All Cosmos Bio-Tech Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors’ Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
All Cosmos Bio-Tech Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of All Cosmos Bio-Tech Holding Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Occurrence of Sales Revenue from Major Customers

The Group's sales revenue for the year ended December 31, 2019 was $1,767,699 thousand, which was lower than the previous year. The Group's revenue mainly comes from major customers with transactions that are significant. Sales revenue, gross profit rate and accounts receivable turnover days from some of these major customers increased significantly compared to the previous year. Considering the higher inherent risk in revenue recognition and the potential pressure on management to achieve financial goals, we identified the occurrence of sales revenue from major customers with the above mentioned characteristics as a key audit matter.

Refer to Notes 4(n) and 24 to the consolidated financial statements for details on the accounting policy and relevant disclosures on revenue recognition.

The main audit procedures that we performed in respect of sales revenue from major customers with above mentioned characteristics included the followings:

1. We obtained an understanding of the Group's internal control and operating procedures of sales cycle, and we designed the corresponding audit procedures to test the effectiveness of the internal control associated with the risk mentioned above;

2. We performed substantive tests on sales revenue, took samples from general ledger of sales revenue and vouched the records to external supporting documents to verify the occurrence of sales;

3. We performed analytical procedures, compared the differences in sales revenue, credit terms, and accounts receivable turnover days between the current and previous years, and assessed the reasonableness of such changes; and

4. We examined significant sales returns or allowances after the balance sheet date and performed substantive procedures to confirm the occurrence of the sales revenue.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiang Hsun Chen and Cheng Chuan Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2020

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.

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 837,590	32	$ 591,505	20
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	60,509	2	31,591	1
Trade receivables, net (Notes 4, 5, 8 and 24)	293,835	11	787,960	26
Trade receivables from related parties (Notes 4, 5, 24 and 33)	35,996	2	20,243	1
Other receivables (Notes 4 and 8)	8,149	-	20,306	1
Other receivables from related parties (Notes 4 and 33)	22,357	1	15	-
Current tax assets (Notes 4 and 26)	2,446	-	3,628	-
Inventories (Notes 4 and 9)	296,210	11	612,453	21
Prepayments (Note 18)	41,781	2	61,206	2
Prepayments for leases (Notes 3, 4, 16 and 34)	-	-	4,103	-
Other financial assets - current (Notes 4, 17 and 34)	189,845	7	921	-
Total current assets	1,788,718	68	2,133,931	72
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 11)	14,539	-	14,768	1
Property, plant and equipment (Notes 3, 4, 12 and 34)	470,047	18	482,291	16
Right-of-use assets (Notes 3, 4, 13, 33 and 34)	177,760	7	-	-
Goodwill (Notes 4 and 14)	385	-	5,667	-
Other intangible assets (Notes 4 and 15)	2,072	-	2,913	-
Deferred tax assets (Notes 4 and 26)	39,944	1	28,564	1
Other financial assets - non-current (Notes 4, 17 and 34)	128,257	5	125,025	4
Long-term prepayments for leases (Notes 3, 4, 16 and 34)	-	-	171,888	6
Other non-current assets (Note 18)	17,789	1	9,823	-
Total non-current assets	850,793	32	840,939	28
TOTAL	$ 2,639,511	100	$ 2,974,870	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 34)	$ 9,204	1	$ 146,785	5
Contract liabilities - current (Notes 4, 24 and 33)	1,532	-	9,867	-
Trade payables	75,687	3	48,263	2
Other payables (Note 21)	58,115	2	147,058	5
Other payables to related parties (Note 33)	1	-	7	-
Current tax liabilities (Notes 4 and 26)	7,977	-	9,876	-
Lease liabilities - current (Notes 3, 4, 13 and 33)	2,163	-	-	-
Current portion of long-term borrowings (Notes 19 and 34)	17,810	1	23,995	1
Finance lease payables - current (Notes 3, 4, 20 and 34)	-	-	964	-
Other current liabilities (Note 21)	2,949	-	4,040	-
Total current liabilities	175,438	7	390,855	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 34)	3,359	-	21,217	1
Deferred tax liabilities (Notes 4 and 26)	32,487	1	26,143	1
Lease liabilities - non-current (Notes 3, 4, 13 and 33)	1,932	-	-	-
Finance lease payables - non-current (Notes 3, 4, 20 and 34)	-	-	567	-
Guarantee deposits received (Note 21)	380	-	22	-
Total non-current liabilities	38,158	1	47,949	2
Total liabilities	213,596	8	438,804	15
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 23)				
Share capital				
Ordinary shares	640,340	24	640,340	22
Capital surplus	781,838	30	781,838	26
Retained earnings				
Legal reserve	163,635	6	133,129	5
Special reserve	312,099	12	310,434	10
Unappropriated earnings	468,142	18	618,747	21
Total retained earnings	943,876	36	1,062,310	36
Other equity	(320,320)	(12)	(312,099)	(11)
Total equity attributable to owners of the Company	2,045,734	78	2,172,389	73
NON-CONTROLLING INTERESTS	380,181	14	363,677	12
Total equity	2,425,915	92	2,536,066	85
TOTAL	$ 2,639,511	100	$ 2,974,870	100

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

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 33)				
Sales	$ 1,767,699	100	$ 2,687,581	100
OPERATING COSTS (Notes 9 and 25)				
Cost of goods sold	(1,374,387)	(78)	(1,912,987)	(71)
GROSS PROFIT	393,312	22	774,594	29
OPERATING EXPENSES (Notes 25 and 33)				
Selling and marketing expenses	(110,340)	(6)	(197,888)	(8)
General and administrative expenses	(157,924)	(9)	(187,302)	(7)
Research and development expenses	(4,655)	-	(6,587)	-
Expected credit loss	(47,162)	(3)	(26,048)	(1)
Total operating expenses	(320,081)	(18)	(417,825)	(16)
PROFIT FROM OPERATIONS	73,231	4	356,769	13
NON-OPERATING INCOME AND EXPENSES (Notes 4, 25 and 33)				
Other income	34,043	2	20,976	1
Other gains and losses	6,147	-	39,956	2
Finance costs	(9,448)	-	(18,666)	(1)
Share of loss of associates (Note 11)	(155)	-	(20)	-
Total non-operating income and expenses	30,587	2	42,246	2
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	103,818	6	399,015	15
INCOME TAX EXPENSE (Notes 4 and 26)	(65,140)	(4)	(50,328)	(2)
NET PROFIT FOR THE YEAR	38,678	2	348,687	13
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(11,780)	-	(431)	-

(Continued)

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ 2,029	-	$ (1,508)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(414)	-	362	-
	1,615	-	(1,146)	-
Other comprehensive loss for the year, net of income tax	(10,165)	-	(1,577)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 28,513	2	$ 347,110	13
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 35,694	2	$ 305,058	11
Non-controlling interests	2,984	-	43,629	2
	$ 38,678	2	$ 348,687	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 27,473	2	$ 303,393	11
Non-controlling interests	1,040	-	43,717	2
	$ 28,513	2	$ 347,110	13
EARNINGS PER SHARE (Note 27)				
From continuing operations				
Basic	$ 0.56		$ 4.76	
Diluted	$ 0.56		$ 4.75	

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

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Share Capital			Retained Earnings			Other Equity			
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	64,034	$ 640,340	$ 781,838	$ 100,842	$ 369,143	$ 457,226	$ (310,434)	$ 2,038,955	$ 306,371	$ 2,345,326
Appropriation of 2017 earnings (Note 23)										
Legal reserve	-	-	-	32,287	-	(32,287)	-	-	-	-
Special reserve	-	-	-	-	(58,709)	58,709	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(169,690)	-	(169,690)	-	(169,690)
Net profit for the year ended December 31, 2018	-	-	-	-	-	305,058	-	305,058	43,629	348,687
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(1,665)	(1,665)	88	(1,577)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	305,058	(1,665)	303,393	43,717	347,110
Acquisition of interests in subsidiaries (Notes 23 and 28)	-	-	-	-	-	-	-	-	754	754
Changes in percentage of ownership interests in subsidiaries (Notes 23 and 29)	-	-	-	-	-	(269)	-	(269)	269	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	12,566	12,566
BALANCE AT DECEMBER 31, 2018	64,034	640,340	781,838	133,129	310,434	618,747	(312,099)	2,172,389	363,677	2,536,066
Appropriation of 2018 earnings (Note 23)										
Legal reserve	-	-	-	30,506	-	(30,506)	-	-	-	-
Special reserve	-	-	-	-	1,665	(1,665)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(153,682)	-	(153,682)	-	(153,682)
Net profit for the year ended December 31, 2019	-	-	-	-	-	35,694	-	35,694	2,984	38,678
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(8,221)	(8,221)	(1,944)	(10,165)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	35,694	(8,221)	27,473	1,040	28,513
Changes in percentage of ownership interests in subsidiaries (Notes 23 and 29)	-	-	-	-	-	(446)	-	(446)	446	-
Changes in non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	15,018	15,018
BALANCE AT DECEMBER 31, 2019	64,034	$ 640,340	$ 781,838	$ 163,635	$ 312,099	$ 468,142	$ (320,320)	$ 2,045,734	$ 380,181	$ 2,425,915

