

Morn Sun Feed Mill Corp. and its  
Subsidiaries

Consolidated Financial Report and  
Independent Auditors' Report  
2023 and 2022

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## Representation Letter

Considering that the companies to be included into the consolidated financial statements of associates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2023 (from Jan. 1, 2023 to Dec. 31, 2023), and the relevant information to be disclosed in the consolidated financial statements of associates has already been disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of associates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Company Name: Morn Sun Feed Mill Corp.

Responsible person: Qing-De, Wu

Mar. 11, 2024

## **Independent Auditor ’s Report**

To Morn Sun Feed Mill Corp.,

### **Audit opinion**

We have reviewed the accompanying consolidated balance sheets of Morn Sun Feed Mill Corp. (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended Dec. 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended Dec. 31, 2023 and 2022, and Notes to the consolidated financial statement, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). In our opinion, the above consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of Dec.31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows from Jan. 1 to Dec. 31, 2023 and 2022, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

### **Key audit matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended Dec. 31, 2023 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended Dec. 31, 2023 are stated as follows:

#### Revenue recognition

Consolidated operating revenue of the Group in 2023 was NT\$ 2,910,168 thousand, with a decrease of about 14% compared with 2022, where, sales revenue from specific livestock feeds decreased slightly, and accounted for a relatively big proportion in the whole consolidated operating revenue, therefore, the risk for our evaluation of its revenue recognition lies in that whether the sales revenue from specific livestock feeds actually occurs and is included as key audit matter for the current year or not. Please refer to Notes IV (XIV) to the consolidated financial statements for the accounting policies for recognition of relevant revenues.

The main audit procedures performed by us for recognition of the above revenues were as follows:

- I. Understand the internal control procedures for the above sales revenue, and evaluate the effectiveness of the design and implementation of such relevant internal control.
- II. Select appropriate samples from the above sales revenue statements to review relevant proof documents and test the payment-collection condition, so as to confirm the authenticity of the sales revenue.

#### **Other matters**

The Company has prepared individual financial reports for 2023 and 2022, and we have issued an audit report containing our unqualified opinion for reference.

#### **Responsibilities of the management and governing bodies for the consolidated financial statements**

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and regulations of IFRS and IAS as well as IFRIC and SIC interpretations endorsed and issued into effect by the FSC, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

When the consolidated financial statements are prepared, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters,

and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governing bodies of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement can arise from fraud or error. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

- I. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
- II. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- III. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
- IV. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- V. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
- VI. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing bodies include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended Dec. 31, 2023. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche

CPA Chao-Mei, Chen

CPA Cheng-Chuan, Yu

Securities and Futures Commission  
Approval Document No.

Tai-Cai-Zheng-Liu-Zi No. 0920123784

Securities and Futures Commission Approval  
Document No.

Tai-Cai-Zheng-Liu-Zi No. 0930128050

Mar. 26, 2024

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*



Morn Sun Feed Mill Corp. and its Subsidiaries  
Consolidated Balance Sheet  
Dec. 31, 2023 and 2022

Unit: NTD thousand

Code	Assets	Dec. 31, 2023		Dec. 31, 2022	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash (Notes 4 & 6)	\$ 75,193	3	\$ 55,531	3
1110	Financial assets at fair value through profit or loss (Notes 4 & 7)	41,447	2	20,255	1
1120	Financial assets at fair value through other comprehensive income (Notes 4 & 8)	296,932	14	298,302	13
1150	Notes receivable (Notes 4, 11 & 26)	211,143	10	221,691	10
1170	Accounts receivable (Notes 4, 11 & 26)	329,582	15	332,526	15
1200	Other receivables (Note 4)	550	-	349	-
1220	Current income tax assets (Notes 4 & 28)	1,044	-	1,039	-
130X	Inventories (Notes 4 & 12)	214,697	10	291,654	13
1400	Biological assets - current (Notes 4 & 13)	76,613	3	105,994	5
1470	Other current assets (Note 20)	3,338	-	4,648	-
11XX	Total current assets	<u>1,250,539</u>	<u>57</u>	<u>1,331,989</u>	<u>60</u>
	<b>Non-current assets</b>				
1535	Financial assets at amortized cost (Notes 4, 9 & 10)	10,418	-	-	-
1550	Investments accounted for using equity method (Notes 4 & 15)	399,470	18	361,365	16
1600	Property, plant and equipment (Notes 4, 16, 33 & 34)	415,446	19	423,655	19
1755	Right-of-use assets (Notes 4, 17 & 33)	16,072	1	19,054	1
1760	Investment property (Notes 4 & 18)	24,567	1	24,798	1
1780	Other intangible assets (Notes 4 & 19)	207	-	256	-
1830	Biological assets - non-current (Notes 4 & 13)	13,914	1	11,044	-
1840	Deferred tax assets (Notes 4 & 28)	16,428	1	17,284	1
1975	Net defined benefit assets (Notes 4 and 24)	19,565	1	13,409	1
1990	Other non-current assets (Notes 4, 20 & 33)	16,777	1	11,400	1
15XX	Total non-current assets	<u>932,864</u>	<u>43</u>	<u>882,265</u>	<u>40</u>
1XXX	Total assets	<u>\$ 2,183,403</u>	<u>100</u>	<u>\$ 2,214,254</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term debts (Note 21)	\$ 374,829	17	\$ 501,879	23
2110	Short-term bills payable (Note 21)	20,000	1	20,000	1
2130	Contract liabilities (Notes 4 & 26)	754	-	3,243	-
2150	Notes payable	6	-	6	-
2170	Accounts payable (Note 22)	217,554	10	270,257	12
2180	Accounts payable - related parties (Note 33)	14,974	1	14,817	1
2200	Other payables (Note 23)	71,687	3	44,221	2
2220	Other payables - related parties (Note 33)	2,656	-	2,159	-
2230	Current income tax liabilities (Notes 4 & 28)	29,075	2	-	-
2280	Lease liabilities - current (Notes 4, 17 & 33)	4,791	-	6,719	-
2399	Other current liabilities	715	-	1,262	-
21XX	Total current liabilities	<u>737,041</u>	<u>34</u>	<u>864,563</u>	<u>39</u>
	<b>Non-current liabilities</b>				
2570	Deferred tax liabilities (Notes 4 & 28)	20,022	1	19,335	1
2580	Lease liabilities - non-current (Notes 4, 17 & 33)	11,326	-	12,401	-
2645	Guarantee deposits received	203	-	203	-
25XX	Total non-current liabilities	<u>31,551</u>	<u>1</u>	<u>31,939</u>	<u>1</u>
2XXX	Total liabilities	<u>768,592</u>	<u>35</u>	<u>896,502</u>	<u>40</u>
	<b>Equity attributable to owners of the Company (Note 4 &amp; 25)</b>				
	Share capital				
3110	Common stock	393,702	18	385,982	18
3200	Capital surplus	145,207	7	145,207	7
	Retained earnings				
3310	Legal reserve	117,594	5	116,638	5
3320	Special reserves	8,856	1	8,856	-
3350	Undistributed earnings	442,532	20	326,361	15
3300	Total retained earnings	<u>568,982</u>	<u>26</u>	<u>451,855</u>	<u>20</u>
3490	Other equity	246,029	11	247,399	11
31XX	Total owners' equity of the Company	<u>1,353,920</u>	<u>62</u>	<u>1,230,443</u>	<u>56</u>
36XX	Non-controlling interests (Note 4, 14 & 25)	60,891	3	87,309	4
3XXX	Total equity	<u>1,414,811</u>	<u>65</u>	<u>1,317,752</u>	<u>60</u>
	Total liabilities and equity	<u>\$ 2,183,403</u>	<u>100</u>	<u>\$ 2,214,254</u>	<u>100</u>

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

Chairman: Wu, Qing-De

Manager: Wu, Qing-De

Head-finance & accounting: Qiu, Shao-Qi

Morn Sun Feed Mill Corp. and its Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended Dec. 31, 2023 and 2022

Unit: NTD thousand (Except for earnings per share which is in NTD)

Code		2023		2022	
		Amount	%	Amount	%
4110	Operating revenue (Notes 4, 26 & 33)	\$ 2,910,168	100	\$ 3,370,796	100
5110	Operating costs (Notes 12, 27 & 33)	( 2,615,623)	( 90)	( 3,118,853)	( 93)
5850	Gains (losses) of initially recognized biological assets and agricultural products (Notes 4 & 13)	7,612	-	( 2,846)	-
5860	Gains from changes in the current fair value of biological assets less sales cost (Notes 4 & 13)	<u>44,131</u>	<u>2</u>	<u>28,509</u>	<u>1</u>
5900	Gross profit	<u>346,288</u>	<u>12</u>	<u>277,606</u>	<u>8</u>
	Operating expenses (Notes 4, 27 & 33)				
6100	Selling and marketing expenses	( 139,857)	( 5)	( 182,121)	( 5)
6200	Administrative expenses (Note 19)	( 78,461)	( 3)	( 61,199)	( 2)
6300	Research and development expenses	( 4,065)	-	( 4,848)	-
6450	Reversal gains (loss) from expected credit impairment (Notes 4 & 11)	<u>1,400</u>	<u>-</u>	<u>( 2,647)</u>	<u>-</u>
6000	Total operating expenses	<u>( 220,983)</u>	<u>( 8)</u>	<u>( 250,815)</u>	<u>( 7)</u>
6900	Net operating income	<u>125,305</u>	<u>4</u>	<u>26,791</u>	<u>1</u>
	Non-operating income and expenses (Notes 4, 27 & 33)				
7100	Interest income	1,178	-	139	-
7010	Other income	11,782	1	13,099	-

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Code		2023		2022	
		Amount	%	Amount	%
7020	Other gains or losses	\$ 5,691	-	(\$ 27,846)	( 1)
7050	Financial costs	( 9,565)	-	( 7,629)	-
7060	Share of profit or loss on associates accounted for using equity method	<u>38,105</u>	<u>1</u>	( <u>10,702</u> )	<u>-</u>
7000	Total non-operating income and expenses	<u>47,191</u>	<u>2</u>	( <u>32,939</u> )	( <u>1</u> )
7900	Net income before tax (loss)	172,496	6	( 6,148)	-
7950	Income tax expense (Notes 4 & 28)	( <u>36,604</u> )	( <u>1</u> )	( <u>12,807</u> )	( <u>1</u> )
8000	Current net income (loss)	<u>135,892</u>	<u>5</u>	( <u>18,955</u> )	( <u>1</u> )
8310	Other comprehensive income items that will not be reclassified subsequently to profit or loss:				
8311	Re-measurement of the defined benefit plan (Notes 4 & 24)	1,418	-	4,954	-
8316	Unrealized appraisal gains or losses on investments in equity instruments measured at fair value through other comprehensive income (Notes 4 & 25)	( 1,370)	-	25,849	1
8349	Income tax related to items that are not reclassified (Notes 4 & 28)	( <u>283</u> )	<u>-</u>	( <u>991</u> )	<u>-</u>
8300	Other comprehensive income for the current year (net of tax)	( <u>235</u> )	<u>-</u>	<u>29,812</u>	<u>1</u>
8500	Total comprehensive income for the current year	<u>\$ 135,657</u>	<u>5</u>	<u>\$ 10,857</u>	<u>-</u>
	Net income attributable to:				
8610	Owners of the Company	\$ 162,310	6	\$ 5,591	-
8620	Non-controlling interests	( <u>26,418</u> )	( <u>1</u> )	( <u>24,546</u> )	( <u>1</u> )
8600		<u>\$ 135,892</u>	<u>5</u>	( <u>\$ 18,955</u> )	( <u>1</u> )

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Code		2023		2022	
		Amount	%	Amount	%
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 162,075	6	\$ 35,403	1
8720	Non-controlling interests	( <u>26,418</u> )	( <u>1</u> )	( <u>24,546</u> )	( <u>1</u> )
8700		<u>\$ 135,657</u>	<u>5</u>	<u>\$ 10,857</u>	<u>-</u>
	Earnings per share (Note 29)				
9710	Basic	<u>\$ 4.12</u>		<u>\$ 0.14</u>	
9810	Diluted	<u>\$ 4.11</u>		<u>\$ 0.14</u>	

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

Chairman:  
Wu, Qing-De

Manager:  
Wu, Qing-De

Head-finance & accounting:  
Qiu, Shao-Qi

Morn Sun Feed Mill Corp. and its Subsidiaries  
Income Consolidated Statements of Changes in Equity  
For the Years Ended Dec. 31, 2023 and 2022

