,936,865	\$2,092,146	\$2,074,158

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(2) Financial risk management objectives and policies

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

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

(3) 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.

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).

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.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency SGD and foreign currency MYR. The information of the sensitivity analyses as follows:

- (a) When NTD strengthens/weakens against SGD by 1%, the profit or loss for the nine-month periods ended September 30, 2020 and 2019 is increased/(decreased) by NT\$4,590 thousand and NT\$6,634 thousand, respectively.
- (b) When NTD strengthens/weakens against MYR by 1%, the profit or loss for the nine-month periods ended September 30, 2020 and 2019 is increased/(decreased) by NT\$5,866 thousand and NT\$6,067 thousand, respectively.

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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 variable interest rates, bank borrowings with fixed interest rates, and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points in interest rate in a reporting period could cause the profit for the nine-month periods ended September 30, 2020 and 2019 to decrease by NT\$1,200 thousand and NT\$801 thousand, respectively.

(4) 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 receivable) 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 of September 30, 2020, December 31, 2019, and September 30, 2019, amounts receivables from top ten customers represent 54%, 52%, and 51% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts 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.

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Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When the credit risk on debt instrument investment has increased, the Group will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio if there is significant impact from forward-looking information.

(5) 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, bank borrowings and convertible bonds. 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 variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Not later than one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five years	Total
As of September 30, 2020					
Borrowings	\$439,843	\$160,717	\$252,554	\$647,232	\$1,500,346
Trade payables	337,123	-	-	-	337,123
Bonds payable	304,423	-	-	-	304,423
Lease liabilities	5,450	3,060	381	-	8,891
As of December 31, 2019					
Borrowings	\$362,608	\$229,680	\$220,526	\$740,059	\$1,552,873
Trade payables	467,085	-	-	-	467,085
Bonds payable	-	304,423	-	-	304,423
Lease liabilities	13,114	2,886	1,870	-	17,870
As of September 30, 2019					
Borrowings	\$344,262	\$257,197	\$243,481	\$644,221	\$1,489,161
Trade payables	464,842	-	-	-	464,842
Bonds payable	-	304,423	-	-	304,423
Lease liabilities	12,486	3,966	2,259	-	18,711

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Derivative financial liabilities

	On demand or not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year	Total
As of September 30, 2020					
Interest rate swap contracts	\$5,223	\$-	\$-	\$-	\$5,223
As of December 31, 2019					
Interest rate swap contracts	\$4,579	\$-	\$-	\$-	\$4,579
As of September 30, 2019					
Interest rate swap contracts	\$4,751	\$-	\$-	\$-	\$4,751

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine-month periods ended September 30, 2020:

	Short-term borrowings	Long-term borrowings	Lease liabilities	Reconciliation of liabilities arising from financing activities
As of January 1, 2020	\$215,351	\$1,101,344	\$14,161	\$1,330,856
Cash flows	69,052	(98,871)	(6,976)	(34,525)
Non-cash changes (include Foreign exchange)	6,921	-	641	5,292
As of September 30, 2020	\$291,324	\$1,002,473	\$7,826	\$1,301,623

Reconciliation of liabilities for the nine-month periods ended September 30, 2019:

	Short-term borrowings	Long-term borrowings	Lease liabilities	Reconciliation of liabilities arising from financing activities
As of January 1, 2019	\$141,051	\$1,034,831	\$-	\$1,175,882
Cash flows	50,258	79,960	(5,527)	124,691
Non-cash changes (include Foreign exchange)	(2,961)	-	20,082	17,121
As of September 30, 2019	\$188,348	\$1,114,791	\$14,555	\$1,317,694

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(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- D. Fair value of debt instruments without market quotations, bank loans, bonds payable and are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- E. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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(b) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, refundable deposits, loans, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount as of			Fair value as of		
	September 30, 2020	December 31, 2019	September 30, 2019	September 30, 2020	December 31, 2019	September 30, 2019
Financial liabilities						
Financial liabilities measured at amortized cost - convertible bonds	\$286,160	\$282,730	\$281,596	\$285,805	\$265,262	\$259,414

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12 (8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

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As of September 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at FVTPL				
Financial liabilities held for trading	\$-	\$5,223	\$-	\$5,223
Embedded derivatives	-	4,678	-	4,678