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

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 103,818	$ 399,015
Adjustments for:		
Depreciation expenses	52,265	45,307
Amortization expenses	980	908
Excepted credit loss recognized on trade receivables	47,162	26,048
Amortization of prepayments for leases	-	2,760
Net gain on fair value change of financial assets at fair value through profit or loss	(1,587)	(10,020)
Finance costs	9,448	18,666
Interest income	(17,368)	(12,614)
Share of loss of associates by equity method	155	20
Gain on disposal of property, plant and equipment	(385)	(73)
Write-downs of inventories	6,699	-
Impairment of goodwill	5,329	-
Net unrealized loss (gain) on foreign currency exchange	4,435	(263)
Changes in operating assets and liabilities		
Trade receivables	452,005	(268,462)
Trade receivables from related parties	(18,252)	(14,161)
Other receivables	13,809	(14,123)
Other receivables from related parties	(7,719)	-
Inventories	311,303	(372,274)
Prepayments	19,596	59,045
Trade payables	27,582	9,004
Other payables	(51,203)	(12,354)
Contract liabilities	(8,404)	3,075
Other current liabilities	(1,085)	(1,250)
Cash generated from (used in) operations	948,583	(141,746)
Interest received	15,792	12,871
Interest paid	(9,448)	(18,587)
Income tax paid	(71,369)	(70,871)
Net cash generated from (used in) operating activities	883,558	(218,333)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(37,321)	-
Proceeds from sale of financial assets at fair value through profit or loss	9,405	575
Acquisition of associates	-	(14,788)
Net cash outflow on acquisition of subsidiaries (Note 28)	-	(2,100)
Payments for property, plant and equipment	(39,064)	(57,391)
Proceeds from disposal of property, plant and equipment	1,553	177
Decrease in refundable deposits	1,531	3,119
Increase in other receivables from related parties	(14,947)	(15)
Payments for intangible assets	(142)	(2,133)

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ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Increase in other financial assets	$ (195,669)	$ (3,769)
Increase in prepayments	(9,665)	(16,924)
Net cash used in investing activities	(284,319)	(93,249)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	9,261	87,255
Repayments of short-term borrowings	(148,134)	-
Repayments of long-term borrowings	(24,152)	(23,002)
Proceeds from guarantee deposits received	363	-
Refund of guarantee deposits received	-	(8)
Increase in other payables to related parties	-	5
Decrease in other payables to related parties	(5)	-
Decrease in finance lease payables	-	(1,117)
Repayment of the principal portion of lease liabilities	(43,018)	-
Dividends paid to owners of the Company	(153,682)	(169,690)
Changes in non-controlling interests	15,018	12,566
Net cash used in financing activities	(344,349)	(93,991)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(8,805)	3,249
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	246,085	(402,324)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	591,505	993,829
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 837,590	$ 591,505

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

1. GENERAL INFORMATION

All Cosmos Bio-Tech Holding Corporation (the "Company") is a limited company incorporated in the Cayman Islands on March 26, 2010. The Company and its subsidiaries (collectively, referred to as the "Group") have reorganized in order to list the Company's shares on the Taiwan Stock Exchange. On June 1, 2010, the Company issued new shares for 100% equity interest in All Cosmos Industries Sdn. Bhd. and completed the Group's investment process. The major operation activities of the Group are production and sales of Bio-organic and Bio-chemical fertilizers.

The Company's shares have been listed on the Taiwan Stock Exchange since June 2017.

The functional currency of the Company is Malaysian Ringgit. For greater comparability and consistency of financial reporting, the consolidated financial statements of the Group are presented in New Taiwan dollars since the Company's shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 24, 2020.

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

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

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

   - IFRS 16 "Leases"

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

     Definition of a lease

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

The Group as lessor

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

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in Malaysia and Indonesia were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 5.54%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 4,727
Less: Recognition exemption for short-term leases	(780)
Less: Recognition exemption for leases of low-value assets	(95)
Undiscounted amounts on January 1, 2019	$ 3,852
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 3,574
Add: Finance lease liabilities (excluding the amounts applied for the exemption for short-term leases and leases of low-value assets) on December 31, 2018	1,531
Add: Payables for land use right on December 31, 2018	38,353
Lease liabilities recognized on January 1, 2019	$ 43,458

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 182,316	$ 182,316
Prepayments for leases - current	4,103	(4,103)	-
Prepayments for leases - non-current	171,888	(171,888)	-
Property, plant and equipment	482,291	(2,751)	479,540
Total effect on assets	$ 658,282	$ 3,574	$ 661,856
Other payables	$ 147,058	$ (38,353)	$ 108,705
Lease liabilities - current	-	40,697	40,697
Finance lease payables - current	964	(964)	-
Lease liabilities - non-current	-	2,761	2,761
Finance lease payables - non-current	567	(567)	-
Total effect on liabilities	$ 148,589	$ 3,574	$ 152,163

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

- Amendments to IAS 1 and IAS 8 "Definition of Material"

  The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

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.

Refer to Note 10 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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 that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

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

g. Inventories

Inventories consist of raw materials, merchandise, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the standard cost and adjusted thereafter to weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 270 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Revenue from the sale of goods</u>

Revenue from the sale of goods comes from sales of Bio-organic and Bio-chemical fertilizers. Sales of fertilizers are recognized as revenue when the goods are delivered and shipped to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods and has the primary responsibility to bear the risks of obsolescence. Trade receivables are recognized currently. The transaction price received is recognized as a contract liability until the good have been delivered to the customer.

o. Leases

<u>2019</u>

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

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

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

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

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

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

2018

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

p. Borrowing costs

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

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

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

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

s. Taxation

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

1) Current tax

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) 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, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

- Estimated impairment of financial assets

  The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 440	$ 288
Checking accounts and demand deposits	716,581	574,381
Cash equivalent		
Time deposits (with original maturities of less than 3 months)	120,569	16,836
	$ 837,590	$ 591,505

The market rate intervals of cash in bank at the end of the year were as follows:

	December 31	
	2019	**2018**
Time deposits (with original maturities of less than 3 months)	2.95%-3.50%	3.20%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at fair value through profit or loss (FVTPL) - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 43	$ 1,137
Non-derivative financial assets		
Mutual funds	60,466	30,454
	$ 60,509	$ 31,591

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Buy	USD/MYR	January 17, 2020	USD30/MYR124
	USD/MYR	January 24, 2020	USD50/MYR207
	USD/MYR	February 14, 2020	USD30/MYR124
	USD/MYR	February 21, 2020	USD30/MYR124
	USD/MYR	March 13, 2020	USD30/MYR124
December 31, 2018			
Buy	USD/MYR	January 15, 2019	USD100/MYR424
	USD/MYR	January 15, 2019	USD60/MYR255
	USD/MYR	January 18, 2019	USD200/MYR848
	USD/MYR	January 18, 2019	USD200/MYR848
	USD/MYR	January 18, 2019	USD200/MYR848
	USD/MYR	January 18, 2019	USD100/MYR424
	USD/MYR	February 15, 2019	USD100/MYR424
	USD/MYR	February 19, 2019	USD80/MYR340
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD100/MYR424
	USD/MYR	March 22, 2019	USD200/MYR848

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Trade receivables		
At amortized cost		
Gross carrying amount	$ 384,077	$ 835,048
Less: Allowance for impairment loss	(90,242)	(47,088)
	$ 293,835	$ 787,960
Other receivables		
GST refund receivables	$ 4,022	$ 17,293
Interest receivable	2,725	1,149
Others	1,402	1,864
	$ 8,149	$ 20,306

a. Trade receivables

The average credit period of sales of goods was 60 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.58%-1.57%	1.92%-5.81%	5.29%-20.87%	14.06%-100.00%	100.00%	-
Gross carrying amount	$ 171,219	$ 60,331	$ 44,143	$ 42,485	$ 65,899	$ 384,077
Loss allowance (Lifetime ECL)	(1,670)	(1,854)	(2,266)	(18,553)	(65,899)	(90,242)
Amortized cost	$ 169,549	$ 58,477	$ 41,877	$ 23,932	$ -	$ 293,835

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	1.26%-1.42%	2.67%-4.25%	6.04%-24.62%	17.75%-100.00%	100.00%	-
Gross carrying amount	$ 291,165	$ 258,463	$ 199,112	$ 82,145	$ 4,163	$ 835,048
Loss allowance (Lifetime ECL)	(3,271)	(6,769)	(14,971)	(17,914)	(4,163)	(47,088)
Amortized cost	$ 287,894	$ 251,694	$ 184,141	$ 64,231	$ -	$ 787,960

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 47,088	$ 21,826
Add: Net remeasurement of loss allowance	44,998	25,440
Less: Amounts written off	(970)	-
Foreign exchange losses	(874)	(178)
Balance at December 31	$ 90,242	$ 47,088

b. Other receivables

Other receivables primarily included interest receivables, GST refund receivables and others. The Group continuously monitors past default experience of the counterparties and analyzes their current financial position. Based on the information above, the Group then assesses the expected credit loss and considers whether credit risk has been a significant increase since the last period to the reporting date. As of December 31, 2019 and 2018, the Group estimated the expected credit loss rate of other receivables to be 0%.

