

## Accounting Standard for Business Enterprises No. 5 - Biological assets

### Chapter I General Provisions

Article 1 In order to regulate the recognition and measurement of biological assets related to the agricultural production, and the disclosure of relevant information, these Standards are formulated in accordance with the Accounting Standards for Enterprises – Basic Standards.

Article 2 Biological assets refer to living animals and plants.

Article 3 Biological assets have a classification of consumptive biological assets, productive biological assets, and public welfare biological assets.

The consumptive biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing field crops, vegetables, commercial forests, livestock on hand, etc.

The productive biological assets refer to the biological assets held on the purpose of producing agricultural products, rendering labor services, renting, and etc., consisting of the economic forests, fuel forests, productive livestock, draught animals, etc.

The public welfare biological assets refer to the biological assets for the main purpose of protection or environmental protection, consisting of wind break and sand fixation forests, water and soil conservation forests, water conservation forests, etc.

Article 4 Other relevant accounting standards shall apply to the items as follows:

- (1) The Accounting Standards for Enterprises No. 1 – Inventories, shall apply to the agricultural production of the harvest; and
- (2) The Accounting Standards for Enterprises No. 16 – Governmental Subsidies, shall apply to the governmental subsidies concerning the biological assets.

### Chapter II Recognition and Initial Measurement

Article 5 No biological asset shall be recognized unless it meets the conditions as follows simultaneously:

- (1) An enterprise possesses or controls the biological asset as a result of past transaction or event;
- (2) The economic benefits or service potential concerning this biological asset are likely to flow into the enterprise; and

(3) The cost of this biological asset can be measured reliably.

Article 6 The initial measurement shall be made to the biological asset at its cost.

Article 7 The cost of a purchased biological asset consists of the purchase price, the relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of this asset.

Article 8 The cost of any consumptive biological asset by way of self-planting, self-cultivating, self-breeding shall be ascertained in accordance with the provisions as follows:

(1) The cost of self-planting crops and vegetables consists of the necessary expenses for the materials such as the seeds, fertilizers, and pesticides, labor, indirect apportionment, etc., prior to the harvest;

(2) The cost of consumptive biological asset such as self-cultivating forest consists of the necessary expenses for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, indirect apportionment, etc.

(3) The cost of self-breeding livestock raised exclusively for meat production consists of the necessary expenses for feed, labor, indirect apportionment, etc. prior to the sale; and

(4) The cost of breeding aquatic animals and plants consists of the necessary expenses for materials such as

Article 9 The cost of self-breeding productive biological asset shall be ascertained in accordance with the provisions as follows:

(1) The cost of self-planting productive biological assets as forests consists of the necessary expenses for forestation, forest tending, forest operating facilities, testing of good species, investigation and design, indirect apportionment, etc., before accomplishing the expected objective of production and operation; and

(2) The cost of self-breeding productive livestock and draught animals consists of the necessary expenses for feedstuffs and labor, indirect apportionment, etc., before accomplishing the expected objective of production and operation (being grown up). The phrase "accomplishing the expected objective of production and operation" refers that, the productive biological assets may produce agricultural products, render labor services, be rented out stably for several consecutive years after they enter into the normal production period.

Article 10 The cost of self-cultivating public welfare biological assets shall be ascertained in accordance with the necessary expenses for forestation, forest tending, forest protection, forest operating facilities, testing of good species, investigation and design, indirect apportionment, etc., prior to the close canopy.

Article 11 The borrowing costs, which shall be included in the cost of biological assets, shall be disposed in accordance with the Accounting Standards for Enterprises No. 17 – Borrowing Costs. The borrowing costs of consumptive biological assets such as forests shall be stopped from being capitalized at the close canopy.

Article 12 An investor shall ascertain the cost of a biological asset in accordance with the value as stipulated in the investment contract or agreement, unless the unfair value is stipulated in the contract or agreement.

Article 13 The cost of a biological asset sourced from the nature shall be ascertained in accordance with its nominal amount.

Article 14 The cost of biological assets obtained from the exchange of nonmonetary assets, recombination liabilities and merger of enterprises shall be ascertained in accordance with the Accounting Standards for Enterprises No. 7 – Exchange of Non-monetary Assets, Accounting Standards for Enterprises No. 12 – Debt Restructuring and Accounting Standards for Enterprises No. 20 – Merger of Enterprises, respectively.

Article 15 The subsequent expenses for the biological assets as additional forest planting as a result of selective felling, intermediate felling, or tending and improvement felling shall be included in the cost of the biological asset as forests.

The subsequent expenses for the management and protection or for the breeding of a biological asset after canopy closure or after the accomplishment of the expected objective of production and operation shall be included in the current profits and losses.

### Chapter III Subsequent Measurement

Article 16 An enterprise shall make subsequent measurements for the biological assets in accordance with the provisions from Article 17 to Article 21 of these Standards except for the items as prescribed in Article 22 of these Standards.

Article 17 An enterprise shall, in accordance with the schedule, make the depreciation charges of any productive biological asset whose expected objective of production and purpose has been accomplished, and shall, based on the use of the biological asset, include it in the cost or current profits and losses of the relevant asset.