As of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at FVTPL				
Financial liabilities held for trading	\$-	\$4,579	\$-	\$4,579
Embedded derivatives	-	6,147	-	6,147

As of September 30, 2019

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

Transfers between Level 1 and Level 2 during the period

During the nine-month periods ended September 30, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of 30 September, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables	\$285,805	\$-	\$-	\$285,805

As of 31 December, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables	\$265,262	\$-	\$-	\$265,262

As of 30 September, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables	\$259,414	\$-	\$-	\$259,414

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(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(Expressed in thousands)			
As of September 30, 2020			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
SGD	\$17,374	21.17	\$367,800
MYR	31,503	6.97	219,551
<u>Financial liabilities</u>			
Monetary items:			
SGD	\$39,057	21.17	\$826,827
MYR	115,680	6.97	806,183
As of December 31, 2019			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
SGD	\$11,929	22.27	\$265,612
MYR	32,035	7.33	234,811
<u>Financial liabilities</u>			
Monetary items:			
SGD	\$40,463	22.27	\$900,943
MYR	120,734	7.33	884,970
As of September 30, 2019			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
SGD	\$12,226	22.47	\$274,667
MYR	30,367	7.41	225,071
<u>Financial liabilities</u>			
Monetary items:			
SGD	\$41,755	22.47	938,095
MYR	112,221	7.41	831,742

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The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions functional currencies of the group entities. For the three-month periods ended September 30, 2020 and 2019, foreign exchange gains (losses) were NT\$1,655 thousand and NT\$(3,158) thousand, respectively. For the periods ended September 30, 2020 and 2019, foreign exchange (losses) gains were NT\$(8,111) thousand and NT\$1,023 thousand, respectively.

(10) 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.

13. Additional disclosures

- (1) The following are additional disclosures for the Group and its affiliates as required by the R.O.C. Securities and Futures Bureau:
- (a) Financing provided to others: Please refer to Attachment 2.
 - (b) Endorsement/Guarantee provided to others: Please refer to Attachment 3.
 - (c) Securities held: None.
 - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 5.
 - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: None.
 - (i) Financial instruments and derivative transactions: Please refer to Attachment 6 (11).
 - (J) Intercompany relationships and significant intercompany transactions: Please refer to Attachment 1.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(2) Information on investees:

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Attachment 4.

(3) Information on investment in Mainland China: None.

(4) Information on major shareholders: Please refer to Attachment 6

14. Operating segment information

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

- (1) Poultry and processing distribution: Engages in business of importing, slaughtering, wholesaling and retailing poultry and consumable goods of all kinds;
- (2) 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 based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

For the three-month periods ended September 30, 2020

	Poultry and Processing Distribution	Poultry Farming	Subtotal	Other Operating Segments	Adjustments and Eliminations	Total
Revenue						
External customer	\$333,427	\$279,030	\$612,457	\$-	\$-	\$612,457
Inter-segment	117	160,900	161,017	-	(161,017)	-
Total revenue	\$333,544	\$439,930	\$773,474	\$-	\$(161,017)	\$612,457
Segment profit	\$25,258	\$4,658	\$29,916	\$(735)	\$2,596	\$31,777

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For the three-month periods ended September 30, 2019

	Poultry and Processing Distribution	Poultry Farming	Subtotal	Other Operating Segments	Adjustments and Eliminations	Total
Revenue						
External customer	\$334,366	\$469,658	\$804,024	\$-	\$-	\$804,024
Inter-segment	1,339	173,737	175,076	-	(175,076)	-
Total revenue	<u>\$335,705</u>	<u>\$643,395</u>	<u>\$979,100</u>	<u>\$-</u>	<u>\$(175,076)</u>	<u>\$804,024</u>
Segment profit	<u>\$(17,685)</u>	<u>\$25,369</u>	<u>\$7,684</u>	<u>\$(8,038)</u>	<u>\$(45)</u>	<u>\$(399)</u>