Unit: NTD thousand

		Equity attributable to owners of the Company						Other equity			
		Common stock		Retained earnings			Unrealized appraisal gains or losses from financial assets at fair value through other comprehensive income	Total	Non-controlling interests	Total equity	
Code		Number of Shares (thousand shares)	Amount	Capital surplus	Legal reserve	Special reserves	Undistributed earnings				
A1	Balance at Jan. 1, 2022	36,760	\$ 367,602	\$ 145,207	\$ 103,408	\$ 8,856	\$ 421,937	\$ 221,550	\$ 1,268,560	\$ 111,855	\$ 1,380,415
	Earnings appropriation and allocation for 2021 (Note 25)										
B1	Legal reserve	-	-	-	13,230	-	( 13,230)	-	-	-	-
B5	Cash dividends	-	-	-	-	-	( 73,520)	-	( 73,520)	-	( 73,520)
B9	Stock Dividends	1,838	18,380	-	-	-	( 18,380)	-	-	-	-
D1	Net income for 2022	-	-	-	-	-	5,591	-	5,591	( 24,546)	( 18,955)
D3	Other comprehensive income for 2022 (Note 25)	-	-	-	-	-	3,963	25,849	29,812	-	29,812
D5	Total comprehensive income for 2022	-	-	-	-	-	9,554	25,849	35,403	( 24,546)	10,857
Z1	Balance at Dec. 31, 2022	38,598	385,982	145,207	116,638	8,856	326,361	247,399	1,230,443	87,309	1,317,752
	Earnings appropriation and allocation for 2022 (Note 25)										
B1	Legal reserve	-	-	-	956	-	( 956)	-	-	-	-
B5	Cash dividends	-	-	-	-	-	( 38,598)	-	( 38,598)	-	( 38,598)
B9	Stock Dividends	772	7,720	-	-	-	( 7,720)	-	-	-	-
D1	Net income for 2023	-	-	-	-	-	162,310	-	162,310	( 26,418)	135,892
D3	Other comprehensive income for 2023 (Note 25)	-	-	-	-	-	1,135	( 1,370)	( 235)	-	( 235)
D5	Total comprehensive income for 2023	-	-	-	-	-	163,445	( 1,370)	162,075	( 26,418)	135,657
Z1	Balance at Dec. 31, 2023	<u>39,370</u>	<u>\$ 393,702</u>	<u>\$ 145,207</u>	<u>\$ 117,594</u>	<u>\$ 8,856</u>	<u>\$ 442,532</u>	<u>\$ 246,029</u>	<u>\$ 1,353,920</u>	<u>\$ 60,891</u>	<u>\$ 1,414,811</u>

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

Chairman: Wu, Qing-De

Manager: Wu, Qing-De

Head-finance & accounting: Qiu, Shao-Qi

Morn Sun Feed Mill Corp. and its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended Dec. 31, 2023 and 2022

Code		Unit: NTD thousand	
		2023	2022
	Cash flows from operating activities		
A10000	Net income before tax (loss)	\$ 172,496	(\$ 6,148)
A20010	Adjustments for		
A20100	Depreciation expenses	40,202	39,779
A20200	Amortization expenses	204	183
A20300	Expected credit impairment (gains on reversal) losses	( 1,400)	2,647
A20400	(Gains) losses on financial assets at fair value through profit or loss	( 5,292)	4,824
A20900	Financial costs	9,565	7,629
A21200	Interest income	( 1,178)	( 139)
A21300	Dividend income	( 8,162)	( 8,653)
A22300	Share of (gains) losses on associates accounted for using equity method	( 38,105)	10,702
A22500	Losses on disposal of property, plant and equipment	-	175
A23700	Losses on market price decline and obsolete and slow-moving of inventories	2,001	3,408
A24600	Gains from lease modification	( 11)	-
A29900	(Gains) losses from disposal of productive biological assets	( 1,721)	141
A29900	(Gains) losses of initially recognized biological assets and agricultural products	( 7,612)	2,846
A29900	Gains from changes in fair value of biological assets less sales cost	( 44,131)	( 28,509)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets measured at fair value through profit or loss	( 3,466)	( 1,521)
A31130	Notes receivable	10,548	( 16,773)
A31150	Accounts receivable	4,344	( 43,247)
A31160	Accounts receivable - related parties	-	3,960
A31180	Other receivables	( 201)	4
A31200	Inventories	88,781	( 73,067)
A31210	Biological assets	60,025	3,337
A31240	Other current assets	1,310	5,293
A31990	Net defined benefit assets	( 4,738)	( 304)
A32125	Contract liabilities	( 2,489)	( 4,108)
A32130	Notes payable	-	( 16)
A32150	Accounts payable	( 52,703)	27,361

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Code		2023	2022
A32160	Accounts payable - related parties	\$ 157	\$ 2,003
A32180	Other payables	25,399	( 22,144)
A32190	Other payables - related parties	497	( 923)
A32230	Other current liabilities	( <u>547</u> )	( <u>763</u> )
A33000	Cash generated from operations	243,773	( 92,023)
A33100	Interest received	1,178	139
A33200	Dividends received	8,162	8,653
A33200	Dividends received from associates	-	30,312
A33300	Interest paid	( 9,833)	( 7,236)
A33500	Income tax paid	( <u>6,274</u> )	( <u>32,801</u> )
AAAA	Net cash inflow (outflow) from operating activities	<u>237,006</u>	( <u>92,956</u> )
	<b>Cash flows from investing activities</b>		
B00100	Acquisition of financial assets at fair value through profit or loss	( 12,434)	-
B00040	Acquisition of financial assets at amortized cost	( 10,418)	-
B02700	Purchase of property, plant and equipment	( 12,162)	( 12,609)
B02800	Disposal of property, plant and equipment	-	1,305
B03700	Increase in refundable deposits	-	( 153)
B03800	Decrease in refundable deposits	3,206	-
B04500	Acquisition of intangible assets	( 155)	( 128)
B07100	Increase in prepayment for equipment	( <u>12,480</u> )	( <u>4,552</u> )
BBBB	Net cash outflow from investing activities	( <u>44,443</u> )	( <u>16,137</u> )
	<b>Cash flows from financing activities</b>		
C00100	Increase in short-term debts	-	189,828
C00200	Decrease in short-term debts	( 127,050)	-
C01600	New long-term loans	-	10,000
C01700	Repayment of long-term loans	-	( 30,000)
C04020	Repayment of lease principal	( 7,253)	( 8,490)
C04500	Issue of cash dividends	( <u>38,598</u> )	( <u>73,520</u> )
CCCC	Net cash inflow (outflow) from financing activities	( <u>172,901</u> )	<u>87,818</u>
EEEE	Net increase (decrease) in cash	19,662	( 21,275)
E00100	Balance of cash at beginning of the year	<u>55,531</u>	<u>76,806</u>
E00200	Balance of cash at end of the year	<u>\$ 75,193</u>	<u>\$ 55,531</u>

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

Chairman:  
Wu, Qing-De

Manager:  
Wu, Qing-De

Head-finance & accounting:  
Qiu, Shao-Qi

Morn Sun Feed Mill Corp. and its Subsidiaries  
Notes to Consolidated Financial Statements  
For the Years Ended Dec. 31, 2023 and 2022  
(Unless stated otherwise, the unit is NTD thousand)

1. Organization and Operations

- (1) Established in Feb. 18, 1967, Morn Sun Feed Mill Corp. (former name: Morn Sun Feed Ltd.) (hereinafter referred to as “the Company”) was changed to its current name in December 2016. The main businesses of the Company are manufacturing, processing, trading and transportation of various feeds and its raw materials, trading of rice shells, flour, soybeans, barley and wheat and assorted grains, and feeding of domestic livestock and poultry, etc.
- (2) Since Aug. 8, 2018, the Company’s stock has been listed on Taipei Exchange for trading.
- (3) In order to expand egg selection, washing, packaging, sales and other businesses for feeding of domestic livestock and poultry, and services of agricultural products and animal husbandry, the Company invested to establish the subsidiary Morn Sun Foods Corp. in August 2019.
- (4) The consolidated financial statements are presented in New Taiwan dollars, the Company’s functional currency.

2. Date and Procedures for Approval of the Financial Report

The consolidated financial statements were approved by the board of directors on Mar. 11, 2024.

3. Application of Newly Issued and Amended Standards and Interpretations

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

The application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC will not have a material impact on the accounting policies of the Company and the entities controlled by the Company (collectively, the “Group”).



- (2) IFRS Accounting Standards endorsed by FSC that are applicable from 2024 onwards

New/ Revised/ Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 - Lease liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Jan. 1, 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	Jan. 1, 2024 (Note 3)

Note 1: Unless otherwise specified, the above-mentioned new/ revised/ amended standards or interpretations will take effect during the annual reporting period beginning on or after each date.

Note 2: A seller-lessee applies the amendments retrospectively to IFRS 16 to sale and leaseback transactions entered into after the date of initial application.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were approved for release, the amendments to the above-mentioned standards and interpretations will not have a significant impact on the Group’s financial position and financial performance based on the assessment.

- (3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New/ Revised/ Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9- Comparative Information”	Jan. 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	Jan. 1, 2025 (Note 2)

Note 1: Unless otherwise specified, the above-mentioned new/ revised/ amended standards or interpretations will take effect during the annual reporting period beginning on or after each date.

Note 2: This amendment applies for annual reporting periods beginning after Jan. 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the Group uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were approved for release, the Group continued to assess the possible impact of the application of the above standards and interpretations on its financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### 4. Summary of Significant Accounting Policies

##### (1) Statement of compliance

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

##### (2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments measured at fair value, the biological assets measured at fair value less sales cost and net defined benefit assets recognized at present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

- A. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
- B. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
- C. Level 3 inputs: Unobservable inputs for assets or liabilities.

##### (3) Classification of current and non-current assets and liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
  - B. Assets expected to be realized within 12 months after the balance sheet date;
- and

C. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the balance sheet date; and
- C. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (subsidiaries) controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisition up to the effective dates of disposal. The financial statements of subsidiaries have been adjusted to ensure consistency between their accounting policies and the Group's. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 14 and Tables 3 for the detailed information on subsidiaries (including the percentage of ownership and main business).

(5) Foreign currency

When the financial statements of each individual entity in the Group are prepared, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

(6) Inventories

Inventories include raw materials, materials, work in progress, finished goods and inventories in transit. The value of inventories is determined based on the cost or net realizable value, whichever is lower. The comparison of the cost and the net realizable value is based on individual items except for inventories of the same category. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(7) Biological assets

Biological assets are measured at fair value less cost to sell at the original recognition and at each balance sheet date, except where fair value cannot be reliably measured, and related subsequent expenses are capitalized as part of the biological asset when incurred. Gains or losses from changes measured at fair value less sales cost are recognized in profit or loss in the period in which they occur. Biological assets whose fair value cannot be reliably measured shall be measured at their cost less all accumulated depreciations and all accumulated impairment losses.

Agricultural products harvested from biological assets are initially measured at the fair value of the harvest point less sales cost and are carried into inventory, and are subsequently treated as inventory.

(8) Investments in associates

An associate is an entity on which the Group has significant influence and is not a subsidiary or joint venture.

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

Recognition of further losses is discontinued when the Group's share of losses to the associate equals or exceeds its equity in the associate (including the carrying amount of the investment in the associate under the equity method and other long-term interests that are substantially part of the Group's net investment in the associate). The Group recognizes additional losses and liabilities only to the extent that statutory obligations, constructive obligations or payments have been made on behalf of associates.

When assessing impairment, the Group conducts an impairment test by comparing the total carrying amount of the investment as a single asset to the recoverable amount and the carrying amount, and the recognized impairment loss is not applied to any asset that forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of the investment.

Profit or loss on upstream, downstream and lateral transactions between the Group and the associate is recognized in the consolidated financial statements only to the extent that it does not affect the Group's interests in the associate.

(9) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost less accumulated impairment loss. The cost shall include professional service expenses and the borrowing costs eligible for capitalization. Such assets are classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation will begin.

Except for self-owned land, which is not depreciated, each significant component of the remaining property, plant and equipment is depreciated separately on a

straight-line basis within their useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and applies the effect of changes in applicable accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(10) Investment property

Investment property refers to property held for the purpose of earning rents or capital appreciation or both. Investment property also includes land held for which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction cost), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Investment property of the Group is depreciated on a straight-line basis.

When investment property is derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(11) Intangible assets

A. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful life, and the Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, and applies the effect of changes in applicable accounting estimates prospectively.

B. Derecognition

When investment property is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(12) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use, investment property and intangible assets

at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash generating units on a reasonably consistent basis.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the CGU is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the CGU, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(13) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

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

A. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(A) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as

investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

a. Financial assets at FVTPL

Financial assets measured at FVTPL include the financial assets mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instrument that the Group has not designated to measure at FVTOCI, and debt instruments that are not eligible to be classified as measured at amortized cost or at FVTOCI.

Financial assets measured at FVTPL are measured at fair value; the dividends and interest generated from which are respectively recognized in other, interest income, and the gains or losses arising from re-measurement are recognized in profit or loss. Please refer to Note 32 for the method of determining the fair value.

b. Financial assets at amortized cost

When the Group's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- (a) Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
- (b) The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, the financial assets measured at amortized cost (including cash, financial assets receivable at amortized cost, notes receivable, accounts receivable, other receivables, and refundable deposits (other non-current assets in the statements)), are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any foreign currency exchange gains or losses are recognized in profit or loss.



Except for the following two cases, interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

- (a) For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- (b) For a financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets refer to a situation in which the issuer or debtor has experienced significant financial difficulties or defaulted, the debtor is likely to apply for bankruptcy or other financial restructuring, or the active market for such financial assets disappears due to financial difficulties.

c. Investments in equity instruments at FVTOCI

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. At the time of disposal of such investments, the accumulated gains and losses are directly reclassified to retained earnings and will not be reclassified to profit or loss.

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Group's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(B) Impairment of financial assets

The Group assesses the impairment loss of financial assets measured at amortized cost (including notes receivable and accounts receivable) based on the expected credit loss at each balance sheet date.

Both notes receivable and accounts receivable are recognized in loss allowance based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- a. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- b. It is overdue for more than 365 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Group recognizes an impairment loss for all financial assets with a corresponding downward adjustment to their carrying amount through a loss allowance account. However, the loss allowance for investment in debt instruments measured at FVTOCI is recognized in other comprehensive income without a downward adjustment to the carrying amount.

(C) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the

financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

B. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

C. Financial liability

(A) Subsequent measurement

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

(B) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(14) Revenue recognition

After the performance obligations are identified in a customer contract, the Group allocates the transaction price to each performance obligation, and recognizes it in revenue when each performance obligation is satisfied.