9. INVENTORIES

	December 31	
	2019	2018
Merchandise	$ 7,841	$ 12,964
Finished goods	30,596	56,740
Work in progress	17,190	24,921
Raw materials	240,583	517,828
	$ 296,210	$ 612,453

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were $1,374,387 thousand and $1,912,987 thousand, respectively. The cost of goods sold included inventory write-downs of $6,699 thousand and $0 thousand.

10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	Proportion of Ownership (%) December 31 2018	Remark
The Company	All Cosmos Industries Sdn. Bhd. (ACI)	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	100	100	
	Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	55	55	
	PT All Cosmos Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	99	99	
	PT All Cosmos Biotek	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	83	60	Note 3
	GK Bio International Sdn. Bhd.	Wholesale of probiotics	60	-	Note 4
ACI	PT All Cosmos Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	1	1	
	Arif Efektif Sdn. Bhd.	Research and development of effective microorganisms for Bio-organic and Bio-chemical compound fertilizers	49	49	Note 1
	Kinabalu Life Sciences Sdn. Bhd.	Research and development of effective microorganisms for waste disposal of oil-palm	60	60	
	Cosmos Biowood Sdn. Bhd.	Forest plantation and research	80	80	Note 2
	GK Bio International Sdn. Bhd.	Wholesale of probiotics	-	100	Note 4

Note 1: The Group and its substantive related party separately hold 49% and 26% interest in Arif Efektif Sdn. Bhd. Their combined holding exceed 50% of the total shares outstanding. Hence, the Group has substantive control over Arif Efektif Sdn. Bhd. and has included it as part of the consolidated entity.

Note 2: ACI resolved to acquire 75% equity interest of Cosmos Biowood Sdn. Bhd., and made a capital injection in the subsidiary on May 28, 2018. After the capital injection, ACI’s proportion of ownership in Cosmos Biowood Sdn. Bhd. increased from 75% to 80%. Refer to Notes 28 and 29 for the relevant disclosures.

Note 3: The Company and YPJ Plantation Sdn. Bhd. entered into a joint venture agreement and established PT All Cosmos Biotek on July 19, 2018. The Company and YPJ Plantation Sdn. Bhd. invested IDR8,400,000 thousand and IDR5,600,000 thousand, respectively. On August 23, 2019, the Company invested IDR19,880,000 thousand by subscribing additional new shares of PT All Cosmos Biotek at a percentage different from its existing ownership percentage, and its shareholding ratio increased from 60% to 83%. Refer to Note 29 for the relevant disclosures.

Note 4: GK Bio International Sdn. Bhd. was established on October 11, 2018. On March 25, 2019, the equity interest of GK Bio International Sdn. Bhd. was transferred from ACI to the Company. At the same time, GK Bio International Sdn. Bhd. issued additional new shares and the Company subscribed new shares at a percentage different from its existing ownership percentage by investing MYR1,800 thousand. The equity interest of GK Bio International Sdn. Bhd. held by the Group decreased from 100% to 60%. Refer to Note 29 for the relevant disclosures.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2019	2018
Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	45%	45%

Refer to Table 6 for the information on the principal places of business and the countries of incorporation.

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2019	2018	2019	2018
Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	$ 4,917	$ 42,444	$ 345,911	$ 342,848

Summarized financial information of the subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.

	December 31 2019	2018
Current assets	$ 538,644	$ 577,130
Non-current assets	292,590	304,682
Current liabilities	(39,461)	(80,665)
Non-current liabilities	(23,082)	(39,262)
Equity	$ 768,691	$ 761,885
Equity attributable to:		
The Company	$ 422,780	$ 419,037
Non-controlling interests of Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	345,911	342,848
	$ 768,691	$ 761,885

	For the Year Ended December 31	
	2019	2018
Revenue	$ 560,767	$ 787,860
Profit for the year	$ 10,926	$ 94,320
Other comprehensive income for the year	-	-
Total comprehensive income for the year	$ 10,926	$ 94,320
Profit attributable to:		
The Company	$ 6,009	$ 51,876
Non-controlling interests of Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	4,917	42,444
	$ 10,926	$ 94,320
Total comprehensive income attributable to:		
The Company	$ 6,009	$ 51,876
Non-controlling interests of Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	4,917	42,444
	$ 10,926	$ 94,320
Net cash inflow (outflow) from:		
Operating activities	$ 218,441	$ 7,378
Investing activities	(23,036)	(29,662)
Financing activities	(49,699)	8,437
Effect of foreign currency exchange	(3,245)	1,186
Net cash inflow (outflow)	$ 142,461	$ (12,661)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2019	2018
Associates that are not individually material		
Sawit Ecoshield Sdn. Bhd.	$ 14,539	$ 14,768

	For the Year Ended December 31	
	2019	2018
The Group’s share of:		
Loss from continuing operations	$ (155)	$ (20)
Other comprehensive income	-	-
Total comprehensive loss for the year	$ (155)	$ (20)

Refer to Table 6 “Information on Investees” for the nature of activities, the principal places of business and the countries of incorporation of the associates.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss from the financial statements of Sawit Ecoshield Sdn. Bhd. which has not been audited.

12. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Group - 2019

	Building	Machinery and Equipment	Transpor-tation Equipment	Furniture, Fixture and Equipment	Lease Assets	Leasehold Improve-ments	Other Equipment	Property under Construction	Total
Cost									
Balance at January 1, 2019	$ 342,252	$ 351,226	$ 16,822	$ 4,899	$ 11,573	$ 545	$ 66,928	$ 1,849	$ 796,094
Adjustments on initial application of IFRS 16	-	-	-	-	(11,573)	-	-	-	(11,573)
Balance at January 1, 2019 (restated)	342,252	351,226	16,822	4,899	-	545	66,928	1,849	784,521
Additions	3,959	7,482	1,525	189	-	-	1,513	23,859	38,527
Disposals	-	(2,707)	(4,304)	(230)	-	-	(187)	-	(7,428)
Reclassified (Note)	-	5,878	248	229	-	-	(229)	(1,865)	4,261
Effect of foreign currency exchange differences	(1,837)	(1,980)	(52)	(27)	-	(3)	(363)	(325)	(4,587)
Balance at December 31, 2019	$ 344,374	$ 359,899	$ 14,239	$ 5,060	$ -	$ 542	$ 67,662	$ 23,518	$ 815,294
Accumulated depreciation and impairment									
Balance at January 1, 2019	$ 52,376	$ 216,917	$ 6,247	$ 2,787	$ 8,822	$ 317	$ 26,337	$ -	$ 313,803
Adjustments on initial application of IFRS 16	-	-	-	-	(8,822)	-	-	-	(8,822)
Balance at January 1, 2019 (restated)	52,376	216,917	6,247	2,787	-	317	26,337	-	304,981
Depreciation expenses	6,693	29,458	2,333	442	-	23	5,866	-	44,815
Disposals	-	(2,039)	(3,946)	(174)	-	-	(101)	-	(6,260)
Reclassified (Note)	-	-	3,906	125	-	-	(125)	-	3,906
Effect of foreign currency exchange differences	(367)	(1,521)	(66)	(20)	-	(3)	(218)	-	(2,195)
Balance at December 31, 2019	$ 58,702	$ 242,815	$ 8,474	$ 3,160	$ -	$ 337	$ 31,759	$ -	$ 345,247
Carrying amounts at December 31, 2019	$ 285,672	$ 117,084	$ 5,765	$ 1,900	$ -	$ 205	$ 35,903	$ 23,518	$ 470,047

Note: These were transferred from right-of-use assets.