For the nine-month periods ended September 30, 2020

	Poultry and Processing Distribution	Poultry Farming	Subtotal	Other Operating Segments	Adjustments and Eliminations	Total
Revenue						
External customer	\$1,030,166	\$937,264	\$1,967,430	\$-	\$-	\$1,967,430
Inter-segment	1,877	507,323	509,200	-	(509,200)	-
Total revenue	<u>1,032,043</u>	<u>\$1,444,587</u>	<u>\$2,476,630</u>	<u>\$-</u>	<u>\$(509,200)</u>	<u>\$1,967,430</u>
Segment profit	<u>\$54,267</u>	<u>\$(28,466)</u>	<u>\$25,801</u>	<u>\$(18,891)</u>	<u>\$(1,837)</u>	<u>\$5,073</u>

For the nine-month periods ended September 30, 2019

	Poultry and Processing Distribution	Poultry Farming	Subtotal	Other Operating Segments	Adjustments and Eliminations	Total
Revenue						
External customer	\$981,200	\$1,304,338	\$2,285,538	\$-	\$-	\$2,285,538
Inter-segment	3,255	492,466	495,721	-	(495,721)	-
Total revenue	<u>\$984,455</u>	<u>\$14,796,804</u>	<u>\$2,781,259</u>	<u>\$-</u>	<u>\$(495,721)</u>	<u>\$2,285,538</u>
Segment profit	<u>\$(4,720)</u>	<u>\$(51,773)</u>	<u>\$(56,493)</u>	<u>\$(17,823)</u>	<u>\$(11,174)</u>	<u>\$(85,490)</u>

Inter-segment revenue was eliminated on consolidation and recorded under the “adjustment and elimination” column.

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(Amount in thousand of New Taiwan Dollars unless Otherwise Stated)

Attachment 1 (Significant intercompany transactions between consolidated entities)

Number (Note1)	Trader name	Objects of transactions	Relationship with trader (Note2)	Transaction situation			
				Subject	Amount	Transaction terms	Percentage of combined total revenue or total assets(Note3)
0	The Company	KSFC Company	a	Other receivables	\$174,651	Normal	6.84%
1	MKP Company	KSFC Company	c	Sales	432,219	Normal	21.97%
1	MKP Company	LKP Company	c	Sales	51,696	Normal	2.63%
1	MKP Company	LKP Company	c	Trade receivables	13,665	Normal	0.54%
2	MKP Company	KSFC Company	c	Trade receivables	13,841	Normal	0.54%
2	KSA Company	MKP Company	c	Sales	22,906	Normal	1.16%
3	KSFC Company	BBQHS Company	c	Other receivables	13,143	Normal	0.52%

Note1 : The parent company and its subsidiaries are coded as follows:

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

Note2 : Transactions are categorized as follows:

- a. The holding company to subsidiary.
- b. Subsidiary to holding company.
- c. Subsidiary to subsidiary.

Note3 : 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.

Note4 : 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

Note5 : Offset in the preparation of the consolidated financial statements.

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(Amount in thousand of New Taiwan Dollars unless Otherwise Stated)

Attachment 2 (Financial provided to others)

(In thousands of foreign currencies)

Number (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Parties	Highest Balance for the Period	Ending balance (Note 3)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing	Business Transaction Amounts (Note 4)	Reasons for Short-term Financing (Note 4)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 5)	Aggregate Financing Limits (Note 5)	Note
													Item	Value			
0	The Company	KSFC Company	Other receivables	Y	\$211,698 SGD 10,000	\$211,698 SGD 1,000	\$174,651 SGD 8,250	-	Note4(b)	\$ -	Working capital	\$ -	None	\$ -	\$209,697	\$209,697	Note 6
1	KSH Company	MKP Company	Other receivables	Y	34,845 MYR 5,000	34,845 MYR 5,000	-	-	Note4(b)	-	Working capital	-	None	-	639,419	639,419	Note 6
1	KSH Company	KSFC Company	Other receivables	Y	105,849 MYR 5,000	105,849 MYR 5,000	-	-	Note4(b)	-	Working capital	-	None	-	639,419	639,419	Note 6
1	KSH Company	YKH Company	Other receivables	Y	2,195 SGD 315	2,195 SGD 315	2,195 SGD 315	-	Note4(b)	-	Working capital	-	None	-	639,419	639,419	Note 6
2	KSFC Company	BBQHS Company	Other receivables	Y	12,702 MYR 600	12,702 MYR 600	12,702 MYR 600	-	Note4(b)	-	Working capital	-	None	-	161,805	161,805	Note 6
3	MKP Company	LKP Company	Other receivables	Y	22,301 MYR 3,200	22,301 MYR 3,200	6,969 MYR 1,000	-	Note4(b)	-	Working capital	-	None	-	169,980	169,980	Note 6
4	MW Company	MKP Company	Other receivables	Y	2,997 MYR 430	2,997 MYR 430	2,997 MYR 430	-	Note4(b)	-	Working capital	-	None	-	5,110	5,110	Note 6
5	KSA Company	KSR Company	Other receivables	Y	6,969 SGD 1,000	6,969 SGD 1,000	2,210 SGD 317,175	-	Note4(b)	-	Working capital	-	None	-	16,952	16,952	Note 6