Sales revenue

Sales revenue comes from sales of all kinds of feeds, bulk raw materials, pigs and meat poultry, and egg products. When the feeds are delivered to the customers' designated places, when the bulk raw materials are delivered to the port, when the pigs are sent to the farmers' association for successful auction or are shipped as agreed by both parties, or when the meat poultry are notified by the business department to the retail sellers to pick up the goods or are arranged to

the meat refrigeration factories and other customers according to the contract arrangement, and when the eggs are shipped to the customers' locations, the customers have the right to set the price and use the goods and have the primary responsibility for resale, and bear the risk of obsolescence of the goods, and the Group recognizes the revenue and accounts receivable at the above time points. Advanced receipts from sales revenue is recognized as contract liabilities before arrival of the feeds, before arrival of the bulk raw materials at the port for delivery, before the pigs are sold to the farmers' association for successful auction or are shipped as agreed by both parties, and before the meat poultry are delivered to the retail sellers or are arranged to the meat refrigeration factories, and before the egg products are shipped to the customers' locations, respectively.

(15) Leasing

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

A. The Group as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

Under operating leases, lease payments less lease incentives are recognized in income on a straight-line basis over the relevant lease terms. The original direct cost incurred in obtaining an operating lease is added to the carrying amount of the underlying asset and recognized in expenses on a straight-line basis over the lease term.

B. The Group as lessee

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

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and

accumulated impairment and adjusted for any re-measurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment (including fixed payment). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If the lease term lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining re-measurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(16) Employee benefits

A. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

B. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period. The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and re-measurement) is calculated based on the projected unit credit method. The service cost (including the service costs for the current period) and the net interest on the net defined benefit liabilities (assets) are recognized in employee benefit expenses as they occur. The re-measurement (including actuarial gains and losses, and the return on plan assets, net of interest) is recognized in other

comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss subsequently.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(17) Income tax

The income tax expense represents the sum of the current income tax and deferred tax.

A. Current income tax

A surtax imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized in the year in which it is resolved by the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

B. Deferred tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences and loss deduction.

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

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the

Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred taxes

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

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the Group adopts accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for those items whose relevant information is not readily available from other sources. The actual result may differ from the estimate.

Upon evaluation by the management, the accounting policies, estimates and underlying assumptions adopted by the Company were free of significant uncertainty in the accounting judgments, estimates and assumptions.

6. Cash

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Cash on hand and petty cash	\$ 465	\$ 465
Checking accounts and demand deposits	<u>74,728</u>	<u>55,066</u>
	<u>\$ 75,193</u>	<u>\$ 55,531</u>

The range of market interest rates on bank deposits at the balance sheet date is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Cash in banks	0.005%~1.450%	0.005%~1.050%

7. Financial Instruments at FVTPL

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial Assets - Current</u>		
Mandatorily at FVTPL		
Non-derivative financial assets		
- Domestic TWSE/TPEX listed stocks	\$ 29,136	\$ 20,255
- Foreign bonds	<u>12,311</u>	<u>-</u>
	<u>\$ 41,447</u>	<u>\$ 20,255</u>

8. Financial assets at fair value through other comprehensive income

Investment in equity instruments

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Current</u>		
Domestic investment		
Listed stocks		
Common shares of Formosa Oilseed Processing Co., Ltd. (FOPCO)	<u>\$ 296,932</u>	<u>\$ 298,302</u>

The Group expects to receive dividends by holding common shares of FOPCO and considers that it would be inconsistent with the aforementioned investment plan to include short-term fair value fluctuations in these investments in profit or loss, therefore it elects to designate these investments as measured at fair value through other comprehensive income.

9. Financial Assets at Amortized Cost

	<u>Dec. 31, 2023</u>
<u>Non-current</u>	
Foreign investment	
Bonds	\$ 10,418



Less: Allowance for losses	<u style="border-bottom: 1px solid black;">-</u> <u style="border-bottom: 3px double black;">\$ 10,418</u>
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The Group purchased 5-year foreign bonds of Mercedes-Benz Finance North America LLC in February 2023, with nominal interest rate of 5.25%, and effective interest rate of 4.21%.

For information on credit risk management and impairment assessment of financial assets measured at amortized cost, please refer to Note 10.

10. Credit Risk Management of Debt Instrument Investment

Debt instruments invested by the Group are financial assets measured at amortized cost:

	Dec. 31, 2023
At amortized cost	
Total carrying amount	\$ 10,418
Less: Allowance for losses	<u style="border-bottom: 1px solid black;">-</u>
Amortized cost	<u style="border-bottom: 3px double black;">\$ 10,418</u>

The Group only invests in debt instruments that have credit ratings above the investment grade (included) and are considered to be low credit risk by impairment assessment, and the credit rating information shall be provided by independent rating agencies. The Group continuously tracks external rating information to monitor changes in the credit risk of the debt instruments in which it invests, and reviews other information, such as bond yield curves and material information about the debtor, so as to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Group measured the 12-month ECL or lifetime ECL of the investments in debt instruments based on the historical default probabilities and default loss rates for each grade, the current financial position of the debtor and the prospects of its industry as provided by external rating agencies.

The total carrying amount and applicable expected credit loss rate of the Group's current credit risk rating classification and investments in debt instruments of each credit rating are as follows:

Credit rating	Definition	Recognition basis for ECLs	ECLs	Total carrying amount At amortized cost
Normal	The debtor is of low credit risk, and has sufficient capacity to repay the contract cash flow	12-month ECLs	0.00%	\$ 10,418

Abnormal	The credit risk has increased significantly since the original recognition	Expected credit loss during lifetime for losses (no credit impairment)	-	-
Breach of contract	With credit impairment evidence	Expected credit loss during lifetime for losses (with credit impairment)	-	-
Write-off	There is evidence that the debtor is confronted with serious financial difficulties and that the Group could not make reasonable expectation of recovery	Direct write-off	-	-

## 11. Notes Receivable and Accounts Receivable

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Notes receivable</u>		
At amortized cost		
Total carrying amount	\$ 211,143	\$ 221,691
Less: Allowance for losses	-	-
	<u>\$ 211,143</u>	<u>\$ 221,691</u>
<u>Accounts receivable</u>		
At amortized cost		
Total carrying amount	\$ 335,664	\$ 339,878
Less: Allowance for losses	( 6,082 )	( 7,352 )
	<u>\$ 329,582</u>	<u>\$ 332,526</u>

### (1) Notes receivable

The Group recognizes the loss allowance for notes receivable based on the lifetime ECLs. The lifetime ECLs take into account the customer's past default history, and it does not need to make provision for expected credit loss upon assessment.

As of Dec. 31, 2023 and 2022, the Group does not hold any collateral for the notes receivable.

Aging analysis of notes receivable is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
1-60 days	\$ 175,038	\$ 194,556
61-120 days	24368	23913
Over 121 days	11737	3222
Total	<u>\$ 211,143</u>	<u>\$ 221,691</u>

The above aging analysis is based on the accounting date.

### (2) Accounts receivable

The average credit period of the Group for accounts receivable ranges from 7 days to 70 days (batch settlement), and in determining the collectibility of the accounts

receivable, the Group takes into account any changes in the credit quality of the accounts receivable from the original credit date to the balance sheet date.

To mitigate credit risk, the management of the Group has appointed a dedicated team to be responsible for the determination of credit lines, credit approval and other monitoring procedures, so as to ensure that appropriate action has been taken to collect overdue receivables. In addition, the Group will review the recoverable amounts of receivables one by one at the balance sheet date to ensure that the unrecoverable receivables have been properly recognized in impairment losses. Accordingly, the Group's management believes that its credit risk has been significantly reduced.

The Group recognizes the loss allowance for accounts receivable based on the lifetime ECLs. The lifetime ECLs are calculated using a provision matrix based on the consideration for historical experience, current market situation and prospective information. As the Group's historical experience in credit loss shows that there is no significant difference in the loss patterns among different customer groups, the customer groups are not further differentiated in the provision matrix, and only the ECLs are set based on the overdue days of the accounts receivable. If there is evidence that a counter-party is facing serious financial difficulties and the Group cannot reasonably expect to recover the amount, the Group will directly write off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The loss allowance for accounts receivable measured by the Group based on the provision matrix is as follows:

#### Dec. 31, 2023

	Not past due	1-60 days past due	61-120 days past due	121-180 days past due	181-365 days past due	More than 366 days past due	Individual identification	Total
ECLs	0.00%~ 0.04%	0.02%~ 3.94%	6.67%~ 30.40%	5.88%~ 37.78%	4.76%~ 69.13%	100%	100%	
Total carrying amount	\$ 318,434	\$ 9,905	\$ 671	\$ 190	\$ 1,047	\$ 2,236	\$ 3,181	\$ 335,664
Allowance for losses (lifetime ECLs)	( 71 )	( 74 )	( 138 )	( 12 )	( 370 )	( 2,236 )	( 3,181 )	( 6,082 )
Amortized cost	<u>\$ 318,363</u>	<u>\$ 9,831</u>	<u>\$ 533</u>	<u>\$ 178</u>	<u>\$ 677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,582</u>

#### Dec. 31, 2022

	Not past due	1-60 days past due	61-120 days past due	121-180 days past due	181-365 days past due	More than 366 days past due	Individual identification	Total
ECLs	0.10%~ 0.42%	1.53%~ 15.68%	10.76%~ 28.70%	10.74%~ 37.10%	10.81%~ 56.09%	100%	100%	
Total carrying amount	\$ 309,448	\$ 22,214	\$ 1,752	\$ 1,741	\$ 600	\$ 1,990	\$ 2,133	\$ 339,878
Allowance for losses (lifetime ECLs)	( 482 )	( 1,279 )	( 499 )	( 645 )	( 324 )	( 1,990 )	( 2,133 )	( 7,352 )
Amortized cost	<u>\$ 308,966</u>	<u>\$ 20,935</u>	<u>\$ 1,253</u>	<u>\$ 1,096</u>	<u>\$ 276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,526</u>

The information on changes in the loss allowance for accounts receivable is as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 7,352	\$ 3,652
Add: Impairment loss recognized	-	2,647
Add: Recovery of impairment losses written off	130	1,060
Less: Reversal of impairment loss	( 1,400)	-
Less: Actual write-off	-	( 7)
Balance at end of the year	<u>\$ 6,082</u>	<u>\$ 7,352</u>

12. Inventories

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Raw materials	\$ 89,968	\$ 114,688
Material	1,133	1,590
Work in progress	2,031	2,264
Finished goods	15,747	17,893
Inventories in transit	<u>105,818</u>	<u>155,219</u>
	<u>\$ 214,697</u>	<u>\$ 291,654</u>

Nature of sales cost is as follows:

	<u>2023</u>	<u>2022</u>
Sold inventory cost	\$ 2,207,734	\$ 2,723,517
Losses on market price decline and obsolete and slow-moving of inventories	2,001	3,408
Sold biological assets	397,244	385,804
Others	<u>8,644</u>	<u>6,124</u>
	<u>\$ 2,615,623</u>	<u>\$ 3,118,853</u>

13. Biological Assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Biological assets - current (Pigs, and meat poultry)	\$ 76,613	\$ 105,994
Biological assets - Non-current (Pigs and laying hens)	<u>13,914</u>	<u>11,044</u>
	<u>\$ 90,527</u>	<u>\$ 117,038</u>

	<u>Pork pigs</u>	<u>Meat poultry</u>	<u>Breeding pigs</u>	<u>Laying hens</u>	<u>Total</u>
Balance at Jan. 1, 2023	\$ 56,206	\$ 49,788	\$ 11,044	\$ -	\$ 117,038

Additions	-	31,640	636	1,954	34,230
Investment cost and expenses	169,649	143,526	-	1,093	314,268
Sales	( 192,655 )	( 204,589 )	( 3,330 )	-	( 400,574 )
Losses on originally recognized biological assets	( 6,213 )	-	-	-	( 6,213 )
Gains from changes in fair value of less sales cost	35,824	8,307	-	-	44,131
Depreciation for the current period	-	-	( 5,175 )	( 950 )	( 6,125 )
Transfer	( 8,660 )	-	8,660	-	-
Scrapping	-	( 6,210 )	-	( 18 )	( 6,228 )
Balance at Dec. 31, 2023	<u>\$ 54,151</u>	<u>\$ 22,462</u>	<u>\$ 11,835</u>	<u>\$ 2,079</u>	<u>\$ 90,527</u>
Balance at Jan. 1, 2022	\$ 48,679	\$ 40,434	\$ 10,511	\$ -	\$ 99,624
Additions	-	26,904	-	-	26,904
Investment cost and expenses	185,928	176,202	-	-	362,130
Sales	( 192,343 )	( 193,461 )	( 2,936 )	-	( 388,740 )
Losses on originally recognized biological assets	( 2,846 )	-	-	-	( 2,846 )
Gains from changes in fair value of less sales cost	25,028	3,481	-	-	28,509
Depreciation for the current period	-	-	( 4,771 )	-	( 4,771 )
Transfer	( 8,240 )	-	8,240	-	-
Scrapping	-	( 3,772 )	-	-	( 3,772 )
Balance at Dec. 31, 2022	<u>\$ 56,206</u>	<u>\$ 49,788</u>	<u>\$ 11,044</u>	<u>\$ -</u>	<u>\$ 117,038</u>

The biological assets of the Group include pork pigs, breeding pigs, meat poultry and laying hens raised in Changhua, Nantou and Chiayi, etc. The number of pork pigs, breeding pigs, poultry and laying hens owned by the Group is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Pork pigs	11,890 pigs	12,535 pigs
Breeding pigs	1,211 pigs	1,239 pigs
Meat poultry	263,884 meat poultry	414,481 meat poultry
Laying hens	25,414 laying hens	- laying hens

The sales volume of pork pigs, breeding pigs and meat poultry for 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Sales volume of pork pigs	17,641 pigs	19,269 pigs
Sales volume of breeding pigs	384 pigs	372 pigs
Sales volume of meat poultry	983,830 meat poultry	1,000,235 meat poultry

The fair value of the pigs evaluated by the Group by fair value method is determined by the average selling price of for transaction of live pigs all over Taiwan as announced by the Livestock Market Information Network of the Ministry of Agriculture, Executive Yuan. The average raising period of the pigs is about 7-9 months, therefore, no discount rate is involved in the calculation of fair value. The market price of breeding pigs is not easy to obtain, and the value of discounted cash flow estimation is less reliable due to external factors such as diseases, therefore, it is measured by cost method. The production cycle of meat poultry and laying hens is short, and it is difficult to obtain the market price directly during the breeding period, and the value of discounted cash flow estimation of the above biological assets is less reliable due to external factors such as climate and diseases, therefore, it is measured by cost method. The cost of productive biological assets is depreciated by the straight-line method according to the productive period, and the durability of breeding pigs and laying hens is about 36-43 months and 16 months, respectively.