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

Building	
Main Buildings	50-52 years
Others	50 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Furniture, fixture and equipment	5-10 years
Leasehold improvements	25 years
Other Equipment	5-10 years

Property, plant and equipment used by the Group pledged as collateral for bank borrowings are set out in Note 34.

b. 2018

	Building	Machinery and Equipment	Transportation Equipment	Furniture, Fixture and Equipment	Lease Assets	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost									
Balance at January 1, 2018	$ 336,763	$ 333,893	$ 11,204	$ 4,046	$ 10,823	$ 543	$ 42,371	$ 6,097	$ 745,740
Additions	184	16,005	2,282	845	708	-	24,735	5,537	50,296
Disposals	-	(1,332)	(673)	-	-	-	(99)	-	(2,104)
Reclassified	4,471	1,368	4,019	-	-	-	-	(9,858)	-
Effect of foreign currency exchange differences	834	1,292	(10)	8	42	2	(79)	73	2,162
Balance at December 31, 2018	$ 342,252	$ 351,226	$ 16,822	$ 4,899	$ 11,573	$ 545	$ 66,928	$ 1,849	$ 796,094
Accumulated depreciation and impairment									
Balance at January 1, 2018	$ 45,649	$ 188,332	$ 5,492	$ 2,310	$ 6,283	$ 293	$ 21,420	$ -	$ 269,779
Depreciation expenses	6,599	29,321	1,391	472	2,539	23	4,962	-	45,307
Disposals	-	(1,261)	(653)	-	-	-	(86)	-	(2,000)
Effect of foreign currency exchange differences	128	525	17	5	-	1	41	-	717
Balance at December 31, 2018	$ 52,376	$ 216,917	$ 6,247	$ 2,787	$ 8,822	$ 317	$ 26,337	$ -	$ 313,803
Carrying amounts at December 31, 2018	$ 289,876	$ 134,309	$ 10,575	$ 2,112	$ 2,751	$ 228	$ 40,591	$ 1,849	$ 482,291

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

Building	
Main Buildings	50-52 years
Others	50 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Furniture, fixture and equipment	10 years
Lease assets	5-10 years
Leasehold improvements	25 years
Other Equipment	5-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 34.

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 172,826
Buildings	3,700
Machinery	704
Transportation equipment	530
	$ 177,760

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 2,213
Depreciation charge for right-of-use assets	
Land	$ 4,192
Buildings	2,067
Machinery	191
Transportation equipment	1,000
	$ 7,450

Right-of-use assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	30-93 years
Buildings	2-3 years
Machinery	5 years
Transportation equipment	5 years

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 2,163
Non-current	$ 1,932

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	5.54%-5.84%
Transportation equipment	4.00%

c. Material lease-in activities and terms

The Group leases land for the use of plants and offices with lease terms of 30 to 93 years. The Group does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 3,279
Expenses relating to low-value asset leases	$ 225
Total cash outflow for leases	$ (46,841)

The Group leases certain worker hostels which qualify as short-term leases and certain offices which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases. The amount of lease commitments for short-term leases for which the recognition exemption is applied was $683 thousand as of December 31, 2019.

Right-of-use assets pledged as collateral for bank borrowings is set out in Note 34.

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31, 2019
Lease commitments	$ 1,522

2018

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

	December 31, 2018
Not later than 1 year	$ 2,419
Later than 1 year and not later than 5 years	2,308
	$ 4,727

14. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 5,667	$ 385
Additional amounts recognized from business combinations occurring during the year (Note 28)	-	5,383
Effect of foreign currency exchange differences	(29)	(101)
Balance at December 31	$ 5,638	$ 5,667

(Continued)

	For the Year Ended December 31	
	2019	**2018**
Accumulated impairment losses		
Balance at January 1	$ -	$ -
Impairment losses recognized	5,329	-
Effect of foreign currency exchange differences	(76)	-
Balance at December 31	$ 5,253	$ -
Carrying amounts at December 31	$ 385	$ 5,667

(Concluded)

The Group recognized goodwill on the acquisition of Arif Efektif Sdn. Bhd. and Cosmos Biowood Sdn. Bhd. The cost of investment is higher than the fair value of the identifiable assets and liabilities assumed on the acquisition date.

Because Cosmos Biowood Sdn. Bhd.'s acquisition of right of use of forest plantation was delayed, the Group assessed the recoverable amount of goodwill at $0 in 2019 and recognized impairment loss on goodwill of Cosmos Biowood Sdn. Bhd. at $5,329 thousand.

15. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 8,086
Additions	142
Disposals	(3,240)
Effect of foreign currency exchange differences	2
Balance at December 31, 2019	$ 4,990
Accumulated amortization	
Balance at January 1, 2019	$ 5,173
Amortization expenses	980
Disposals	(3,240)
Effect of foreign currency exchange differences	5
Balance at December 31, 2019	$ 2,918
Carrying amounts at December 31, 2019	$ 2,072
Cost	
Balance at January 1, 2018	$ 5,950
Additions	2,133
Effect of foreign currency exchange differences	3
Balance at December 31, 2018	$ 8,086

(Continued)

	Computer Software
Accumulated amortization	
Balance at January 1, 2018	$ 4,256
Amortization expenses	908
Effect of foreign currency exchange differences	9
Balance at December 31, 2018	$ 5,173
Carrying amounts at December 31, 2018	$ 2,913

(Concluded)

Computer software is amortized over 5 years on a straight-line basis.

	For the Year Ended December 31	
	2019	2018
An analysis of amortization by function		
General and administrative expenses	$ 980	$ 908

16. PREPAYMENTS FOR LEASES

	December 31, 2018
Current	$ 4,103
Non-current	171,888
	$ 175,991

Prepayments for leases include land use rights which are located in Malaysia and Indonesia. The Group has obtained the certificates of land use rights.

The land use rights pledged as collateral for bank borrowings is set out in Note 34.

17. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Current		
Bank deposit - original maturity of more than 3 months	$ 180,641	$ 921
Restricted bank deposit	9,204	-
Bank deposit - original maturity of more than 3 months	$ 189,845	$ 921
Non-current		
Restricted bank deposit	$ 128,257	$ 125,025
Market rate intervals	2.05%-4.10%	2.95%-3.35%

The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date. The Group assesses that there is no expected credit losses on other financial assets.

Other financial assets pledged as collateral for bank borrowings is set out in Note 34.

18. OTHER ASSETS

	December 31	
	2019	**2018**
Current		
Prepayments		
Prepaid insurance expense	$ 101	$ 537
Prepayments for purchase	9,807	19,034
Office supplies	18,523	17,451
Input tax	5,726	1,654
Prepayments for equipment	405	1,966
Others	7,219	20,564
	$ 41,781	$ 61,206
Non-current		
Refundable deposits	$ 8,262	$ 9,823
Prepayments	9,527	-
	$ 17,789	$ 9,823

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	**2018**
Secured borrowings (Note 34)		
Bank loans	$ 9,204	$ 146,785

The range of interest rates on bank loans was 2.95% and 4.37%-4.72% per annum as of December 31, 2019 and 2018, respectively.

b. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings (Note 34)		
Bank loans	$ 21,169	$ 45,212
Less: Current portion	(17,810)	(23,995)
Long-term borrowings	$ 3,359	$ 21,217

The details of the long-term borrowings are as follows:

	Effective Rate	December 31	
		2019	2018
Variable rate			
AmIslamic Bank medium-term bank loan with a total amount of MYR5,000 thousand, from May 2, 2014 to May 1, 2021, repayable in monthly installments of principal and interest	4.70%	$ 3,662	$ 10,790
AmIslamic Bank medium-term bank loan with a total amount of MYR3,580 thousand, from March 31, 2013 to May 1, 2020, repayable in monthly installments of principal and interest	4.70%	1,127	5,533
AmIslamic Bank medium-term bank loan with a total amount of MYR5,000 thousand, from March 31, 2013 to December 1, 2020, repayable in monthly installments of principal and interest	4.70%	7,037	12,436
AmIslamic Bank medium-term bank loan with a total amount of MYR6,500 thousand, from March 31, 2013 to December 1, 2020, repayable in monthly installments of principal and interest	5.45%	9,343	16,453
		$ 21,169	$ 45,212

20. FINANCE LEASE PAYABLES - 2018

	December 31, 2018
Minimum lease payments	
Not later than 1 year	$ 1,023
Later than 1 year and not later than 5 years	589
	1,612
Less: Future finance charges	(81)
Present value of minimum lease payments	$ 1,531
Present value of minimum lease payments	
Not later than 1 year	$ 964
Later than 1 year and not later than 5 years	567
	$ 1,531

The Group leased vehicles under financial leases. The average lease terms for the years ended December 31, 2018 were 3 to 5 years. Interest rates underlying all obligations under financial leases fixed on contract dates were 2.40%-4.00% per annum at December 31, 2018.

Refer to Note 34 for the details of the collaterals of the above obligations.