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: The highest balance of financial provided to others during current year /period.

Note 4: Nature of financing is numbered as follows:

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

Note 5: 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 6: Offset in the preparation of the consolidated financial statements.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in thousand of New Taiwan Dollars unless Otherwise Stated)

Attachment 3 (Endorsement/Guarantee provided to others)

(In thousands of foreign currencies)

No (Note 1)	Endorser/Guarantor Company name	Receiving party		Limit of guarantee/endorsement amount of receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount of net assets value from the latest financial statement	Limit of guarantee/endorsement amount (Note 3, 4)	Belong to the parent company's endorsement of the subsidiary	Belong to the subsidiaries' endorsement of the parent company (Note 3)	Belong to China' endorsement
		Company name	Relationship (Note 2)										
1	KSH Company	KSFC Company	4	\$4,475,933	\$1,287,164 SGD 60,802	\$1,212,519 SGD 57,276	\$752,014 SGD 35,523	\$1,011,406	189.63%	\$4,475,933	N	N	N
1	KSH Company	MKP Company	4	4,475,933	329,116 MYR 47,225	329,116 MYR 47,225	207,345 MYR 29,752	262,462	51.47%	4,475,933	N	N	N
1	KSH Company	LKP Company	4	4,475,933	35,201 MYR 5,051	35,201 MYR 5,051	3,925 MYR 563	14,803	5.51%	4,475,933	N	N	N
1	KSH Company	KSR Company	2	4,475,933	31,861 MYR 4,572	31,861 MYR 4,572	25,736 MYR 3,693	31,861	4.98%	4,475,933	N	N	N
1	KSH Company	KSA Company	2	4,475,933	510,648 MYR 73,273	510,648 MYR 73,273	288,236 MYR 41,359	501,679	79.86%	4,475,933	N	N	N
1	KSH Company	SPH Company	6	4,475,933	242,701 SGD 11,464	242,701 SGD 11,464	156,906 SGD 7,412	216,239	37.96%	4,475,933	N	N	N
2	MKP Company	LKP Company	4	1,189,859	906 MYR 130	906 MYR 130	0 MYR -	906	0.53%	1,189,859	N	N	N

Note 1 : The parent company and its subsidiaries are coded as follows:

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

Note 2 : Relationships between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 90% voting shares of the endorser/guarantor subsidiary
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3 : The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceeded of 700% of the individual companies' net assets.

Note 4 : The maximum balance of endorsement/guarantee in total cannot exceeded of 700% of the individual companies' net assets.

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in thousand of New Taiwan Dollars unless Otherwise Stated)

Attachment 4 (Information on investees) (Not including investments in Mainland China)

(In thousands of foreign currencies)