The financial risks associated with the biological assets of the Group are primarily due to changes in the prices of pigs and poultry, and the Group does not expect a material decline in the prices of pigs and poultry in the foreseeable future, and has therefore not signed derivative contracts. The Group regularly reviews the price expectations for pork pigs and meat poultry, to consider the necessity for taking proactive financial risk management measures.

The total benefit from changes in the fair value of the originally recognized biological assets and agricultural products and biological assets less sales cost for 2023 and 2022 was NT\$51,743 thousand and NT\$25,663 thousand, respectively.

#### 14. Subsidiaries

##### (1) Subsidiaries included in the consolidated financial statements

The main entities in the consolidated financial statements are as follows:

Name of Investor	Name of subsidiary	Nature of business	Shareholding percentage	
			Dec. 31, 2023	Dec. 31, 2022
The Company	Morn Sun Foods Corporation	Selection, washing, packaging and sales of eggs for feeding of domestic livestock and poultry, and services of agricultural products and animal husbandry	58.04%	58.04%

##### (2) Information on subsidiaries with significant non-controlling interests

<u>Name of subsidiary</u>	<u>Percentage of equity and voting rights held by non-controlling interests</u>	
	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Morn Sun Foods Corporation	41.96%	41.96%

Please refer to Table 3 “Information on the investees, location and so on” for the information on the business nature, main place of business and country of registration of the above subsidiaries.

<u>Name of subsidiary</u>	<u>Comprehensive income allocated to non-controlling interests</u>	
	<u>2023</u>	<u>2022</u>
Morn Sun Foods Corporation	<u>(\$ 26,418)</u>	<u>(\$ 24,546)</u>

<u>Name of subsidiary</u>	<u>Non-controlling interests</u>	
	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Morn Sun Foods Corporation	<u>\$ 60,891</u>	<u>\$ 87,309</u>

The aggregate financial information of the subsidiary below is compiled based on the amount before the elimination of inter-company transactions:

Morn Sun Foods Corporation

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current assets	\$ 165,437	\$ 125,541
Non-current assets	201,761	209,469
Current liabilities	( 220,212)	( 124,779)
Non-current liabilities	( 1,871)	( 2,157)
Equity	<u>\$ 145,115</u>	<u>\$ 208,074</u>
Equity attributable to:		
Owners of the Company	\$ 84,224	\$ 120,765
Non-controlling interests of Morn Sun Foods Corp.	<u>60,891</u>	<u>87,309</u>
	<u>\$ 145,115</u>	<u>\$ 208,074</u>
	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 667,397</u>	<u>\$ 856,916</u>
Current net loss	(\$ 62,959)	(\$ 58,501)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(\$ 62,959)</u>	<u>(\$ 58,501)</u>

Net loss attributed to:		
Owners of the Company	(\$ 36,541)	(\$ 33,955)
Non-controlling interests of Morn Sun Foods Corp.	( <u>26,418</u> ) (\$ <u>62,959</u> )	( <u>24,546</u> ) (\$ <u>58,501</u> )
	<u>2023</u>	<u>2022</u>
Total comprehensive income attributable to:		
Owners of the Company	(\$ 36,541)	(\$ 33,955)
Non-controlling interests of Morn Sun Foods Corp.	( <u>26,418</u> ) (\$ <u>62,959</u> )	( <u>24,546</u> ) (\$ <u>58,501</u> )
Cash flows		
Operating activities	(\$ 33,716)	(\$ 29,270)
Investing activities	( 3,168)	( 3,664)
Financing activities	<u>45,281</u>	<u>19,413</u>
Net cash inflow (outflow)	<u>\$ 8,397</u>	<u>(\$ 13,521)</u>

15. Investments Accounted for Using Equity Method

Investments in associates

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Associates that are significant</u>		
Non-TWSE/TPEX company		
Top Food Industry Corporation	<u>\$ 399,470</u>	<u>\$ 361,365</u>

Associates that are significant are as follows:

	<u>Percentage of equity and voting rights held</u>	
<u>Company name</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Top Food Industry Corporation	36.84%	36.84%

Please refer to Table 3 “Information on the investees, location and so on” for the information on the business nature, main place of business and country of registration of the above associates.

The invested and Group’s share of profit or loss and other comprehensive income by equity method was recognized based on the associates’ financial statements that have been audited by CPAs for the same period.



The following summary financial information has been prepared on the basis of the IFRS financial statements of the associates, and has reflected the adjustments made when using the equity method.

Top Food Industry Corporation

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current assets	\$ 1,585,546	\$ 1,742,305
Non-current assets	1,185,801	1,264,702
Current liabilities	( 1,113,383)	( 1,426,473)
Non-current liabilities	( 573,690)	( 599,687)
Equity	<u>\$ 1,084,274</u>	<u>\$ 980,847</u>
Shareholding ratio of the Group	36.84%	36.84%
Equity enjoyed by the Group	<u>\$ 399,470</u>	<u>\$ 361,365</u>

	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 3,862,696</u>	<u>\$ 3,660,735</u>
Current net income (loss)	\$ 103,427	(\$ 29,051)
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 103,427</u>	<u>(\$ 29,051)</u>
Dividends received	<u>\$ -</u>	<u>\$ 30,312</u>

16. Property, Plant and Equipment

	Land	Buildings and structures	Leasehold improvements	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Property under construction	Total
<u>Costs</u>									
Balance at Jan. 1, 2023	\$ 110,010	\$ 308,584	\$ 907	\$ 108,624	\$ 33,287	\$ 3,655	\$ 49,724	\$ 13,756	\$ 628,547
Additions	-	8,400	483	206	500	-	4,908	-	14,497
Reclassification (Note)	-	3,066	-	13,101	-	-	1,486	( 13,756)	3,897
Balance at Dec. 31, 2023	<u>\$ 110,010</u>	<u>\$ 320,050</u>	<u>\$ 1,390</u>	<u>\$ 121,931</u>	<u>\$ 33,787</u>	<u>\$ 3,655</u>	<u>\$ 56,118</u>	<u>\$ -</u>	<u>\$ 646,941</u>
<u>Accumulated Depreciation</u>									
Balance at Jan. 1, 2023	\$ -	\$ 131,961	\$ 403	\$ 32,901	\$ 21,580	\$ 1,865	\$ 16,182	\$ -	\$ 204,892
Depreciation expenses	-	6,723	179	8,391	4,680	641	5,989	-	26,603
Balance at Dec. 31, 2023	<u>\$ -</u>	<u>\$ 138,684</u>	<u>\$ 582</u>	<u>\$ 41,292</u>	<u>\$ 26,260</u>	<u>\$ 2,506</u>	<u>\$ 22,171</u>	<u>\$ -</u>	<u>\$ 231,495</u>
Net amount at Dec. 31, 2023	<u>\$ 110,010</u>	<u>\$ 181,366</u>	<u>\$ 808</u>	<u>\$ 80,639</u>	<u>\$ 7,527</u>	<u>\$ 1,149</u>	<u>\$ 33,947</u>	<u>\$ -</u>	<u>\$ 415,446</u>
<u>Costs</u>									
Balance at Jan. 1, 2022	\$ 110,010	\$ 298,762	\$ 907	\$ 103,988	\$ 33,917	\$ 3,534	\$ 43,993	\$ 23,225	\$ 618,336
Additions	-	3,689	-	1,300	100	121	5,453	-	10,663
Disposal	-	-	-	-	( 730)	-	( 1,457)	-	( 2,187)
Reclassification (Note)	-	6,133	-	3,336	-	-	1,735	( 9,469)	1,735
Balance at Dec. 31, 2022	<u>\$ 110,010</u>	<u>\$ 308,584</u>	<u>\$ 907</u>	<u>\$ 108,624</u>	<u>\$ 33,287</u>	<u>\$ 3,655</u>	<u>\$ 49,724</u>	<u>\$ 13,756</u>	<u>\$ 628,547</u>
<u>Accumulated Depreciation</u>									
Balance at Jan. 1, 2022	\$ -	\$ 125,386	\$ 252	\$ 24,623	\$ 17,309	\$ 1,196	\$ 10,583	\$ -	\$ 179,349
Depreciation expenses	-	6,575	151	8,278	4,861	669	5,716	-	26,250
Disposal	-	-	-	-	( 590)	-	( 117)	-	( 707)
Balance at Dec. 31, 2022	<u>\$ -</u>	<u>\$ 131,961</u>	<u>\$ 403</u>	<u>\$ 32,901</u>	<u>\$ 21,580</u>	<u>\$ 1,865</u>	<u>\$ 16,182</u>	<u>\$ -</u>	<u>\$ 204,892</u>
Net amount at Dec. 31, 2022	<u>\$ 110,010</u>	<u>\$ 176,623</u>	<u>\$ 504</u>	<u>\$ 75,723</u>	<u>\$ 11,707</u>	<u>\$ 1,790</u>	<u>\$ 33,542</u>	<u>\$ 13,756</u>	<u>\$ 423,655</u>

Note: Transfer-in of prepayment for equipment.

The Group did not recognize or reverse any impairment loss for 2023 and 2022.

Depreciation expenses are recognized on a straight-line basis based on the number of useful lives below:

Buildings and structures	
Main buildings	35-45 years
Decoration engineering	3-23 years
Leasehold improvements	6 years
Machinery and equipment	3-20 years
Transportation equipment	5-6 years
Office equipment	3-8 years
Other equipment	3-15 years

17. Lease Arrangements

(1) Right-of-use assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 1,519	\$ 1,749
Buildings	11,007	12,543
Transportation equipment	<u>3,546</u>	<u>4,762</u>
	<u>\$ 16,072</u>	<u>\$ 19,054</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 6,176</u>	<u>\$ 1,719</u>
Depreciation expenses of right-of-use assets		
Land	\$ 230	\$ 231
Buildings	2,469	2,857
Transportation equipment	<u>4,544</u>	<u>5,439</u>
	<u>\$ 7,243</u>	<u>\$ 8,527</u>

The Group did not recognize or reverse any impairment loss for 2023 and 2022.

(2) Lease liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 4,791</u>	<u>\$ 6,719</u>
Non-current	<u>\$ 11,326</u>	<u>\$ 12,401</u>

Range of discount rate for lease liabilities is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Land	1.00%	1.00%
Buildings	1.00%~2.00%	1.00%~1.67%
Transportation equipment	1.01%~2.20%	0.91%~1.67%

(3) Material lease-in activities and terms

The Group rented land for use as Changhua parking lot, for a period of 10 years; rented buildings for use as the Taipei office, Changhua pig house and warehouse, for a period of 3-10 years; and rented transportation equipment for office operations in Taipei and Changhua, for a period of 2-5 years. The Group had no preferential right to take the rented land, buildings and transportation equipment, and it was agreed that the Group should not sublease or transfer the whole or part of the rented object without the consent of the lessor.

(4) Other leasing information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 647</u>	<u>\$ 352</u>
Lease expenses of low-value assets	<u>\$ 49</u>	<u>\$ 25</u>
Total cash (outflow) from leases	<u>(\$ 8,123)</u>	<u>(\$ 9,104)</u>

The Group has elected apply the recognition exemption for land, buildings and transportation equipment eligible for short-term leases and certain office equipment eligible for low-value asset leases, and did not recognize the right-of-use assets and lease liabilities of said leases.

18. Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>Costs</u>			
Balance at Jan. 1, 2023 and Dec. 31, 2023	<u>\$ 21,265</u>	<u>\$ 8,964</u>	<u>\$ 30,229</u>
<u>Accumulated Depreciation</u>			

Balance at Jan. 1, 2023	\$ -	\$ 5,431	\$ 5,431
Depreciation expenses	-	231	231
Balance at Dec. 31, 2023	<u>\$ -</u>	<u>\$ 5,662</u>	<u>\$ 5,662</u>
Net amount at Dec. 31, 2023	<u>\$ 21,265</u>	<u>\$ 3,302</u>	<u>\$ 24,567</u>
<u>Costs</u>			
Balance at Jan. 1, 2022 and Dec. 31, 2022	<u>\$ 21,265</u>	<u>\$ 8,964</u>	<u>\$ 30,229</u>
<u>Accumulated Depreciation</u>			
Balance at Jan. 1, 2022	\$ -	\$ 5,200	\$ 5,200
Depreciation expenses	-	231	231
Balance at Dec. 31, 2022	<u>\$ -</u>	<u>\$ 5,431</u>	<u>\$ 5,431</u>
Net amount at Dec. 31, 2022	<u>\$ 21,265</u>	<u>\$ 3,533</u>	<u>\$ 24,798</u>

The lease term of investment property is 3-5 years. At the end of the lease term, the lessee does not have a preferential right to take the investment property.