Article 18 An enterprise shall, in accordance with the nature of a productive biological asset, the information about the utilization, and the form of realization of the relevant expected economic benefits, reasonably ascertain the useful life, expected net salvage value, and depreciation methods of this productive biological asset. The depreciation methods available consist of the straight-line method, unit-of-production method, unit-of-output method, etc.

Once an enterprise ascertains the useful life, expected net salvage value, or depreciation method of a productive biological asset, it shall not change it randomly, unless it meets the provisions prescribed as in Article 20 of these Standards.

Article 19 When an enterprise ascertains the useful life of a productive biological asset, it shall take into consideration the factors as follows:

- (1) The expected output capacity or output of physical objects;
- (2) The expected tangible loss of the asset such as decrepitude of productive livestock and draught animals and the aging of economic forests; and
- (3) The expected intangible loss of the asset, such as the relative decrease or degrade in the production capacity of the productive biological asset, or the quality of the agricultural products produced thereby as a result of appearance of new products, the relative outmode of the agricultural products of the productive biological asset as a result of the change of market demands.

Article 20 An enterprise shall, at least at the end of each year, have a check on the useful life, expected net salvage value, and depreciation method of the productive biological assets.

If there is any difference between the expected useful life or the amount of expected net salvage value and that of the previously estimated in a fixed asset, or if any significant change is made on the form of realization of the relevant economic benefits, it shall be regarded as a change of the accounting estimates, and thus the useful life or the expected net salvage value or depreciation method of the productive biological asset shall be adjusted or changed in accordance with the Accounting Standards for Enterprises No. 28 – Changes in Accounting Policies and Estimates and Correction of Errors.

Article 21 An enterprise shall, at least at the end of each year, examine the consumptive biological assets and productive biological assets. If any well established evidence indicates that the realizable net value of any consumptive biological asset or the recoverable amount of any productive biological asset is lower than its book value as a result of natural disaster, plant diseases and insect pests, animal disease or change of market demand, the enterprise shall, based on the difference between the realizable net value or the recoverable amount and the relevant book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it in the current profits and losses. The aforesaid realizable net value and recoverable amount shall be ascertained in accordance with the Accounting Standards for Enterprises No. 1 – Inventories and Accounting Standards for Enterprises No. 8 – Asset Impairment, respectively.

If the factors causing any impairment of a consumptive biological asset have disappeared, the amount of write-down shall be resumed and shall be reversed from the provision for the loss on decline in value of the consumptive biological asset that has been made. The reversed amount shall be included in the current profits and losses.

Once the provision for impairment of a productive biological asset is made, it shall not be reversed. No provision shall be made for public welfare biological assets.

Article 22 Where any well-established evidence indicates that the fair value of a biological asset can be obtained in a reliable and continuous way, the biological asset shall be measured at the fair value. If a biological asset is made a measurement at the fair value, it shall meet the conditions as follows simultaneously:

- (1) There is an active biological asset trading market; and

(2) The identical or similar market prices of biological assets and other relevant information can be obtained from the trading market, so as to make a reasonable estimate on the fair value of the biological asset.

#### Chapter IV Harvest and Disposal

Article 23 The cost of a consumptive biological asset shall, at the time of harvest or sale, be carried over in accordance with its book value. The methods available for the carryover of cost consist of the weighted average method, specific cost identification method, stock volume proportion method, fixed number of years within rotational felling period method, etc.

Article 24 The cost of agricultural products harvested by a productive biological asset shall be ascertained in accordance with the necessary expenses for the materials, labor, and indirect apportionment, etc., during the course of output or gathering. The book value of the productive biological asset shall be carried over as the cost of agricultural products by employing such methods as the weighted average method, specific cost identification method, stock volume proportion method, fixed number of years within rotational felling period method, etc.

The agricultural products harvested shall be disposed in the light of the

Accounting Standards No. 1 – Inventories.

Article 25 The cost of the biological asset of which the purpose has been changed shall be ascertained at the previous book value when its purpose has not been changed.

Article 26 For a biological asset, when such conditions as sale, inventory loss, death, damage or destroy appear, its balance after deducting the book value and the relevant taxes from the disposal income shall be included in the current profits and incomes.

#### Chapter V Disclosure

Article 27 An enterprise shall, in the notes, disclose the information concerning the biological assets as follows:

- (1) The categories of biological assets, quantities of physical output and book value of various biological assets;
- (2) The accumulative amount of provision for loss on decline in value of various consumptive biological assets, and the useful life, expected net salvage value, depreciation method, amount of accumulative depreciation and accumulative amount of provision for impairment;
- (3) The categories, obtainment methods and quantities of physical goods of the biological assets sourced from the nature;
- (4) The book value of the biological assets used as guaranties; and
- (5) The information about the risks related to the biological assets and the relevant management measures.

Article 28 An enterprise shall, in the notes, disclose the information concerning the increase and decrease of biological assets as follows:

- (1) The increase of the biological assets as a result of purchase;
- (2) The increase of the biological assets as a result of self-planting, self cultivating or self-breeding;
- (3) The decrease of the biological assets as a result of sale;
- (4) The decrease of the biological assets as a result of inventory loss, death, damage or destroy;
- (5) The depreciation, or provision for loss on decline in value or impairment which has been made; and
- (6) Other alterations.