Investor company	Investee company	Location	Main business and products	Investment Amount		Investments as at September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
The Company	KSH Company	Singapore	Investment holding	\$292,190 (SGD 12,519)	\$292,190 (SGD 12,519)	12,519,061	100%	\$672,189	\$23,584 SGD 1,101	\$23,584 SGD 1,101	Note 1
KSH Company	KSFC Company	Singapore	Slaughtering and poultry distribution	86,307 (SGD 3,800)	86,307 (SGD 3,800)	3,800,000	100%	432,094 SGD 20,411	56,219 SGD 2,624	56,219 SGD 2,624	Note 1
KSH Company	MKP Company	Malaysia	Poultry farming	181,332 (MYR 20,000)	181,332 (MYR 20,000)	13,000,000	100%	157,332 SGD 7,432	11,814 SGD 552	12,831 SGD 599	Note 1
KSH Company	YTH Company	Taiwan	Poultry farming and distribution	14,000	14,000	1,400,000	100%	2,895 SGD 137	(115) SGD (5)	(115) SGD (5)	Note 1
KSH Company	KSNF Company	Malaysia	Layer farming	- (MYR -)	- (MYR -)	-	100%	- SGD -	- SGD -	- SGD -	Note 1
KSH Company	KSA Company	Malaysia	Poultry farming and distribution	108,778 (MYR 12,600)	108,778 (MYR 12,600)	12,600,000	70%	35,129 SGD 1,659	(44,925) SGD (2,097)	(31,448) SGD (1,468)	Note 1
KSH Company	YKH Company	Malaysia	Investment holding	- (MYR -)	- (MYR -)	2	100%	(467) SGD (22)	(114) SGD (5)	(114) SGD (5)	Note 1
KSH Company	KSR Company	Malaysia	Property investment	6,261 (MYR 735)	6,261 (MYR 735)	735,000	49%	34,371 SGD 1,624	(280) SGD (13)	(137) SGD (6)	Note 1
KSH Company	FIK Company	Singapore	Processing and preserving of meat and meat products	33,177 (SGD 1,450)	33,177 (SGD 1,450)	1,000,000	80%	(9,389) SGD (444)	(14,748) SGD (689)	(11,799) SGD (551)	Note 1
FIK Company	BBQHS Company	Singapore	Food caterers	23,607 (SGD 1,050)	23,607 (SGD 1,050)	1,050,000	100%	(9,629) SGD (455)	(13,199) SGD (616)	(13,199) SGD (616)	Note 1
MKP Company	LKP Company	Malaysia	Processing and poultry distribution	60,976 (MYR 6,250)	60,976 (MYR 6,250)	4,000,000	100%	32,696 MYR 4,692	(155) MYR (22)	(155) MYR (22)	Note 1
MKP Company	MW Company	Malaysia	Property investment	5,949 (MYR 616)	5,949 (MYR 616)	616,000	100%	5,193 MYR 745	34 MYR 5	34 MYR 5	Note 1
MKP Company	KSJ Company	Malaysia	Manufacturing of poultry feed products	28,219 (MYR 3,000)	28,219 (MYR 3,000)	3,000,000	100%	13,488 MYR 1,935	(43) MYR (6)	(43) MYR (6)	Note 1
YKH Company	KSR Company	Malaysia	Property investment	2,683 (MYR 315)	2,683 (MYR 315)	315,000	21%	2,158 MYR 310	(280) SGD (13)	(59) SGD (3)	Note 1
KSH Company	Singapore Poultry Hub Pte. Ltd.	Singapore	Slaughtering and poultry distribution	18,150 (SGD 875)	18,150 (SGD 875)	875,000	25%	9,037 SGD 427	(4,177) SGD (195)	(16,709) SGD (779)	
KSH Company	Iceberg Cold Storage Pte. Ltd.	Singapore	Cold storage	270 (SGD 12)	270 (SGD 12)	12,000	30%	- SGD -	- SGD -	- SGD -	

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

KEE SONG BIO-TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in thousand of New Taiwan Dollars unless Otherwise Stated)

Attachment 5 (Purchases and sales with related parties amounting to NT \$ 100 million or more than 20% of paid-in capital.)

Trading company	Transaction company Name	Relationship	Transaction situation				The difference and the reason of general transactions		Accounts (Notes) receivable (payable)		Note
			Incoming (selling) goods	Amount	period	Credit period	unit price	Credit period	Balance	Account for total receivables (pay) Bill Account Ratio	
MKP Company	KSFC Company	Affiliated company	Sale	\$432,219	88.13%	30 days	\$ -	-	\$ -	0%	

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

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Attachment 6 (Information of major shareholders)

Shares	Number of Shares	Percentage of Ownership
Name of Major Stockholder		
Ong Kee Song	6,958,783	18.89%
Ong Kian San	4,982,085	13.53%
CTBC Bank in custody for Ong Kian Huat	3,973,566	10.79%
Ong Yong Xian	3,973,566	10.79%
Ong Quan Yi	2,157,000	5.86%