The total amount of lease payments that will be received in the future for leasing out investment property under operating leases is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
1st year	\$ 2,880	\$ 2,641
2nd year	2,700	2,568
3rd year	766	2,388
4th year	312	454
5th year	13	-
	<u>\$ 6,671</u>	<u>\$ 8,051</u>

Investment property is depreciated on a straight-line basis based on the number of useful lives below:

Buildings and structures	45 years
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Fair value of investment property is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Fair value	<u>\$ 229,820</u>	<u>\$ 217,390</u>

The fair value of investment property as of Dec. 31, 2023 is based on the valuation report made by the independent valuation company on Nov. 17, 2023, which was carried out by cost method and income method.

The fair value of the investment property as of Dec. 31, 2022 has not been evaluated by an independent evaluator, where, the management of the Group only reviewed the effectiveness of the valuation report on Nov. 24, 2021, and deemed that the fair value of

the above investment property was still effective as of Dec. 31, 2022 by taking into account the existing lease contracts and adjacent rental rates.

19. Other Intangible Assets

	<u>Computer software</u>
<u>Costs</u>	
Balance at Jan. 1, 2023	\$ 886
Acquired separately	<u>155</u>
Balance at Dec. 31, 2023	<u>\$ 1,041</u>
<u>Accumulated amortization</u>	
Balance at Jan. 1, 2023	\$ 630
Amortization expenses	<u>204</u>
Balance at Dec. 31, 2023	<u>\$ 834</u>
Net amount at Dec. 31, 2023	<u>\$ 207</u>
Balance at Jan. 1, 2022	\$ 758
Acquired separately	<u>128</u>
Balance at Dec. 31, 2022	<u>\$ 886</u>
<u>Accumulated amortization</u>	
Balance at Jan. 1, 2022	\$ 447
Amortization expenses	<u>183</u>
Balance at Dec. 31, 2022	<u>\$ 630</u>
Net amount at Dec. 31, 2022	<u>\$ 256</u>

Amortization expenses are recognized on a straight-line basis based on the number of useful lives below:

Computer software 3-5 years

An analysis of amortization expenses by function:

	<u>2023</u>	<u>2022</u>
Administrative expenses	<u>\$ 204</u>	<u>\$ 183</u>

20. Other assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Current</u>		
Prepayments	\$ 2,817	\$ 2,749
Others	<u>521</u>	<u>1,899</u>
	<u>\$ 3,338</u>	<u>\$ 4,648</u>
<u>Non-current</u>		
Prepayment for equipment	\$ 13,135	\$ 4,552
Refundable deposits	<u>3,642</u>	<u>6,848</u>

\$ 16,777                      \$ 11,400

21. Borrowings

(1) Short-term debts

	Dec. 31, 2023	Dec. 31, 2022
<u>Unsecured borrowings</u>		
Credit borrowings	\$ 315,000	\$ 445,000
Letter of credit borrowings	<u>59,829</u>	<u>56,879</u>
	<u>\$ 374,829</u>	<u>\$ 501,879</u>

The range of market interest rates on short-term debts at the balance sheet date is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Unsecured borrowings from bank	1.650%~6.343%	1.395%~5.140%

(2) Short-term bills payable

	Dec. 31, 2023	Dec. 31, 2022
Commercial paper payable	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The short-term bills payable that has not yet expired is as follows:

Dec. 31, 2023

Guarantee/ acceptance agency	Face value	Discount amount	Carrying amount	Interest rate range	Name of collateral
<u>Commercial paper payable</u>					
Taiwan Finance Corporation	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	1.450%	None

Dec. 31, 2022

Guarantee/ acceptance agency	Face value	Discount amount	Carrying amount	Interest rate range	Name of collateral
<u>Commercial paper payable</u>					
Taiwan Finance Corporation	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	1.300%	None

Commercial paper payable refers to interest-bearing short-term bills payable, which are measured at the original face value since the effect of discount is insignificant.

22. Accounts payable

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Accounts payable</u>		
From operations	<u>\$ 217,554</u>	<u>\$ 270,257</u>

The Group has a financial risk management policy, to ensure that all payables are repaid within a pre-agreed credit period.

23. Other Payables

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Salaries and bonuses payable	\$ 27,689	\$ 13,206
Remuneration to employees and directors payable	13,000	6,800
Freight payable	6,554	6,426
Repair charge payable	4,128	1,619
Equipment payment payable	3,880	1,545
Promotion expense payable	3,525	2,360
Insurance expense payable	1,753	1,845
Service expense payable	1,234	1,075
Pension payable	913	1,132
Interest payable	232	500
Investment payment payable	-	2,177
Others	8,779	5,536
	<u>\$ 71,687</u>	<u>\$ 44,221</u>

24. Post-Employment Benefit Plans

(1) Defined contribution plans

The Company and its subsidiaries in the Group have adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the companies make monthly contributions to employees' individual pension accounts of the Bureau of Labor Insurance at 6% of monthly salaries and wages.

(2) Defined benefit plans

The pension system adopted by the Company in the Group in accordance with the Labor Standards Act of R.O.C. is a state-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the 6 months prior to the approved retirement date. The Company in the Group contributes pensions at 2% of the total monthly employee salaries, which are deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate

to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the investment management strategy. The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Present value of defined benefit obligations	\$ 59,532	\$ 69,497
Fair value of plan asset	( <u>79,097</u> )	( <u>82,906</u> )
Net defined benefit assets	( <u>\$ 19,565</u> )	( <u>\$ 13,409</u> )

Changes in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan asset</u>	<u>Net defined benefit assets</u>
Jan. 1, 2023	<u>\$ 69,497</u>	( <u>\$ 82,906</u> )	( <u>\$ 13,409</u> )
Current service cost	206	-	206
Interest expense (income)	<u>869</u>	( <u>1,037</u> )	( <u>168</u> )
Recognized in profit or loss	<u>1,075</u>	( <u>1,037</u> )	<u>38</u>
Re-measurement			
Return on plan asset (except for the amount included in the net interest)	-	( 747 )	( 747 )
Actuarial (gains) - Experience adjustments	( <u>671</u> )	-	( <u>671</u> )
Recognized in other comprehensive income	( <u>671</u> )	( <u>747</u> )	( <u>1,418</u> )
Contributions from the employer	-	( <u>432</u> )	( <u>432</u> )
Benefits payment	( <u>10,369</u> )	<u>6,025</u>	( <u>4,344</u> )
Dec. 31, 2023	<u>\$ 59,532</u>	( <u>\$ 79,097</u> )	( <u>\$ 19,565</u> )
Jan. 1, 2022	<u>\$ 72,071</u>	( <u>\$ 80,222</u> )	( <u>\$ 8,151</u> )
Current service cost	202	-	202
Interest expense (income)	<u>360</u>	( <u>401</u> )	( <u>41</u> )
Recognized in profit or loss	<u>562</u>	( <u>401</u> )	<u>161</u>
Re-measurement			
Return on plan asset (except for the	-	( 6,714 )	( 6,714 )



amount included in the net interest)			
Actuarial losses (gains)			
- Changes in financial assumptions	( 929)	-	( 929)
- Experience adjustments	<u>2,689</u>	<u>-</u>	<u>2,689</u>
Recognized in other comprehensive income	<u>1,760</u>	( <u>6,714</u> )	( <u>4,954</u> )
Contributions from the employer	<u>-</u>	( <u>465</u> )	( <u>465</u> )
Benefits payment	( <u>4,896</u> )	<u>4,896</u>	<u>-</u>
Dec. 31, 2022	<u>\$ 69,497</u>	( <u>\$ 82,906</u> )	( <u>\$ 13,409</u> )

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate in the government bonds and corporate bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Discount rate	1.25%	1.25%
Expected salary increase rate	2.50%	2.50%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Discount rate		
Increase by 0.25%	( <u>\$ 253</u> )	( <u>\$ 298</u> )
Decrease by 0.25%	<u>\$ 257</u>	<u>\$ 303</u>
Expected salary increase rate		
Increase by 1%	<u>\$ 1,085</u>	<u>\$ 1,310</u>
Decrease by 1%	( <u>\$ 1,027</u> )	( <u>\$ 1,237</u> )

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
The expected contributions to the plan for the following year	<u>\$ 32</u>	<u>\$ 39</u>
The weighted average duration of the defined benefit obligation	3.9 years	4.0 years

## 25. Equity

### (1) Common stock

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Authorized shares (in thousands)	<u>50,000</u>	<u>50,000</u>
Authorized capital	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Issued and paid shares (in thousands)	<u>39,370</u>	<u>38,598</u>
Issued capital	<u>\$ 393,702</u>	<u>\$ 385,982</u>

The ordinary shares issued, with a par value of NT\$10 per share, are entitled to one voting right per share and to the right to receive dividends.

On Jun. 27, 2022, upon resolution of the annual general meeting, the Company passed capital increase of NT\$ 18,380 thousand from surplus, with issuance of total 1,838 thousand new shares at the par value of NT\$10 each, which has been

approved and declared effective by the Financial Supervisory Commission on Jul. 19, 2022. And on Aug. 5, 2022, the chairman set Aug. 29, 2022 as the base date for capital increase as authorized by the Board of Directors.

On Jun. 26, 2023, upon resolution of the annual general meeting, the Company passed capital increase of NT\$ 7,720 thousand from surplus, with issuance of total 772 thousand new shares at the par value of NT\$10 each, which has been approved and declared effective by the Financial Supervisory Commission on Aug. 10, 2023. And on Aug. 11, 2023, it was resolved by the Board of Directors to set Sept. 5, 2023 as the base date for capital increase.

(2) Capital surplus

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>May be used to</u> <u>compensate losses,</u> <u>distribute cash, or</u> <u>replenish capital</u> (Note 1)		
Share premium	\$ 132,883	\$ 132,883
Difference between the actual acquisition or disposal price of the subsidiary's equity price and the book value	2,135	2,135
Conversion premium of employee stock options	1,023	1,023
Expiration of employee stock options	372	372
<u>May only be used to</u> <u>compensate losses</u> Recognition of changes in ownership interests of subsidiaries (Note 2)	<u>8,794</u>	<u>8,794</u>
	<u>\$ 145,207</u>	<u>\$ 145,207</u>

Note 1: This type of capital surplus can be used to make up for losses, and can also be used to pay cash or to replenish capital when the Company does not suffer losses, but when capital is replenished, it is limited to a certain percentage of the paid-in capital each year.

Note 2: Such capital reserves are the impact of equity transactions recognized as a factor of changes in the subsidiary's equity when the Company makes no actual acquisition or disposal of the subsidiary's equity.

(3) Retained earnings and dividends policy

In accordance with the Company's Articles of Incorporation regarding the earnings distribution policy, if there is a surplus in the Company's annual final accounts, it shall be firstly used to pay taxes and make up for cumulative losses, and then 10% of the balance shall be set aside as the legal reserve, which shall no longer be set aside if reaching paid-in capital of the Company; and then special reserves shall be set aside or reversed as stipulated by laws and regulations or competent authority; as for the balance, together with the cumulative undistributed earnings, the Board of Directors shall make an earning distribution proposal, and then submit to the Shareholders' Meeting to resolve to be used for distribution of shareholders' dividends and bonuses. If the Company's Shareholders' Meeting resolves to distribute dividends to shareholders in the form of cash or stock, and if the Company's Shareholders' Meeting resolves to distribute dividends to shareholders, no less than 10% of the cumulative earnings available for distribution shall be allocated for the distribution of dividends to shareholders every year, but if the cumulative earnings available for distribution are less than 1% of the paid-in capital, it may not be distributed, and the cash dividend shall not be less than 10% of the total dividends. For the employee compensation and directors' remuneration distribution policy stipulated in the Company's Articles of Incorporation, please refer to Note 27(8) regarding employee compensation and directors' remuneration.

The legal reserve may be used to make up for losses. When the Company does not suffer losses, the part of the legal reserve in excess of 25% of the total paid-in capital can be distributed in cash in addition to being used to replenish the capital. The Company set aside and reversed a special reserve in accordance with the FSC Letters Jin-Guan-Zheng-Fa-Zi No. 1090150022, and the directive, entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The Company held annual general meeting on Jun. 26, 2023 and Jun. 27, 2022, respectively, which resolved and passed the earning distribution plans for 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 956	\$ 13,230
Cash dividends	\$ 38,598	\$ 73,520
Stock Dividends	\$ 7,720	\$ 18,380
Cash dividend per share (NTD)	\$ 1	\$ 2
Dividend per share (NTD)	\$ 0.2	\$ 0.5

On Mar. 11, 2024, the Company's Board of Directors proposed the 2023 earnings distribution as follows:

	<u>2023</u>
Legal reserve	\$ 16,345
Cash dividends	\$ 86,614
Stock Dividends	\$ 19,685
Cash dividend per share (NTD)	\$ 2.2
Dividend per share (NTD)	\$ 0.5

The remaining earnings distribution plan for 2023 is to be resolved by the annual general meeting held on Jun. 24, 2024.

(4) Other equity items

Unrealized appraisal gains or losses from financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 247,399	\$ 221,550
Generated in the current year		
Unrealized Gain/(Loss) Equity instruments	( 1,370)	25,849
Other comprehensive income for the current year	( 1,370)	25,849
Balance at end of the year	<u>\$ 246,029</u>	<u>\$ 247,399</u>

(5) Non-controlling interests

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 87,309	\$ 111,855
Current net loss	( 26,418)	( 24,546)
Balance at end of the year	<u>\$ 60,891</u>	<u>\$ 87,309</u>

26. Revenue

<u>2023</u>	<u>2022</u>
-------------	-------------

<u>Revenue from customer</u>		
<u>contracts</u>		
Revenue from livestock feed	\$ 1,632,029	\$ 1,914,569
Revenue from egg products	666,026	853,054
Revenue from breeding	397,244	385,804
Revenue from trading of bulk raw materials	206,865	171,553
Other income	8,004	45,816
	<u>\$ 2,910,168</u>	<u>\$ 3,370,796</u>

(1) Description of customer contracts

Sales revenue

Sales revenue of the Group mainly comes main from sales of all kinds of feeds, bulk raw materials, pigs and meat poultry, and egg products, which are accounted for when actual discounts occur, while the remaining sales items are sold at fixed prices agreed on by contract.