21. OTHER LIABILITIES

	December 31	
	2019	**2018**
Current		
Other payables		
Payable for salaries and bonuses (including compensation to employees and remuneration to directors)	$ 13,369	$ 40,229
Payable for land use right	-	38,353
Payable for pension fees	2,045	3,067
Payable for professional service fees	4,330	4,543
Payable for utilities	2,192	1,864
Payable for purchase of equipment	134	671
Payable for taxes	1,532	873
Payable for royalties	906	2,240
Payable for marketing expenses	7,655	22,185
Payable for repairs and maintenance	4,101	2,383
Payable for freight	8,627	10,254
Payable for welfare	5,633	5,663
Others	7,591	14,733
	$ 58,115	$ 147,058
Other liabilities		
Deferred revenue - arising from government grants (Note)	$ 2,949	$ 4,034
Others	-	6
	$ 2,949	$ 4,040
Non-current		
Guarantee deposits received	$ 380	$ 22

Note: The Group applied for a research and development grant sponsored by the Malaysia government. The grant spans over a two-year period and divided into two payments, $2,715 thousand and $3,556 thousand in 2014 and 2016, respectively. The associated income was recognized proportionally according to the progress of the research and development project.

22. RETIREMENT BENEFIT PLANS

The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits in accordance with local regulation. Except for the abovementioned, the Group does not have any other retirement or pension plans for employees.

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	64,034	64,034
Shares issued	$ 640,340	$ 640,340

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 775,964	$ 775,964
May be used to offset deficit only		
Share premium - exercise of employee share options	2,675	2,675
Forfeited employee share options	2,862	2,862
May not be used for any purpose		
Others (2)	337	337
	$ 781,838	$ 781,838

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

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 19, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made at the end of each six months of the fiscal year. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit each six months of the fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. For distribution of dividends and bonus in shares, the distribution plan should be resolved in the shareholders' meeting. As for distribution of dividends and bonus in cash, the board of directors is authorized to adopt a special resolution and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the employees' compensation and remuneration of directors paid and the amounts recognized, refer to employees' compensation and remuneration of directors in Note 25 (f).

The Company's Articles also stipulate that dividends can be distributed in shares or in cash. Cash dividends should be no less than 50% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 19, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 30,506	$ 32,287
Special reserve	$ 1,665	$ (58,709)
Cash dividends	$ 153,682	$ 169,690
Cash dividends per share (NT$)	$ 2.40	$ 2.65

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 24, 2020. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 3,569
Special reserve	$ 8,221
Cash dividends	$ 64,034
Cash dividends per share (NT$)	$ 1.00

The appropriations of earnings for 2019 is subject to the resolution by the shareholders in their meeting to be held on June 16, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 310,434	$ 369,143
Appropriation in respect of		
Debit to other equity items	1,665	-
Reversal of the debit to other equity items	-	(58,709)
Balance at December 31	$ 312,099	$ 310,434

According to the Articles, special reserve should be appropriated for the amount equal to the difference between net debit balance reserve of other equity items and the balance of special reserve appropriated on the reporting date. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter, distributed.

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (312,099)	$ (310,434)
Exchange differences on translating the financial statements of foreign operations	1,722	(1,508)
Related income tax	(414)	362
Exchange differences on translating to the presentation currency	(9,529)	(519)
Balance at December 31	$ (320,320)	$ (312,099)

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 363,677	$ 306,371
Share in profit for the year	2,984	43,629
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	307	-
Exchange differences on translation to the presentation currency	(2,251)	88
Non-controlling interests arising from issuance of ordinary shares	15,018	12,566
Acquisition of non-controlling interests in subsidiaries (Note 28)	-	754
Changes in percentage of ownership interests in subsidiaries (Note 29)	446	269
Balance at December 31	$ 380,181	$ 363,677

24. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods	$ 1,767,699	$ 2,687,581

a. Contract information

Revenue from the sale of goods

The Group’s revenue mainly comes from sale of bio-organic and bio-chemical compound fertilizers. All goods are sold at agreed-upon prices.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (including related parties)	$ 329,831	$ 808,203	$ 549,274
Contract liabilities - current	$ 1,532	$ 9,867	$ 6,796

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year	$ 9,867	$ 6,796

c Disaggregation of revenue

Refer to Note 39 for details of disaggregation of revenue.

25. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Rental income	$ 33	$ 32
Interest income	17,368	12,614
Others (Note 33)	16,642	8,330
	$ 34,043	$ 20,976

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on disposal of property, plant and equipment	$ 385	$ 73
Net foreign exchange gains (g)	9,533	30,076
Fair values changes of financial assets		
Financial assets mandatorily classified as at FVTPL	1,587	10,020
Impairment loss on goodwill	(5,329)	-
Others	(29)	(213)
	$ 6,147	$ 39,956

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 9,129	$ 18,587
Interest on obligations under finance leases	-	79
Interest on lease liabilities	319	-
	$ 9,448	$ 18,666

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 36,210	$ 33,556
Operating expenses	16,055	11,751
	$ 52,265	$ 45,307
An analysis of amortization by function		
Operating expenses	$ 980	$ 908

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 8,844	$ 9,868
Other employee benefits	142,909	184,854
Total employee benefits expense	$ 151,753	$ 194,722
An analysis of employee benefits expense by function		
Operating costs	$ 50,765	$ 63,562
Operating expenses	100,988	131,160
	$ 151,753	$ 194,722

f. Employees’ compensation and remuneration of directors

According to the Articles, the Company accrued employees’ compensation at rates of no less than 1% and no higher than 10% and remuneration of directors at rates of no higher than 10%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors. The employees’ compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company’s board of directors on March 24, 2020 and March 26, 2019, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees’ compensation	3%	3%
Remuneration of directors	2%	2%

Amount

	For the Year Ended December 31			
	2019		**2018**	
	Cash	**Shares**	**Cash**	**Shares**
Employees’ compensation	$ 1,128	$ -	$ 9,628	$ -
Remuneration of directors	752	-	6,419	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees’ compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees’ compensation and remuneration of directors resolved by the Company’s board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains and losses on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 20,307	$ 50,900
Foreign exchange losses	(10,774)	(20,824)
	$ 9,533	$ 30,076

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 71,222	$ 72,919
Adjustments for prior years	(546)	629
Deferred tax		
In respect of the current year	(5,536)	(23,220)
Income tax expense recognized in profit or loss	$ 65,140	$ 50,328

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 103,818	$ 399,015
Income tax expense calculated at the statutory rate (24%)	$ 24,916	$ 95,764
Nondeductible expenses in determining taxable income	10,652	2,062
Tax-exempt income	-	(38,233)
Unrecognized loss carryforwards	1,623	439
Utilisation of unrecognized temporary differences	(265)	-
Utilisation of unrecognized investment credit	-	(12,667)
Adjustments for prior years' income tax	(546)	629
Effect of different tax rate of group entities operating in other jurisdictions	28,760	2,334
Income tax expense recognized in profit or loss	$ 65,140	$ 50,328

The applicable income tax rate used by the Group in Malaysia was both 24% in 2019 and 2018. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in each jurisdiction.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	$ 414	$ (362)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivables	$ 2,446	$ 3,628
Current tax liabilities		
Income tax payable	$ 7,977	$ 9,876

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	$ 587	$ -	$ (414)	$ 4	$ 177
Unrealized exchange losses	107	(107)	-	-	-
Allowance for impaired receivables	13,489	10,930	-	(227)	24,192
Allowance for impaired inventory	1,851	1,286	-	(28)	3,109
Investments tax credits	12,530	-	-	(64)	12,466
	$ 28,564	$ 12,109	$ (414)	$ (315)	$ 39,944
Deferred tax liabilities					
Temporary differences					
Depreciation of property, plant and equipment	$ 25,742	$ 6,941	$ -	$ (232)	$ 32,451
Unrealized exchange gains	401	(368)	-	3	36
	$ 26,143	$ 6,573	$ -	$ (229)	$ 32,487

For the year ended December 31, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	$ 228	$ -	$ 362	$ (3)	$ 587
Unrealized exchange losses	4	104	-	(1)	107
Allowance for impaired receivables	7,251	6,273	-	(35)	13,489
Allowance for impaired inventory	1,671	175	-	5	1,851
Investments tax credits	3,082	9,537	-	(89)	12,530
	$ 12,236	$ 16,089	$ 362	$ (123)	$ 28,564
Deferred tax liabilities					
Temporary differences					
Depreciation of property, plant and equipment	$ 31,836	$ (6,300)	$ -	$ 206	$ 25,742
Unrealized exchange gains	1,186	(799)	-	14	401
Capitalized expense	32	(32)	-	-	-
	$ 33,054	$ (7,131)	$ -	$ 220	$ 26,143

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

	December 31	
	2019	2018
Deductible temporary differences		
Allowance for impaired inventory	$ 7,943	$ 6,656
Loss carryforwards	$ 11,908	$ 5,144

f. Under the Income Tax Exemption No. 17, ACI is qualified for tax exemption for investing in research and development. With the approval of the Minister of Finance of Malaysia, it acquired 100% tax exemption for a period of 10 years from March 27, 2008 to March 26, 2018. After the end of the tax exemption period of 10 years, the preferential income tax rate of 20% is applicable to ACI. In 2019, ACI did not obtain the tax exemption approval from the Minister of Finance of Malaysia and, thus, its applicable income tax rate was 24%.

g. Sabah Softwoods Hybrid Fertiliser Sdn. Bhd. obtained the tax exemption approval from the Malaysian Investment Development Authority due to its investment in production equipment, and 60% of the investment on capital expenditure during the period from May 2012 to May 2017 were counted as tax credit.

h. Income tax assessments

As of December 31, 2019, except for Sabah Softwoods Hybrid Fertiliser Sdn. Bhd., which filed for correction for its tax credit in 2016 but did not obtain approval, the Group did not have any claim or litigation regarding tax assessment.

27. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 0.56	$ 4.76
Diluted earnings per share	$ 0.56	$ 4.75

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share calculation are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Profit for the period attributable to owners of the Company	$ 35,694	$ 305,058

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	64,034	64,034
Effect of potentially dilutive ordinary shares		
Employees' compensation	67	207
Weighted average number of ordinary shares used in the computation of diluted earnings per share	64,101	64,241

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. BUSINESS COMBINATIONS

In order to develop the sugar business and obtain the right of use for forest plantation, the Group acquired a 75% equity interest in Cosmos Biowood Sdn. Bhd. on May 28, 2018 for $2,261 thousand (MYR 300 thousand).

a. Assets acquired and liabilities assumed at the date of acquisition

	Cosmos Biowood Sdn. Bhd.
Current assets	
Cash and cash equivalents	$ 161
Other current assets	1
Current liabilities	
Other payables	(2,530)
	$ (2,368)

b. Goodwill recognized on acquisitions

	Cosmos Biowood Sdn. Bhd.
Consideration transferred	$ 2,261
Plus: Non-controlling interests (25% in Cosmos Biowood Sdn. Bhd.)	754
Plus: Fair value of identifiable net assets acquired	2,368
Goodwill recognized on acquisitions	$ 5,383

c. Net cash outflow on the acquisition of subsidiaries

	Cosmos Biowood Sdn. Bhd.
Consideration paid in cash	$ (2,261)
Plus: Cash and cash equivalent balances acquired	161
	$ (2,100)

d. The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income

	2018
Revenue	$ -
Net loss for the year	$ (910)

Had these business combinations been in effect at the beginning of the fiscal year, the Group's revenue would have been $2,687,581 thousand, and the profit would have been $347,343 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On March 25, 2019, the Group subscribed new shares issued by GK Bio International Sdn. Bhd. at a percentage different from its existing ownership percentage, which reduced its continuing interest from 100% to 60%. In addition, on August 23, 2019, the Company subscribed new shares issued by PT All Cosmos Biotek at a percentage different from its existing ownership percentage, which increased its continuing interest from 60% to 83%.

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

	GK Bio International Sdn. Bhd.	PT All Cosmos Biotek
Cash consideration paid	$ (13,594)	$ (42,844)
The proportionate share of the carrying amount of the net assets of the subsidiary	13,642	42,350
Differences recognized from equity transactions	$ 48	$ (494)
Line items adjusted for equity transactions		
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 48	$ (48)
Retained earnings	-	(446)
	$ 48	$ (494)

On May 28, 2018, the Group subscribed for additional new shares of Cosmos Biowood Sdn. Bhd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 75% to 80%.

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

	Cosmos Biowood Sdn. Bhd.
Cash consideration paid	$ (754)
The proportionate share of the carrying amount of the net assets of the subsidiary	485
Differences recognized from equity transactions	$ (269)
Line items adjusted for equity transactions	
Retained earnings	$ (269)

30. CASH FLOWS INFORMATION

a. Non-cash transaction

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

1) As of December 31, 2019 and 2018, the payable for purchasing equipment (recognized as other payables) were $134 thousand and $671 thousand, respectively.

2) As of December 31, 2018, the payable amount on acquired land use right was (recognized as other payables) $38,353 thousand.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes				
	Opening Balance	Cash Flows	New Leases	Interest Expenses	Exchange Differences	Others	Closing Balance
Short-term borrowings	$ 146,785	$ (138,873)	$ -	$ -	$ 1,292	$ -	$ 9,204
Long-term borrowings	45,212	(24,152)	-	-	109	-	21,169
Guarantee deposits received	22	363	-	-	(5)	-	380
Lease liabilities (Note 3)	43,458	(43,018)	2,213	319	1,442	(319)	4,095
Other payables to related parties	7	(5)	-	-	-	(1)	1
	$ 235,484	$ (205,685)	$ 2,213	$ 319	$ 2,838	$ (320)	$ 34,849

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Interest Expenses	Non-cash Changes: Exchange Differences	Closing Balance
Short-term borrowings	$ 60,204	$ 87,255	$ -	$ -	$ (674)	$ 146,785
Long-term borrowings	67,670	(23,002)	-	-	544	45,212
Guarantee deposits received	30	(8)	-	-	-	22
Finance lease payables	1,847	(1,117)	708	79	14	1,531
Other payables to related parties	-	5	-	-	2	7
	$ 129,751	$ 63,133	$ 708	$ 79	$ (114)	$ 193,557

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in 2019 and 2018.

The management of the Group periodically reviews its capital structure. As part of the review, the management considers the cost of capital, and the risks associated with each borrowings and the financial ratio required to determine the reasonable scale of capital structure of the Group. The Group balances its overall capital structure by distributing dividend, issuing new shares and obtaining loans.

32. FINANCIAL INSTRUMENTS

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

The Group's management believes that the book value of financial asset and financial liability that are not measured at fair value approximates the fair value.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 43	$ -	$ 43
Mutual funds	60,466	-	-	60,466
	$ 60,466	$ 43	$ -	$ 60,509

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 1,137	$ -	$ 1,137
Mutual funds	30,454	-	-	30,454
	$ 30,454	$ 1,137	$ -	$ 31,591

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Fair values of foreign exchange derivative products are measured on the basis of quotations provided by financial institutions.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 60,509	$ 31,591
Financial assets at amortized cost (1)	1,520,269	1,538,505
Financial liabilities		
Amortized cost (2)	147,610	341,008

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables (excluding GST refund receivable), other receivables from related parties, other financial assets, and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables (excluding payable for salaries and bonuses, payable for pension fees and payable for taxes), other payables to related parties, current portion of long-term borrowings, long-term borrowings, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, lease liabilities and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk. The Group entered into forward foreign exchange contracts to hedge the exchange rate risk arising from the importations denominated in United States dollar.

a) Foreign currency risk

The Group's involvement in foreign currency denominated transactions exposed it to excessive risk arising from volatility of the exchange difference. The Group's risk management policy on foreign exchange is within standard, utilizing derivative - foreign currency forward contract - to manage risks.

The carrying amount of the Group's non-functional currency denominated monetary assets and liabilities (including those eliminated on consolidation) at the end of the year is set out in Note 37.

Sensitivity analysis

The Group was mainly exposed to the changes in the exchange rate of United States dollars (USD).

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items (e.g. trade receivables, trade payables and borrowing from external entities), and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with functional currency strengthened by 5% against the relevant foreign currency. For a 5% weakening of functional currency against the relevant foreign currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 3,925 *	$ 7,903 *

* This was mainly attributable to the exposure on bank deposits, trade receivables, trade payables and borrowings in USD which were not hedged at the end of the year.

The Group's sensitivity to foreign currency decreased during the current year mainly due to the decreases of the foreign financial assets.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 428,566	$ 125,946
Financial liabilities	13,299	1,531
Cash flow interest rate risk		
Financial assets	61,250	113,924
Financial liabilities	21,169	191,997

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. Sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $401 thousand and decrease/increase $781 thousand, respectively, which was mainly a result of the Group's exposure to the change in interest rate on its floating rate bank borrowings and bank deposits.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decreases in financial assets and financial liabilities of cash flow interest rate risk.

c) Other price risk

The Group was exposed to price risk relating to its investments in money market fund instruments which were classified as financial assets at FVTPL. The investments are held for strategic purposes. The Group manages this exposure by maintaining a portfolio of investments with lower risks.

Sensitivity analysis

The sensitivity analysis below was based on the exposure to money market funds price risks at the end of the year.

