Stock Code:1904

CHENG LOONG CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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Representation Letter

The entities that are required to be included in the combined financial statements of CHENG LOONG CORPORATION as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHENG LOONG CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHENG LOONG CORPORATION
Chairman: Su-Yun Cheng
Date: March 20, 2020

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Independent Auditors' Report

To the Board of Directors of CHENG LOONG CORPORATION:

Opinion

We have audited the consolidated financial statements of CHENG LOONG CORPORATION and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain subsidiaries and the investments accounted for using equity method. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries and the investments accounted for using equity method, are based solely on the reports of the other auditors. As of December 31, 2019 and 2018, the assets of those subsidiaries constituted 3.74% and 3.70%, respectively, of the consolidated total assets; the operating revenue of those subsidiaries constituted 5.09% and 3.83%, respectively, of the consolidated operating revenue; the investments accounted for using equity method constituted 1.91% and 1.79%, respectively, of the consolidated total assets; and the share of profit of associates accounted for using equity method constituted 2.77% and 1.54%, respectively, of the consolidated profit before income tax.

CHENG LOONG CORPORATION has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter paragraph.

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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 of the current period. 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. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

   Please refer to note 4(h) "Inventories", note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(e) " Inventories" of the consolidated financial statements.

   Description of key audit matter:

   Inventories of the Group are measured at the lower of cost and net realizable value. Due to the rapid transformation of economic environment and the fact that paper prices are directly affected by the international raw materials market, there is a risk that the cost of the inventory would be higher than its net realizable value. Furthermore, the estimation of inventories requires subjective judgments of the management, which is the major source of estimation uncertainty.

   How the matter was addressed in our audit:

   Understanding the policies of evaluating the allowance and obsolescence of the inventories of the Group; inspecting whether existing inventory policies are applied; inspecting the reasonableness for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate; sampling the price variation or inventories sold in the subsequent period and understanding the sales price used by the management to access whether the net realizable value and the allowance for inventories are reasonable.

2. Impairment estimation on other receivables

   Please refer to note 4(g) " Financial Instruments", note 5(b) " Significant accounting assumptions and judgments, and major sources of estimation uncertainty", notes 6(d) "Other receivables" and 12(c) of the consolidated financial statement.

   Description of key audit matter:

   A resolution was approved during the board meeting of Winvantage Corporation's (the Group's subsidiary) held on January 16, 2018 to enter into a share sale and purchase agreement with Sinobird Holding Limited and Hybest(BVI) Company Limited (hereinafter referred to as the "Buyer"), which were the wholly-funded subsidiaries of China Vanke Co., Ltd, to sell 100% shares of Ever Onward Corporation in order to indirectly transfer 100% shares of Shanghai Chung Loong Paper Co., Ltd. However, since the Buyer refused to pay the 3rd and 4th installments stated in the contract, this case has already been filed to the Hong Kong International Arbitration Centre, and the trial has commenced on May 2, 2019. The estimation of impairment on other receivables due to the sales of the equity of subsidiary will be based on the consequences of the arbitration and assumptions of expected loss rate, while the estimation may vary depending on the proceeding of the arbitration, therefore, this transaction is significant to the consolidated financial report.

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How the matter was addressed in out audit:

Interviewing management and the external lawyer. Inspecting the legal documents to understand the arbitration derived from this transaction. Obtaining the Group' s internal evaluation documents and the legal confirmations issued by the external lawyer for the arbitration. Assessing whether the impairment on the other receivables made by management are reasonable. Evaluating the appropriateness of the disclosures in the consolidated financial statements regarding to the arbitration.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, 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.

Auditor's 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 auditor's 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 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Mei-Pin Wu and Chi-Lung Yu.