(2) Balance of contracts

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Jan. 1, 2022</u>
Notes receivable (Note 11)	<u>\$ 211,143</u>	<u>\$ 221,691</u>	<u>\$ 204,918</u>
Accounts receivable (Note 11)	<u>\$ 329,582</u>	<u>\$ 332,526</u>	<u>\$ 291,926</u>
Accounts receivable - related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,960</u>
Contract liabilities			
Sales	<u>\$ 754</u>	<u>\$ 3,243</u>	<u>\$ 7,351</u>

The amount of performance obligation fulfilled for contract liabilities from the beginning of the year recognized in revenue in the current year is as follows:

	<u>2023</u>	<u>2022</u>
<u>Contract liabilities from the beginning of the year</u>		
Sales	<u>\$ 3,243</u>	<u>\$ 7,351</u>

(3) Breakdown of revenue from customer contracts

Please refer to Note 37 for information on breakdown of revenues.

27. Net Income

(1) Interest income

	<u>2023</u>	<u>2022</u>
Cash in banks	\$ 352	\$ 94
Financial assets at amortized cost	476	-
Financial assets at FVTPL	286	-
Others	<u>64</u>	<u>45</u>
	<u>\$ 1,178</u>	<u>\$ 139</u>
 (2) Other income		
	<u>2023</u>	<u>2022</u>
Dividend income	\$ 8,162	\$ 8,653
Directors' remuneration income	1,571	2,679
Rental income	1,234	1,234
Governmental subsidy income	-	356
Others	<u>815</u>	<u>177</u>
	<u>\$ 11,782</u>	<u>\$ 13,099</u>
 (3) Other gains or losses		
	<u>2023</u>	<u>2022</u>
Net foreign currency exchange losses	(\$ 1,309)	(\$ 22,050)
Losses on disposal of property, plant and equipment	-	( 175)
Gains (losses) from disposal of productive biological assets	1,721	( 141)
Gains (losses) from financial assets mandatorily at fair value through profit or loss	5,292	( 4,824)
Gains from lease modification	11	-
Others	<u>( 24)</u>	<u>( 656)</u>
	<u>\$ 5,691</u>	<u>(\$ 27,846)</u>
 (4) Financial costs		
	<u>2023</u>	<u>2022</u>
Interest on bank borrowings	(\$ 9,391)	(\$ 7,327)
Interest on lease liabilities	( 174)	( 237)
Other financial costs	-	( 65)
	<u>(\$ 9,565)</u>	<u>(\$ 7,629)</u>
 (5) Depreciation and amortization		

	<u>2023</u>	<u>2022</u>
Property, Plant and Equipment	\$ 26,603	\$ 26,250
Biological assets	6,125	4,771
Right-of-use assets	7,243	8,527
Investment property	231	231
Intangible assets	204	183
	<u>\$ 40,406</u>	<u>\$ 39,962</u>
An analysis of depreciation expenses by function		
Operating costs	\$ 26,871	\$ 24,831
Operating expenses	13,331	14,948
	<u>\$ 40,202</u>	<u>\$ 39,779</u>
An analysis of amortization expenses by function		
Operating expenses	<u>\$ 204</u>	<u>\$ 183</u>

Please refer to Note 19 for information on allocation of intangible assets' amortization expenses to individual line items.

(6) Direct operating expenses of investment property

	<u>2023</u>	<u>2022</u>
Rental income generated		
Salaries and wages	\$ 224	\$ 207
Depreciation	231	231
Others	147	123
	<u>\$ 602</u>	<u>\$ 561</u>

(7) Employee benefits expenses

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 140,871	\$ 121,802
Post-employment benefits		
Defined contribution plans	5,594	5,975
Defined benefit plans (Note 24)	38	161
	<u>5,632</u>	<u>6,136</u>
Labor and health insurance expenses	12,106	12,720
Other employee benefits	4,976	5,346
Total employee benefits expenses	<u>\$ 163,585</u>	<u>\$ 146,004</u>
An analysis by function		
Operating costs	\$ 56,719	\$ 50,256



Operating expenses	<u>106,866</u>	<u>95,748</u>
	<u>\$ 163,585</u>	<u>\$ 146,004</u>

(8) Employee compensation and directors' remuneration

In accordance with the provisions of the Articles of Incorporation, the Company shall allocate more than 1.5% and no more than 5% of the pre-tax income before the employee compensation and directors' remuneration distributed are deducted for employee compensation and directors' remuneration, respectively. The estimated employee compensation and directors' remuneration for 2023 and 2022 resolved by the board of directors on Mar. 11, 2024 and Mar. 27, 2023, respectively, are as follows:

Estimated percentage

	<u>2023</u>	<u>2022</u>
Employee compensation	2.84%	2.65%
Directors' remuneration	2.84%	2.65%

Amount

	<u>2023</u>	<u>2022</u>
	<u>Cash</u>	<u>Cash</u>
Employee compensation	\$ 6,000	\$ 500
Directors' remuneration	6,000	500

If there is a change in the amount after the annual consolidated financial statements are approved for release, it shall be treated as a change in accounting estimates and adjusted and accounted for in the next year.

There was no difference between the actual amount of employee compensation and directors' remuneration distributed for 2022 and the amount recognized in the 2022 consolidated financial statements.

Due to the continuous international epidemic situation, the rising cost of bulk raw materials (soybeans, wheat and corns) and transportation, and the increase in operating costs of the Company, the Company held a Board of Directors' Meeting on Nov. 11, 2022. The actual distribution amount of directors' compensation was different from the amount recognized in the 2021 consolidated financial statements, and the difference was adjusted to the profit and loss of 2022.

<u>2021</u>
<u>Directors'</u>
<u>remuneration</u>

Distribution amount resolved by the Board of Directors' Meeting	<u>\$ 5,200</u>
Amount recognized in annual financial statements	<u>\$ 5,800</u>

For information on employee compensation and directors' remuneration decided by the Company's board of directors, please visit the Market Observatory Post System (MOPS) of Taiwan Stock Exchange.

(9) Gains and losses from foreign currency exchange

	<u>2023</u>	<u>2022</u>
Total foreign currency exchange gains	\$ 3,571	\$ 3,000
Total (losses) from foreign currency exchange	( 4,880)	( 25,050)
Net losses	<u>(\$ 1,309)</u>	<u>(\$ 22,050)</u>

28. Income Tax

(1) Income tax recognized in profit or loss

Major components of tax expenses are as follows:

	<u>2023</u>	<u>2022</u>
Current income tax		
Incurred in the current year	\$ 35,344	\$ 12,852
Surtax on undistributed earnings	-	1,358
Adjustments to prior years	<u>-</u>	<u>( 901)</u>
	<u>35,344</u>	<u>13,309</u>
Deferred tax		
Incurred in the current year	<u>1,260</u>	<u>( 502)</u>
Income tax expense recognized in profit or loss	<u>\$ 36,604</u>	<u>\$ 12,807</u>

The reconciliation between the accounting income and the current income tax expense is as follows:

	<u>2023</u>	<u>2022</u>
Net income before tax (loss)	<u>\$ 172,496</u>	<u>(\$ 6,148)</u>
Income tax calculated based on statutory tax rate for pre-tax income	\$ 34,500	(\$ 1,230)
Non-deductible expenses	122	1,750
Tax-free income	( 10,336)	1,375
Surtax on undistributed earnings	-	1,358
Unrecognized loss carryforwards	12,318	10,455
Adjustments to income tax expenses from prior years in the current year	<u>-</u>	<u>( 901)</u>
Income tax expense recognized in profit or loss	<u>\$ 36,604</u>	<u>\$ 12,807</u>

The potential income tax consequences of the 5% surtax on undistributed earnings for the year 2023 cannot be reliably determined due to the uncertainty of the distribution of earnings by the Shareholders' Meeting for the year 2024.

(2) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u> Incurred in the current year Re-measurement of the defined benefit plan	<u>\$ 283</u>	<u>\$ 991</u>

(3) Current income tax assets and liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current income tax assets Tax refund receivable	<u>\$ 1,044</u>	<u>\$ 1,039</u>
Current income tax liabilities Income tax payable	<u>\$ 29,075</u>	<u>\$ -</u>

(4) Deferred tax assets and liabilities

The changes in deferred tax assets and liabilities are as follows:

2023

	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
<u>Deferred tax assets</u>				
Temporary differences				
The allowance for losses exceeds the limit	\$ 12,365	(\$ 55)	\$ -	\$ 12,310
Unrealized exchange losses	47	( 47)	-	-
Defined benefit pension plans	1,487	-	( 283)	1,204
Annual bonus payable	1,781	( 641)	-	1,140
Losses on market price decline and obsolete and slow-moving of inventories	<u>1,604</u>	<u>170</u>	<u>-</u>	<u>1,774</u>
	<u>\$ 17,284</u>	<u>(\$ 573)</u>	<u>(\$ 283)</u>	<u>\$ 16,428</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	(\$ 18,283)	\$ -	\$ -	(\$ 18,283)
Unrealized exchange gains	-	( 180)	-	( 180)
Valuation of biological assets	<u>( 1,052)</u>	<u>( 507)</u>	<u>-</u>	<u>( 1,559)</u>
	<u>(\$ 19,335)</u>	<u>(\$ 687)</u>	<u>\$ -</u>	<u>(\$ 20,022)</u>

2022

	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
<u>Deferred tax assets</u>				
Temporary differences				
The allowance for losses exceeds the limit	\$ 12,367	(\$ 2)	\$ -	\$ 12,365

Unrealized exchange losses	-	47	-	47
Defined benefit pension plans	2,478	-	( 991)	1,487
Annual bonus payable	1,214	567	-	1,781
Losses on market price decline and obsolete and slow-moving of inventories	<u>1,440</u>	<u>164</u>	<u>-</u>	<u>1,604</u>
	<u>\$ 17,499</u>	<u>\$ 776</u>	<u>(\$ 991)</u>	<u>\$ 17,284</u>

Deferred tax liabilities				
Temporary differences				
Land value increment tax	(\$ 18,283)	\$ -	\$ -	(\$ 18,283)
Valuation of biological assets	( <u>778</u> )	( <u>274</u> )	<u>-</u>	( <u>1,052</u> )
	<u>(\$ 19,061)</u>	<u>(\$ 274)</u>	<u>\$ -</u>	<u>(\$ 19,335)</u>

- (5) Unused loss carryforwards from deferred tax assets not recognized in the consolidated balance sheet

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Loss carryforwards		
Expire in 2031	\$ 46,639	\$ 46,639
Expire in 2032	52,137	52,275
Expire in 2033	<u>61,592</u>	<u>-</u>
	<u>\$ 160,368</u>	<u>\$ 98,914</u>

- (6) Income tax approval

As for the profit-seeking enterprise income tax returns filed by the Company and its subsidiaries, the cases before 2021 have been approved by the tax collection authority. As of Dec. 31, 2023, the Company and its subsidiaries did not have any pending tax litigation cases.

29. Earnings Per Share

	Unit: NTD per share	
	<u>2023</u>	<u>2022</u>
Earnings per basic share	<u>\$ 4.12</u>	<u>\$ 0.14</u>
Earnings per diluted share	<u>\$ 4.11</u>	<u>\$ 0.14</u>

In calculating the earnings per share, the impact of the items subject to retrospective adjustment of the stock grants has been retroactively adjusted and the base date of the stock grants was set on Sept. 5, 2023. Upon retrospective adjustment, there was no change in earnings per basic share and per diluted share in 2022.

The earnings and the weighted average number of ordinary shares adopted to calculate the earnings per share are as follows:

Current net income

	<u>2023</u>	<u>2022</u>
Net income used in the computation of the earnings per basic share and per diluted share - attributed to the owners of the Company	<u>\$ 162,310</u>	<u>\$ 5,591</u>

Number of Shares

Unit: thousand shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares in computation of basic earnings per share	39,370	39,370
Effect of potentially dilutive ordinary shares:		
Employee compensation	<u>129</u>	<u>35</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>39,499</u>	<u>39,405</u>

If the Group can settle the compensation to employees in cash or shares, the Group assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is dilutive. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

30. Information on Cash Flows

(1) Non-cash transactions

Unless disclosed in other notes, the Group conducted the following non-cash transaction/investment financing activities in 2023 and 2022:

As of Dec. 31, 2023 and 2022, the outstanding amounts for the acquisition of property, plant and equipment by the Group are NT\$3,880 thousand and NT\$1,545 thousand, respectively (other payables included in the statements).