If money market funds prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $605 thousand and $305 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

The Group's sensitivity to price risk increased during the current year mainly due to the increase of investment in money market funds.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligations and due to financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2019

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Non-interest bearing	$ 55,234	$ 58,659	$ 2,964	$ 380	$ -
Lease liabilities	210	436	1,695	1,994	-
Floating interest rate instruments	2,127	4,253	12,026	3,383	-
Fixed interest rate instruments	-	-	9,338	-	-
	$ 57,571	$ 63,348	$ 26,023	$ 5,757	$ -

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 2,341	$ 1,994	$ -	$ -	$ -	$ -

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	$ 73,724	$ 62,541	$ 12,724	$ 22	$ -
Finance lease liabilities	82	248	693	589	-
Floating interest rate instruments	88,967	36,360	47,247	21,835	-
	$ 162,773	$ 99,149	$ 60,664	$ 22,446	$ -

The amount included above for floating interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in floating interest rates differ from those estimates of interest rates determined at the end of the year.

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table detailed the Group’s liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Foreign exchange forward contracts	$ 21	$ 22	$ -	$ -	$ -

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Foreign exchange forward contracts	$ 373	$ 764	$ -	$ -	$ -

c) Financing facilities

	December 31	
	2019	2018
Secured bank loan facilities:		
Amount used	$ 30,373	$ 191,997
Amount unused	1,109,043	896,350
	$ 1,139,416	$ 1,088,347

33. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Names	Related Party Categories
Sabah Softwoods Berhad	Related party in substance
Sawit Kinabalu Seeds Sdn. Bhd.	Related party in substance
Borneo Samudera Sdn. Bhd.	Related party in substance
Bongalio Development Sdn. Bhd.	Related party in substance
Kalabakan Plantation Sdn. Bhd.	Related party in substance
Oscar Kinabalu Sdn. Bhd.	Related party in substance
Bagahak Plantation Sdn. Bhd.	Related party in substance
Saplantco Sdn. Bhd.	Related party in substance
Sawit Ecoshield Sdn. Bhd.	Associate
Peng Sheng Ching	Related party in substance
Tan Chek Yen	Related party in substance
Peng Shih Hao	Key management personnel

b. Operating revenue

Line Items	Related Party Categories/Name	For the Year Ended December 31	
		2019	2018
Sales	Related parties in substance		
	Sabah Softwoods Berhad	$ 242,482	$ 235,165
	Borneo Samudera Sdn. Bhd.	161,530	186,773
	Others	29,504	59,936
	Associate	2,752	-
		$ 436,268	$ 481,874

The selling price for related parties is calculated with reference to the applicable market price. The credit terms for the related parties are comparable to those for unrelated parties.

c. Contract liabilities

Related Party Category/Name	December 31 2019	December 31 2018
Associate		
Sawit Ecoshield Sdn. Bhd.	$ -	$ 8,443

d. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories/Name	December 31 2019	December 31 2018
Trade receivables	Related parties in substance		
	Sabah Softwoods Berhad	$ 23,849	$ 2,381
	Borneo Samudera Sdn. Bhd.	7,589	18,464
	Others	4,577	-
	Associate	2,713	-
		38,728	20,845
	Less: Allowance for impairment loss	(2,732)	(602)
		$ 35,996	$ 20,243
Other receivables	Associate		
	Sawit Ecoshield Sdn. Bhd.	$ 7,609	$ 15
	Key management personnel	37	-
		$ 7,646	$ 15

The outstanding receivables from related parties are unsecured.

The Group measures the loss allowance for trade receivables from related parties at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The following table details the loss allowance of trade receivables from related parties based on the Group's provision matrix.

Trade receivables from related parties

December 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	1.47%	3.06%	20.86%	-	100.00%	
Gross carrying amount	$ 25,870	$ 1,860	$ 10,997	$ -	$ 1	$ 38,728
Loss allowance (Lifetime ECL)	(380)	(57)	(2,294)	-	(1)	(2,732)
Amortized cost	$ 25,490	$ 1,803	$ 8,703	$ -	$ -	$ 35,996

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	1.43%	4.25%	-	100.00%	100.00%	-
Gross carrying amount	$ 10,502	$ 10,330	$ -	$ 12	$ 1	$ 20,845
Loss allowance (Lifetime ECL)	(150)	(439)	-	(12)	(1)	(602)
Amortized cost	$ 10,352	$ 9,891	$ -	$ -	$ -	$ 20,243

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 602	$ -
Add: Net remeasurement of loss allowance	2,164	608
Foreign exchange losses	(34)	(6)
Balance at December 31	$ 2,732	$ 602

e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories/Name	December 31 2019	December 31 2018
Other payables to related parties	Related parties in substance	$ 1	$ -
	Key management personnel	-	7
		$ 1	$ 7

The outstanding payables to related parties are unsecured.

f. Lease arrangements - Group is lessee

Acquisition of right-of-use assets

Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Related parties in substance	$ 422	$ -

Line Items	Related Party Categories/Name	December 31 2019	December 31 2018
Lease liabilities	Related parties in substance	$ 127	$ -

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Interest expense		
Related parties in substance	$ 16	$ -
Lease expense		
Related parties in substance	$ -	$ 314

The Group leased an employees' dormitory from related parties in substance with rentals paid monthly.

g. Loans to related parties

Related Party Category/Name	December 31	
	2019	2018
Associate		
Sawit Ecoshield Sdn. Bhd.	$ 14,711	$ -

The Group provided its associate with unsecured short-term loans at rates comparable to market interest rates.

h. Other transactions with related parties

In 2019, ACI entered into an agreement with its associate to purchase machinery on its behalf and provide related technical consulting. For the year ended December 31, 2019, the service revenue was $5,779 thousand (recognized as other income).

i. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 32,492	$ 55,014

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2019	**2018**
Prepayment for leases	$ -	$ 121,659
Right-of-use assets	119,464	-
Other financial assets - current	9,204	-
Other financial assets - non-current	128,257	125,025
Lease assets, net	-	2,751
Buildings, net	285,672	289,876
	$ 542,597	$ 539,311

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2019 and 2018 were as follows:

	December 31	
	2019	**2018**
Acquisition of property, plant and equipment	$ 12,131	$ -

36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The 2019 novel coronavirus outbreak in January 2020 caused the Malaysian government to impose national prevention measures to prevent the spread of the virus, suspending all business and religion events from March 18 to April 14, 2020. Businesses that provide essential services continued to operate as long as an application was filed and approved. ACI and SSHF filed their application to continue operation on March 19, 2020. As of the date the consolidated financial statements were authorized for issue, the application of ACI was still awaiting the approval, while the application of SSHF was approved on March 21, 2020. Due to the inability to assess the disease control situation, the Group could not reasonably estimate the extent of the impact on the operation and the entire industry.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,048	4.171 (USD:MYR)	$ 93,506
USD	14	14,139 (USD:IDR)	425
Financial liabilities			
Monetary items			
USD	677	4.171 (USD:MYR)	20,756

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,469	4.2350 (USD:MYR)	$ 171,240
USD	410	14,860 (USD:IDR)	12,861
Financial liabilities			
Monetary items			
USD	831	4.2350 (USD:MYR)	26,033

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	4.1409 (USD:MYR)	$ 9,879	4.0432 (USD:MYR)	$ 28,125

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)

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

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

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

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

9) Trading in derivative instruments (Notes 7 and 32)

10) Intercompany relationships and significant intercompany transactions (Table 5)

11) Information on investees (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (None)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were All Cosmos Industries Sdn. Bhd. (ACI), Sabah Softwoods Hybrid Fertiliser Sdn. Bhd. (SSHF) and others.

The details of the Group's reportable segments were as follows:

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Segment Revenue For the Year Ended December 31		Segment Income For the Year Ended December 31	
	2019	**2018**	**2019**	**2018**
ACI	$ 1,105,819	$ 1,860,224	$ 57,464	$ 274,438
SSHF	560,215	775,038	13,196	101,204
Others	101,665	52,319	22,428	20,127
Continuing operations	$ 1,767,699	$ 2,687,581	93,088	395,769
Other income			34,043	20,976
Other gains and losses			6,147	39,956
Finance costs			(9,448)	(18,666)
Share of loss of associates			(155)	(20)
General administration costs and remuneration of directors			(19,857)	(39,000)
Profit before tax (continuing operations)			$ 103,818	$ 399,015

Segment revenue reported above represents revenue generated from external customers. The inter-segment sales for the years ended December 31, 2019 and 2018 have both been eliminated.

Segment profit represents the profit before tax earned by each segment without allocation of general administration costs and remuneration of directors, share of loss of associates, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

Segment total assets and liabilities are not provided to the chief operating decision maker and thus not required to be disclosed.

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	For the Year Ended December 31	
	2019	2018
Bio-chemical fertilizers	$ 1,703,565	$ 2,650,533
Others	64,134	37,048
	$ 1,767,699	$ 2,687,581

d. Geographical information

The Group operates mainly in Malaysia.