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Taipei, Taiwan (Republic of China)
March 20, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 7,868,397	13	5,252,030	9
1170	Notes and accounts receivable, net (notes 6(c) and (v))	5,421,387	9	6,008,406	10
1180	Notes and accounts receivable – related parties, net (notes 6(c), (v) and 7)	759,821	1	790,733	1
1206	Other receivables (notes 6(d), (i), 7 and 12)	1,027,741	2	1,650,417	3
1310	Inventories, net (note 6(e))	3,850,319	7	5,758,112	9
1320	Construction in progress and building for sale (note 6(f))	3,790,716	6	3,613,006	6
1479	Other current assets	1,651,817	3	1,686,946	3
		24,370,198	41	24,759,650	41
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(b))	515,381	1	502,124	1
1550	Investments accounted for using equity method (notes 6(g) and 7)	1,120,221	2	1,061,049	2
1600	Property, plant and equipment (notes 6(k), 7 and 8)	28,653,569	48	30,000,264	50
1755	Right-of-use assets (notes 6(l) and 7)	2,341,080	4	-	-
1760	Investment property, net (notes 6(m) and 8)	1,536,641	3	1,456,070	2
1840	Deferred tax assets (note 6(s))	478,066	1	456,581	1
1985	Long-term prepaid rents (note 6(n))	-	-	1,287,067	2
1990	Other non-current assets	321,725	-	516,138	1
		34,966,683	59	35,279,293	59
	Total assets	$ 59,336,881	100	60,038,943	100

	Liabilities and equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(o) and (ab))	$ 5,508,273	9	7,869,013	13
2170	Notes and accounts payable	4,545,625	8	4,903,306	8
2180	Notes and accounts payable – related parties (note 7)	443,897	1	400,744	1
2280	Current lease liabilities (notes 6(p), (ab) and 7)	59,162	-	-	-
2320	Current portion of long-term borrowings (notes 6(o) and (ab))	645,082	1	488,522	1
2399	Other current liabilities (notes 6(b), (f), (q) and 7)	3,877,777	6	3,582,380	6
		15,079,816	25	17,243,965	29
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(o) and (ab))	14,637,375	25	15,130,436	25
2570	Deferred tax liabilities (note 6(s))	1,164,955	2	1,137,008	2
2580	Non-current lease liabilities (notes 6(p), (ab) and 7)	828,493	1	-	-
2640	Net defined benefit liability (note 6(r))	1,628,379	3	1,968,240	3
2670	Other non-current liabilities	438,836	1	390,419	1
		18,698,038	32	18,626,103	31
	Total liabilities	33,777,854	57	35,870,068	60
	Equity attributable to owners of parent:				
3100	Capital stock (note 6(t))	11,082,745	19	11,082,745	18
3200	Capital surplus (notes (h) and (t))	1,130,653	2	1,129,357	2
3310	Legal reserve (note 6(t))	2,884,571	5	2,510,414	4
3320	Special reserve (note 6(t))	1,068,452	2	978,822	2
3350	Unappropriated retained earnings (note 6 (t))	8,572,266	14	7,832,781	13
3410	Exchange differences on translation of foreign financial statements	(1,230,240)	(2)	(1,273,238)	(2)
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	216,240	-	204,786	-
	Total equity attributable to owners of parent	23,724,687	40	22,465,667	37
36XX	**Non-controlling interests** (note 6(h) and (j))	1,834,340	3	1,703,208	3
	Total equity	25,559,027	43	24,168,875	40
	Total liabilities and equity	$ 59,336,881	100	60,038,943	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(q), (v) and 7)**	$ 40,387,576	100	41,181,509	100
5000	**Operating costs (notes 6(e), (q), (r), (w), 7 and 12)**	31,163,326	77	32,657,524	79
	Gross profit from operations	9,224,250	23	8,523,985	21
	Operating expenses (notes 6(c), (p), (q), (r), (w), 7 and 12):				
6100	Selling expenses	2,943,572	7	2,749,638	7
6200	Administrative expenses	2,683,133	7	2,810,428	7
6300	Research and development expenses	105,954	-	93,723	-
6450	Expected credit losses (Reversal of expected credit losses)	(21,685)	-	11,002	-
		5,710,974	14	5,664,791	14
	Net operating income	3,513,276	9	2,859,194	7
	Non-operating income and expenses:				
7010	Other income (notes 6(x) and 7)	151,572	-	152,533	-
7020	Other gains and losses, net (notes 6(x) and 7)	(164,661)	-	(526,441)	(2)
7050	Finance costs (notes 6(f), (k), (p), (x) and 7)	(597,197)	(1)	(425,145)	(1)
7060	Share of profit of associates accounted for using equity method (note 6(g))	82,824	-	77,079	-
7225	Gains on disposals of investments (note 6(i))	-	-	2,859,121	8
		(527,462)	(1)	2,137,147	5
	Profit before income tax	2,985,814	8	4,996,341	12
7950	**Less: Income tax expenses (note 6(s))**	638,712	2	924,131	2
	Profit from continuing operations	2,347,102	6	4,072,210	10
8100	Profit from discontinued operations (note 12)	-	-	17,976	-
	Profit	2,347,102	6	4,090,186	10
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(r))	118,139	-	(221,903)	(1)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	13,257	-	(54,578)	-
8326	Share of unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of associates accounted for using equity method	(1,803)	-	(28,647)	-
	Items that may not be reclassified subsequently to profit or loss	129,593	-	(305,128)	(1)
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	136,471	-	1,179	-
8370	Share of other comprehensive income of associates accounted for using equity method	5,542	-	2,842	-
8399	Income tax related to items that may be reclassified to profit or loss (note 6(s))	(10,750)	-	56,144	-
	Items that may be reclassified subsequently to profit or loss	131,263	-	60,165	-
8300	**Other comprehensive income**	260,856	-	(244,963)	(1)
	Comprehensive income	$ 2,607,958	6	3,845,223	9
	Profit (loss), attributable to:				
8610	Owners of parent	$ 2,303,904	6	3,741,569	9
8620	Non-controlling interests	43,198	-	348,617	1
		$ 2,347,102	6	4,090,186	10
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 2,476,826	6	3,443,676	8
8720	Non-controlling interests	131,132	-	401,547	1
		$ 2,607,958	6	3,845,223	9
	Earnings per share (note 6(u))				
9750	**Basic earnings per share (NT dollars)**				
9710	Profit from continuing operations	$	2.08		3.37
9720	Profit from discontinued operations		-		0.01
	Profit per share	$	2.08		3.38
9850	**Diluted earnings per share (NT dollars)**				
9810	Profit from continuing operations	$	2.07		3.36
9820	Profit from discontinued operations		-		0.01
	Profit per share	$	2.07		3.37