(2) Changes in liabilities from financing activities

2023

	Jan. 1, 2023	Cash flows	Non-cash changes			Others	Dec. 31, 2023
			New leases	Decrease in leases	Amortized amount of interest expense		
Short-term debts	\$ 501,879	( \$ 127,050 )	\$ -	\$ -	\$ -	\$ -	\$ 374,829
Lease liabilities	<u>19,120</u>	( <u>7,253</u> )	<u>6,176</u>	( <u>1,926</u> )	<u>174</u>	( <u>174</u> )	<u>16,117</u>
	<u>\$ 520,999</u>	( <u>\$ 134,303</u> )	<u>\$ 6,176</u>	( <u>\$ 1,926</u> )	<u>\$ 174</u>	( <u>\$ 174</u> )	<u>\$ 390,946</u>

2022

	Jan. 1, 2022	Cash flows	Non-cash changes			Others	Dec. 31, 2022
			New leases	Decrease in leases	Amortized amount of interest expense		
Short-term debts	\$ 312,051	\$ 189,828	\$ -	\$ -	\$ -	\$ -	\$ 501,879
Long-term loans	20,000	( 20,000 )	-	-	-	-	-
Lease liabilities	<u>25,891</u>	( <u>8,490</u> )	<u>1,719</u>	-	<u>237</u>	( <u>237</u> )	<u>19,120</u>
	<u>\$ 357,942</u>	<u>\$ 161,338</u>	<u>\$ 1,719</u>	<u>\$ -</u>	<u>\$ 237</u>	( <u>\$ 237</u> )	<u>\$ 520,999</u>

31. Capital Risk Management

The Group makes capital management to ensure that the Group is able to maximize shareholder returns by optimizing debt and equity balances as a going concern. There is no change in overall strategy of the Group.

The capital structure of the Group consists of the Group's net debt (i.e., borrowings less cash) and equity attributable to owners of the Company (i.e., equity, capital reserves, retained earnings and other equity items).

The Group does not need to comply with other external capital requirements.

The Group's key management reviews the capital structure regularly, and their review includes considering the costs of various types of capital and relevant risks. Based on advice of the key management, the Group will balance the whole capital structure by payment of dividends, issuance of new shares or repayment of old debts, etc.

32. Financial Instruments

(1) Fair value - financial instruments not at fair value

Dec. 31, 2023

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
- Foreign bonds	<u>\$ 10,418</u>	<u>\$ -</u>	<u>\$ 10,361</u>	<u>\$ -</u>	<u>\$ 10,361</u>

Except for the foreign bonds of Level 2 above, which are measured by reference market values provided by third parties, the carrying amounts of financial assets and financial liabilities that are not measured at fair value are close to their fair value or their fair value cannot be reliably measured.

(2) Fair value - financial instruments at fair value on a recurring basis

A. Fair value hierarchy

Dec. 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTPL</u>				
Domestic listed				
stocks	\$ 29,136	\$ -	\$ -	\$ 29,136
Foreign bonds	<u>-</u>	<u>12,311</u>	<u>-</u>	<u>12,311</u>
	<u>\$ 29,136</u>	<u>\$ 12,311</u>	<u>\$ -</u>	<u>\$ 41,447</u>
<u>Financial assets at</u>				
<u>fair value through</u>				
<u>other</u>				
<u>comprehensive</u>				
<u>income</u>				
Investment in equity				
instruments				
- Domestic listed				
stocks	<u>\$ 296,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,932</u>

Dec. 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTPL</u>				
Domestic				
TWSE/TPEX				
listed stocks	<u>\$ 20,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,255</u>
<u>Financial assets at</u>				
<u>fair value through</u>				
<u>other</u>				
<u>comprehensive</u>				
<u>income</u>				
Investment in equity				
instruments				
- Domestic listed				
stocks	<u>\$ 298,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,302</u>

Transfer between Level 1 and Level 2 fair values in 2023 and 2022.

B. Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Types of financial</u>	<u>Valuation techniques and inputs</u>
<u>instruments</u>	<u>Valuation techniques and inputs</u>



Foreign debt instrument investment      It is measured by reference market values provided by third parties.

(3) Categories of financial instruments

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial assets</u>		
At FVTPL		
Mandatorily at FVTPL	\$ 41,447	\$ 20,255
Financial assets at amortized cost (Note 1)	630,528	616,945
Financial assets at fair value through other comprehensive income		
Investment in equity instruments	296,932	298,302
<u>Financial liability</u>		
Financial liability at amortized cost (Note 2)	658,554	830,559

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables and refundable deposits (other non-current assets included in the statements).

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term debts, short-term notes payable, notes payable, accounts payable, accounts payable - related parties, some other payables, other payables - related parties, and guarantee deposits received.

(4) Financial risk management objective and policies

Main financial instruments of the Group include equity investment, accounts receivable, accounts payable, borrowings and lease liabilities, etc. The Group's financial management department supervises and manages the financial risks related to the Group's operations through the internal reports on risk exposure analyses based on the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

A. Market risk

The main financial risks of the Group as a result of its operations are the risk of foreign exchange rate fluctuations (refer to (1) below), the risk of interest rate fluctuations (refer to (2) below) and other price risks (refer to (3) below).

There is no change in the Group's exposure to market risks in financial instruments and in the way it manages and measures such exposure.

(A) Exchange rate risk

The Group is engaged in transactions denominated in foreign currencies, thus causing the Group to be exposed to the risk of exchange rate fluctuations.

For the carrying amount of the Group's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date, please refer to Note 35.

Sensitivity analysis

The Group is mainly affected by fluctuations in the exchange rates of USD.

The table below details the Group's sensitivity analysis when the exchange rate between the NTD (functional currency) and the functional currency increases and decreases by 1%. A sensitivity rate of 1% is used internally when reporting to management from the Group on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates. The sensitivity analysis includes only monetary items in outstanding foreign currencies, and adjusts their conversion at the end of the period by 1% fluctuation in exchange rate. The amounts in the following table represent the amount that would increase in net income before tax if the NTD appreciates by 1% against the USD; when the NTD depreciates by 1% against the USD, its impact on net income before tax will be negative of the same amount.

	Effect on USD	
	2023	2022
Gains and losses	\$ 430	\$ 1,355

The above mainly arose from the Group's bank deposits, short-term debts, and accounts payable denominated in USD that are still in circulation without cash flow hedging at the balance sheet date.

The decrease in the Group's sensitivity to USD exchange rate this year was mainly due to the decrease in the short-term debts denominated in USD.

(B) Interest rate risk

Because the Group has capital adopting fixed and floating interest rates simultaneously, thus, the interest rate risk exposure arises. The Group manages the interest rate risk by maintaining an appropriate fixed and floating interest rate portfolio.

The carrying amount of the Group's financial assets and financial liabilities exposed to the interest rate risk at the balance sheet date is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Interest rate risk with fair value		
Financial assets	\$ 22,729	\$ -
Financial liability	156,117	229,120
Cash flow interest rate risk		
Financial assets	73,655	52,588
Financial liability	254,829	311,879

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk of non-derivative instruments at the balance sheet date. For assets and liabilities adopting floating interest rate, the analysis assumes that the amounts of the assets and liabilities outstanding at the balance sheet date are outstanding during the reporting period. The fluctuation rate used by the Group in reporting interest rates internally to the key management is a 25 basis point increase or decrease in interest rate, which also represents management's assessment of the range of reasonable possible fluctuations in interest rates.

If the interest rate increases/decreases by 25 base point, then under the condition that all other variables remain unchanged, the Group's net income before tax for 2023 and 2022 would decrease/increase by NT\$ 453 thousand and NT\$ 648 thousand, respectively, mainly because of the Group's risk exposure of deposits and borrowings at floating interest rates.

The decrease in the Group's sensitivity to interest rate this year was mainly due to the decrease in the short-term debts adopting floating interest rate.

(C) Other price risks

The Group is exposed to equity price risk arising from investment in negotiable securities.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk at the balance sheet date.

If the equity price increases/decreases by 1%, the gains and losses before tax for 2023 and 2022 would increase/decrease NT\$ 414 thousand and NT\$ 203 thousand, respectively, due to increase/decrease in fair value of financial assets at fair value through profit and loss; and the other comprehensive income before tax for 2023 and 2022 would increase/decrease NT\$ 2,969 thousand and NT\$ 2,983 thousand, respectively, due to increase/decrease in fair value of financial assets at fair value through other comprehensive income.

The Group has increased sensitivity to price risk of financial assets at fair value through profit and loss for the current year, mainly due to increase in debt instrument investment.

The Group's sensitivity to price risk of financial assets at fair value through other comprehensive income, is not much different from the previous year.

B. Credit risk

Credit risk refers to the risk that a counterparty defaults on the contract obligation and causes the financial loss to the Group. As of the balance sheet date, the maximum credit risk exposure that the Group may incur financial losses due to the counterparty's non-performance of obligations, is mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

The Group's object of accounts receivable cover a large number of customers, without material credit risk against any single counterparty or any group of counterparties with similar characteristics.

C. Liquidity risk

The Group manages and maintains sufficient cash positions to support the operations of the Group and mitigate the impact of cash flow fluctuations.

The Group's management supervises use condition of the banks' financing facilities, and guarantee compliance with the borrowing contract clauses.

Borrowings from banks are an important source of liquidity for the Group.

For financing facilities unspent by the Group, please refer to the following (2)

Description of financing facilities.

(A) Table of liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest).

Therefore, the bank borrowings for which the Group may be demanded to make immediate repayment, are listed within the earliest period in the following table, however, by considering the financial position of the Group, the management thinks that it is unlikely that the bank would exercise its right to demand immediate settlement from the Group. The management believes that the bank borrowings will be repaid at the end of the reporting period in accordance with the repayment schedule specified in the borrowing agreement; the maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

For interest cash flows paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the balance sheet date.

Dec. 31, 2023

	Require immediate payment or payment within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years
Non-interest- bearing liabilities	\$ 263,523	\$ -	\$ -	\$ 203	\$ -
Lease liabilities	745	769	3,455	9,694	1,936
Floating interest rate instruments	25,619	200,757	30,167	-	-
Fixed interest rate instruments	<u>90,160</u>	<u>50,107</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 380,047</u>	<u>\$ 251,633</u>	<u>\$ 33,622</u>	<u>\$ 9,897</u>	<u>\$ 1,936</u>

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	<u>\$ 4,969</u>	<u>\$ 9,694</u>	<u>\$ 1,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Dec. 31, 2022

	Require immediate payment or payment within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years
Non-interest- bearing liabilities	\$ 308,477	\$ -	\$ -	\$ 203	\$ -
Lease liabilities	1,282	1,163	4,426	9,287	3,428
Floating interest rate instruments	15,605	237,619	60,229	-	-
Fixed interest rate instruments	<u>130,163</u>	<u>80,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 455,527</u>	<u>\$ 318,863</u>	<u>\$ 64,655</u>	<u>\$ 9,490</u>	<u>\$ 3,428</u>

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	<u>\$ 6,871</u>	<u>\$ 9,287</u>	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(B) Financing Facilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Unsecured bank loan limit		
- Amount spent	\$ 394,829	\$ 521,879
- Amount unspent	<u>1,482,221</u>	<u>1,608,121</u>
	<u>\$ 1,877,050</u>	<u>\$ 2,130,000</u>

33. Related Party Transactions

The transactions, account balances, as well as income and expenses between the Company and its subsidiaries (which are related parties of the Company) are all eliminated upon consolidation, so they are not disclosed in this note. Unless disclosed in other notes, the transactions between the Group and the related parties are as follows.

(1) Name of related parties and relationship

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
Top Food Industry Corporation	Associate
Formosa Oilseed Processing Co., Ltd.	Substantial related party (in which the Company is the corporate director)
FineTek Co., Ltd.	Substantial related party (the chairman of which is the same with the chairman of the Company)
Maode Investment Inc.	Substantial related party
Maoyuan International Inc.	Substantial related party
Hongxin Egg Products Co., Ltd. (Note 1)	Substantial related party
Xinhongying Livestock Farm (Note 1)	Substantial related party
Chen Wen-Zhi Livestock Farm (Note 1)	Substantial related party
Wu, Qing-De (Note 2)	Substantial related party (chairman of the Company)
Huang, Qi-Ye	Substantial related party (major shareholder of the Company)
Huang, Yun-Hui	Substantial related party
Chen, Jia-Qi (Note 1)	Substantial related party
Chen, Ya-Yun	Substantial related party
Huang, Qiang (Note 3)	Substantial related party (president of the Company)

Note 1: It has no longer been a related party of the Company since Oct. 4, 2022.

Note 2: On Nov. 11, 2022, the Board of Directors of the Company resolved to appoint Mr. Wu, Qing-De to co-act as president of the Company.

Note 3: Mr. Huang, Qiang passed away on Oct. 4, 2022.

(2) Operating revenue

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Substantial related party	<u>\$ 93</u>	<u>\$ 17,142</u>

The Group's sales price and collection period for related parties are comparable to that for ordinary customers.

(3) Purchases

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Substantial related party	<u>\$ 128,452</u>	<u>\$ 166,463</u>

The purchase price of the Group to the related parties is agreed upon by both parties, and its payment term is not significantly different from that for ordinary manufacturers.

(4) Payables to related parties

<u>Account title</u>	<u>Related party category</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Accounts payable - related parties	Substantial related party	<u>\$ 14,974</u>	<u>\$ 14,817</u>

The balance of the outstanding payables to related parties is not guaranteed.

(5) Acquisition of purchase of property, plant and equipment

<u>Related party category</u>	<u>Price of acquisition</u>	
	<u>2023</u>	<u>2022</u>
Substantial related party	<u>\$ -</u>	<u>\$ 31</u>

(6) Rent Agreement

<u>Related party category/name</u>	<u>2023</u>	<u>2022</u>
<u>Acquisition of right-of-use assets</u>		
Substantial related party / Huang, Qi-Ye	<u>\$ 2,848</u>	<u>\$ -</u>

<u>Account title</u>	<u>Related party category/name</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Lease liabilities	Substantial related party / Huang, Qi-Ye	<u>\$ 2,848</u>	<u>\$ 593</u>
	Substantial related party / Huang, Qiang	<u>\$ -</u>	<u>\$ 2,053</u>

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
<u>Interest expense</u>		
Substantial related party	<u>\$ 12</u>	<u>\$ 38</u>

The Group rented office venues separately from the substantial related parties, at the rental price determined in reference to the general market price, and the payment terms are semi-annual payment and monthly payment, respectively.