The Group's revenue from continuing operations from external customers by location of customers and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Malaysia	$1,605,877	$2,448,563	$ 605,065	$ 609,446
Others	161,822	239,018	54,726	53,313
	$1,767,699	$2,687,581	$ 659,791	$ 662,759

Non-current assets exclude investments accounted for using the equity method, other financial assets - non-current, deferred tax assets and refundable deposits.

e. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Group A	$ 242,884	14	NA (Note)	-
Group B	193,786	11	NA (Note)	-
Group C	NA (Note)	-	$ 339,365	13

Note: Annual revenue less than 10% of the Group's gross revenue

TABLE 1

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount (Note 2)	Interest Rate %	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Sabah Softwoods Hybrid Fertiliser Sdn. Bhd. (SSHF)	Sawit Ecoshield Sdn. Bhd.	Other receivables from related parties	Yes	$ 14,711	$ 14,711	$ 14,711	4.36	Short-term financing	$ -	Operating capital	$ -	$ -	$ -	$ 230,607 (Note 1)	$ 307,476 (Note 1)

Note 1: The amount of loans to companies with short-term liquidity needs shall not aggregate more than 40% of SSHF's net asset value; loans to individual borrower shall not exceed 30% of SSHF’s net asset value.

Note 2: The transactions were eliminated in the consolidated financial statements.

Note 3: The highest balance for the period, the ending balance and the actual borrowing amount were recognized at the exchange rate at the end of the reporting period.

TABLE 2

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	All Cosmos Industries Sdn. Bhd. (ACI)	The Company directly and indirectly hold more than 50% voting share of the investee company.	$ 1,329,727	$ 899,414	$ 860,430	$ 24,098	$ -	42	$ 2,045,734	Yes	No	No

Note 1: The amount of endorsements/guarantee provided shall not aggregate more than 100% of the Company's net asset value. The total amount of the endorsement/guarantee provided by the Company to any individual subsidiary shall not exceed 65% of the Company net asset value.

Note 2: The transactions were eliminated in the consolidated financial statements.

Note 3: The maximum amount for the period, the ending balance for the period and the actual borrowing amount were recognized at the exchange rate at the end of the reporting period.

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Number of Shares and Shareholding Ratio Otherwise Stated)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ACI	Mutual Fund							
	Affin Hwang Enhanced Deposit Fund	None	Financial assets at FVTPL - current	2,723,550	$ 23,551	-	$ 23,551	Note
	Affin Hwang Aiiman Money Market Fund	None	Financial assets at FVTPL - current	9,365,551	36,915	-	36,915	Note

Note: There is no restriction due to collateral, pledge loan or other arrangement.

TABLE 4

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
SSHF	Sabah Softwoods Berhad	Substantive related party	Sale	$ (242,482)	(43)	60 days	NA (Same as the Company's usual list prices)	NA (Same as the Company's usual payment terms)	$ 23,849	35	
	Borneo Samudera Sdn. Bhd.	Substantive related party	Sale	(161,530)	(29)	60 days	NA (Same as the Company's usual list prices)	NA (Same as the Company's usual payment terms)	7,589	11	

TABLE 5

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Malaysian Ringgit)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details				
				Financial Statement Accounts	Amount in MYR	Amount in NT$	Payment Terms	% to Total Sales or Assets
0	The Company	ACI	a	Endorsement/guarantee	$ 116,978	$ 860,430		33
			a	Investments accounted for using the equity method	22,000	161,821	Cash dividend	6
		GK Bio International Sdn. Bhd.	a	Investments accounted for using the equity method	1,800	13,594	Capital injection by cash	1
		PT All Cosmos Biotek	a	Investments accounted for using the equity method	5,756	42,844	Capital injection by cash	2
1	ACI	PT All Cosmos Indonesia	c	Sales	8,733	65,165	Sales price is based on market price and transfer pricing within the Group; payment terms is net 60 days	4
			c	Trade receivables	5,293	38,936		1

Note 1: Business relationship between the parent company and its subsidiaries are coded as follows:

a. The Company (parent company) is “0”.
b. Coded consecutively beginning from “1” in the order presented in the table above.

Note 2: The relationship between transaction company and counterparty is classified into the following three categories:

a. The Company to subsidiary.
b. Subsidiary to the Company.
c. Subsidiary to subsidiary.

Note 3: For balance sheet items, the percentage column shows the percentage of ending balance of the item to the consolidated total assets; for income statement items, this column shows the percentage of the accumulated amount of the transactions in the reporting period to the consolidated total operating revenue for the reporting period.

Note 4: Except for investments accounted for using the equity method recognized at historical exchange rate, all assets and liabilities were recognized at the exchange rate (MYR1=$7.355485) at the end of the reporting period. All net income items were recognized at the average exchange rate (MYR1=$7.461942).

Note 5: The transactions were eliminated in the consolidated financial statements.

Note 6: This table disclosed significant transactions with amounts of at least $10 million.

ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Malaysian Ringgit, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
The Company	ACI	Johor Bahru, Malaysia	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	$ 292,969 (MYR 30,000)	$ 292,969 (MYR 30,000)	30,000,000	100	$ 1,515,552 (MYR 206,044)	$ 37,781 (MYR 5,063)	$ 40,171 (MYR 5,383)	Notes 1 and 2
	SSHF	Lahad Datu, Malaysia	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	292,053 (MYR 33,000)	292,053 (MYR 33,000)	33,000,000	55	422,780 (MYR 57,478)	10,926 (MYR 1,464)	6,009 (MYR 805)	Notes 1 and 3
	PT All Cosmos Indonesia	North Sumatra, Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	9,925 (IDR 3,960,000)	9,925 (IDR 3,960,000)	79,200	99	14,636 (MYR 1,990)	12,284 (MYR 1,646)	12,161 (MYR 1,630)	Note 1
	PT All Cosmos Biotek	North Sumatra, Indonesia	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	61,693 (IDR28,280,000)	18,849 (IDR 8,400,000)	28,280	83	58,675 (MYR 7,977)	-4,007 (MYR -537)	-2,787 (MYR -373)	Note 1
	GK Bio International Sdn. Bhd.	Selangor, Malaysia	Wholesale of probiotics	13,594 (MYR 1,800)	-	1,800,000	60	11,696 (MYR 1,590)	-2,585 (MYR -346)	-1,495 (MYR -200)	Notes 1 and 4
ACI	PT All Cosmos Indonesia	North Sumatra, Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	102 (IDR 40,000)	102 (IDR 40,000)	800	1	100 (MYR 14)	12,284 (MYR 1,646)	123 (MYR 16)	Note 1
	Arif Efektif Sdn. Bhd.	Johor Bahru, Malaysia	Research and development of effective microorganisms for Bio-organic and Bio-chemical compound fertilizers	2,349 (MYR 245)	2,349 (MYR 245)	245,000	49	9,112 (MYR 1,239)	3,211 (MYR 430)	1,573 (MYR 211)	Note 1
	Kinabalu Life Sciences Sdn. Bhd.	Lahad Datu, Malaysia	Research and development of effective microorganisms for waste disposal of oil-palm	8,933 (MYR 1,200)	-	1,200,000	60	8,847 (MYR 1,203)	35 (MYR 5)	21 (MYR 3)	Note 1
	Cosmos Biowood Sdn. Bhd.	Johor Bahru, Malaysia	Forest plantation and research	3,015 (MYR 400)	3,015 (MYR 400)	400,000	80	-2,112 (MYR -287)	-171 (MYR -23)	-4,134 (MYR -554)	Notes 1 and 5
	GK Bio International Sdn. Bhd.	Johor Bahru, Malaysia	Wholesale of probiotics	-	-	-	-	-	-2,585 (MYR -346)	-93 (MYR -13)	Notes 1 and 4
SSHF	Sawit Ecoshield Sdn. Bhd.	Kota Kinabalu, Malaysia	Research and development of effective microorganisms for waste disposal of oil-palm	14,788 (MYR 2,000)	14,788 (MYR 2,000)	2,000,000	40	14,539 (MYR 1,977)	-387 (MYR -52)	-155 (MYR -21)	

Note 1: The transactions were eliminated in the consolidated financial statements.

Note 2: Realized/unrealized gross profit on intercompany transactions were included.

Note 3: A subsidiary with a material non-controlling interest.

Note 4: On March 25, 2019, the equity interest of GK Bio International Sdn. Bhd. was transferred from ACI to the Company. At the same time, GK Bio International Sdn. Bhd. issued new shares. However, the Company invested MYR1,080 thousand to subscribe for additional new shares issued by GK Bio International Sdn. Bhd. at a percentage different from its existing ownership percentage, which decreased its continuing interest from 100% to 60%

Note 5: ACI recognized impairment loss of acquisition premium at MYR 536 thousand in 2019.