(7) Transactions with other related parties

A.	<u>Account title</u>	<u>Related party category/name</u>	<u>2023</u>	<u>2022</u>
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Other income - Directors' remuneration income	Associate / Top Food Industry Corporation	\$ _____	\$ <u>808</u>
Other income - Directors' remuneration income	Substantial related party / Formosa Oilseed Processing Co., Ltd. (FOPCO)	\$ <u>1,571</u>	\$ <u>1,871</u>
Other income - Dividend income	Substantial related party / Formosa Oilseed Processing Co., Ltd. (FOPCO)	\$ <u>7,755</u>	\$ <u>8,272</u>

B.		Related party category/name	Dec. 31, 2023	Dec. 31, 2022
	<u>Account title</u>	<u>Substantial related party / Huang, Qiang</u>	<u>\$ _____</u>	<u>\$ <u>88</u></u>
	Refundable deposits			

C. In addition, the Group and the substantial related party - Huang, Yun-Hui jointly operate the livestock and pig farm plan in the form of joint operation cooperation, where, the substantial related party - Huang, Yun-Hui provides the existing pig breeding site, while the Group provides the pigs and the feed for the pigs, and is responsible for coordinating the operation activities such as the raising and marketing of the pigs, so as to increase the profits.

In accordance with the profit distribution ratio in the contract, the amount paid by the Group to substantial related parties in 2023 and 2022 was NT\$ 2,656 thousand and NT\$ 1,462 thousand, respectively.

As of Dec. 31, 2023 and 2022, the accounted Other payables - related parties were NT\$ 2,656 thousand and NT\$ 2,159 thousand, respectively.

(8) Remuneration of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 22,567	\$ 15,036
Post-employment benefits	<u>476</u>	<u>617</u>
	<u>\$ 23,043</u>	<u>\$ 15,653</u>

Remuneration to directors and other key management is decided by the Remuneration Committee in accordance with personal performance and market trend.

34. Significant Contingent Liabilities and Unrecognized Commitments

Unless noted in other notes, the significant commitments and contingencies of the Group at the balance sheet date are as follows:

- (1) As of Dec. 31, 2023 and 2022, the Group's opened but unspent letter of credit amount for purchase of raw materials was USD 2,912 thousand and USD 4,849 thousand, respectively.
- (2) As of Dec. 31, 2023 and 2022, the Group's commitment amount for replacement of plant equipment and acquisition of transportation facilities was NT\$ 17,872 thousand and NT\$ 36,273 thousand, respectively.

35. Information on Foreign Currency Assets and Liabilities with Significant Impact

The information below is aggregated and presented in foreign currencies other than the Group's functional currency. The exchange rates disclosed refer to the exchange rates of such foreign currencies to the functional currency. Foreign currency assets and liabilities with significant impact are as follows:

Dec. 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 912	30.705 (USD: NTD)	\$ 28,011
Foreign currency liabilities			
<u>Monetary item</u>			
USD	2,315	30.705 (USD: NTD)	71,053

Dec. 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 100	30.710 (USD: NTD)	\$ 3,068
Foreign currency liabilities			
<u>Monetary item</u>			
USD	4,513	30.710 (USD: NTD)	138,610

The foreign currency exchange gains (losses) (realized and unrealized) with a significant impact are as follows:

<u>2023</u>	<u>2022</u>
-------------	-------------

Foreign currency	Exchange rate	Net gains (losses) on foreign currency exchange	Exchange rate	Net gains (losses) on foreign currency exchange
USD	31.155 (USD: NTD)	( \$ 1,309 )	29.805 (USD: NTD)	( \$ 22,050 )

36. Additional Disclosures

- (1) Information on Significant Transactions:
  - A. Loaning funds to others: None.
  - B. Endorsement/Guarantee Provided: None.
  - C. Marketable securities held at the end of period (excluding investment in subsidiaries and associates): Table 1.
  - D. Marketable securities acquired or sold at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
  - E. Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: None.
  - F. Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: None.
  - G. Disposal of individual property at costs of at least NT\$100 million or 20% of the paid-in Capital: Table 2.
  - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - I. Trading in derivative instruments: None.
  - J. Others: Business relationship and significant transactions between the parent company and its subsidiaries: None.
- (2) Information on Investees: Table 3.
- (3) Information on Investments in Mainland China: None.
- (4) Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 4.
- (5) According to the standards for the preparation of consolidated business reports, consolidated financial statements and relationship reports of associates, matters that should be disclosed in relation to the overall associates:
  - A. Name of subsidiaries, mutual relationship with controlling company, nature of business, proportion of shares or capital contribution of controlling company: Note 14.

- B. Changes in subsidiaries included in the consolidated financial statements of associates in the current period: Note 14.
  - C. Name of subsidiaries not included in the consolidated financial statements of the associates in the current period, their proportion of shares held or capital contribution, and reasons for not being consolidated: None.
  - D. When the beginning and end of the fiscal year of the subsidiaries is different from that of the controlling company, their adjustment and treatment method: None.
  - E. Difference of the accounting policies of the subsidiaries from that of the controlling company; in case of inconsistency with the country's generally accepted accounting principles, its adjustment method and content: None.
  - F. Special risks for business of foreign subsidiaries, such as fluctuations in exchange rate: None.
  - G. Circumstances in which the distribution of earnings of associates is restricted by laws or contracts: None.
  - H. Amortization method and term of consolidated debits (credits): None.
  - I. Other important matters or explanatory matters conducive to the fair expression of the consolidated financial statements of associates: None.
- (6) According to the standards for the preparation of consolidated business reports, consolidated financial statements and relationship reports of associates, the following matters should be disclosed in relation to the controlling company and the subsidiaries:
- A. Information on engagement in accommodation of funds and endorsement/guarantee: None.
  - B. Information on engagement in trading in derivatives: None.
  - C. Material contingencies: None.
  - D. Material events after balance sheet date: None.
  - E. Name, quantity, cost, market price (disclosed net value if there is no market price), shareholding or contribution ratio, pledge circumstance and interim maximum shareholding or contribution circumstance of the bills and negotiable securities held: Table 1 and Table 3.
  - F. Other important matters or explanatory matters conducive to the fair expression of the consolidated financial statements of associates: None.

- (7) Where the subsidiaries hold shares of the parent company, the name of the subsidiaries, the number of shares they held, the amount and the reasons shall be listed: None.

37. Segments Information

This refers to the information provided to the main operational decision makers to allocate resources and measure departmental performance, focusing on the types of goods or services delivered or provided. Reportable segments of the Group are the Feed Segment, Egg Product Segment, Breeding Segment and other segments.

(1) Segment revenue and operating results

	Feed Segment	Egg Product Segment	Breeding Segment	Other Segments	Total
<u>2023</u>					
Revenue from external customers	\$ 1,838,894	\$ 666,026	\$ 397,244	\$ 8,004	\$ 2,910,168
Inter-segment revenue	132,251	123	-	-	132,374
Segment revenue	\$ 1,971,145	\$ 666,149	\$ 397,244	\$ 8,004	3,042,542
Internal write-off					( 132,374 )
Consolidated revenue					2,910,168
Segment gains and losses	\$ 196,165	( \$ 63,759 )	\$ 11,002	\$ 4,940	148,348
Remuneration of key management personnel					( 23,043 )
Share of profit or loss on associates accounted for using equity method					38,105
Interest income					1,178
Other income					11,782
Other gains or losses					5,691
Financial costs					( 9,565 )
Net income before tax					\$ 172,496
<u>2022</u>					
Revenue from external customers	\$ 2,086,122	\$ 856,619	\$ 385,804	\$ 42,251	\$ 3,370,796
Inter-segment revenue	152,502	297	-	-	152,799
Segment revenue	\$ 2,238,624	\$ 856,916	\$ 385,804	\$ 42,251	3,523,595
Internal write-off					( 152,799 )
Consolidated revenue					3,370,796
Segment gains and losses	\$ 126,404	( \$ 56,701 )	\$ 293	( \$ 27,552 )	42,444

	<u>Feed Segment</u>	<u>Egg Product Segment</u>	<u>Breeding Segment</u>	<u>Other Segments</u>	<u>Total</u>
Remuneration of key management personnel					( 15,653 )
Share of profit or loss on associates accounted for using equity method					( 10,702 )
Interest income					139
Other income					13,099
Other gains or losses					( 27,846 )
Financial costs					( <u>7,629</u> )
Net loss before tax					( \$ <u>6,148</u> )

Sales between segments are priced based on market price.

Segment gains refer to the profits earned by each segment and do not include the apportionable remuneration of key management, the share of associates' gains and losses recognized by the equity method, interest income, other income, other gains and losses, and financial costs.

(2) Segment by geographical location

The main operation region of the Group is the Republic of China.

(3) Information on major customers

Individual customers contributing to at least 10% of the Group's total revenue are as follows:

	<u>2023</u>	<u>2022</u>
Customer P	<u>\$ 341,891</u>	<u>\$ 294,123</u>

Morn Sun Feed Mill Corp. and its Subsidiaries  
 Marketable securities held at the end of period (excluding investment in subsidiaries and associates)  
 Dec. 31, 2023

Table 1

Unit: NTD thousand, unless otherwise specified

Company	Type and Name of Marketable Securities	Marketable Securities Relationship with Securities Issuer	Account subject	End of Period				Interim maximum number of shares held (shares/unit)	Remarks
				Number of shares (shares/unit)	Carrying amount	Shareholding Ratio (%)	Fair value		
Morn Sun Feed Mill Corp.	Stocks								
	Formosa Oilseed Processing Co., Ltd.	The Company is its corporate director	Financial assets at FVTOCI - current	5,428,383	\$ 296,932	2.36	\$ 296,932	5,428,383	Notes 1 & 3
	E.SUN Financial Holding Co., Ltd.	—	Financial assets at FVTPL - current	248,366	6,407	-	6,407	248,366	Notes 1 & 3
	Taiwan Semiconductor Manufacturing Company Limited	—	Financial assets at FVTPL - current	20,000	11,860	-	11,860	20,000	Notes 1 & 3
	Yulon Finance Corporation	—	Financial assets at FVTPL - current	39,564	7,359	-	7,359	39,564	Notes 1 & 3
	Great Wall Enterprise Co., Ltd.	—	Financial assets at FVTPL - current	60,000	3,510	-	3,510	60,000	Notes 1 & 3
	Bonds								
	Mercedes-Benz Finance North America LLC	—	Financial assets at amortized cost - non-current	-	10,418	-	10,361	-	Notes 2 & 3
	Altria Group, Inc.	—	Financial assets at FVTPL - current	-	3,125	-	3,125	-	Notes 1 & 3
Natixis S.A.	—	Financial assets at FVTPL - current	-	9,186	-	9,186	-	Notes 1 & 3	

Note 1: Fair value is calculated based on the closing price and reference market value as of Dec. 31, 2023.

Note 2: Please refer to Note 32(1) for measurement of fair value.

Note 3: No pledge is established for current period.

Note 4: For information on investments in subsidiaries and associates, please refer to Table 3.

Morn Sun Feed Mill Corp. and its Subsidiaries  
Disposal of Individual Property at Costs of at Least NT\$100 Million or 20% of the Paid-in Capital  
2023

Table 2

Unit: NTD thousand, unless otherwise specified

Company Name	Counterparty	Relationship	Transaction				Situation and Reason that Transaction Terms Are Different from General Ones		Notes/Accounts Receivable (Payable)		Remarks
			Purchase/Sale	Amount	As a Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	As a Percentage of Total Notes/Accounts Receivable (Payable) (%)	
Morn Sun Feed Mill Corp.	Formosa Oilseed Processing Co., Ltd.	Substantial related party	Purchases	\$ 128,452	7%	30 days for monthly payment	No identical item	-	(\$ 14,974)	( 10%)	-



Morn Sun Feed Mill Corp. and its Subsidiaries  
Information on the investees, location and so on  
2023

Table 3

Unit: NTD thousand, unless otherwise specified

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Held at the End of Period			Gains (Losses) on Investee in this Period	Investment Gains (Losses) Recognized for this Period	Remarks
				End of Current Period	End of Previous Year	Number of Shares (shares)	Percentage (%)	Carrying Amount			
Morn Sun Feed Mill Corp.	Top Food Industry Corporation	Taichung City	Production and sales business of flour and agricultural products	\$ 306,720	\$ 306,720	30,311,819	36.84	\$ 399,470	\$ 103,427	\$ 38,105	Notes 1 & 3
	Morn Sun Foods Corporation	Changhua County	Selection, washing, packaging and sales of eggs for feeding of domestic livestock and poultry, and services of agricultural products and animal husbandry	191,450	191,450	15,670,000	58.04	84,224	( 62,959 )	( 36,541 )	Notes 1, 2 & 3

Note 1: It is calculated based on the financial statements having been audited by CPAs.

Note 2: It has been consolidated and written off at the time of preparing this consolidated financial statements.

Note 3: The maximum interim number of negotiable securities held by each investee at the end of the period is the same as the number of shares held at the end of the period, and there is no establishment of pledge.

Morn Sun Feed Mill Corp.  
Information on Major Shareholders  
Dec. 31, 2023

Table 4

Name of Major Shareholders	Shares	
	Number of Shares Held (Shares)	Shareholding Ratio
Huang, Pei-Ling	2,810,246	7.13%
Huang, Qi-Ye	2,625,556	6.66%
Longde International Co., Ltd.	2,314,115	5.87%

Note: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common shares that have been delivered via book entry, as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.