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings			Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2018	$ 11,082,745	1,288,181	2,366,899	382,597	5,828,157	(1,279,983)	288,011	19,956,607	2,364,496	22,321,103
Profit	-	-	-	-	3,741,569	-	-	3,741,569	348,617	4,090,186
Other comprehensive income	-	-	-	-	(221,413)	6,745	(83,225)	(297,893)	52,930	(244,963)
Comprehensive income	-	-	-	-	3,520,156	6,745	(83,225)	3,443,676	401,547	3,845,223
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	143,515	-	(143,515)	-	-	-	-	-
Special reserve	-	-	-	596,225	(596,225)	-	-	-	-	-
Cash dividends	-	-	-	-	(775,792)	-	-	(775,792)	-	(775,792)
Change in equity of associates accounted for equity method	-	3,639	-	-	-	-	-	3,639	-	3,639
Non-controlling interests acquired	-	(162,463)	-	-	-	-	-	(162,463)	(391,016)	(553,479)
Capital reduction from subsidiaries	-	-	-	-	-	-	-	-	(671,819)	(671,819)
Balance on December 31, 2018	11,082,745	1,129,357	2,510,414	978,822	7,832,781	(1,273,238)	204,786	22,465,667	1,703,208	24,168,875
Profit	-	-	-	-	2,303,904	-	-	2,303,904	43,198	2,347,102
Other comprehensive income	-	-	-	-	118,470	42,998	11,454	172,922	87,934	260,856
Total comprehensive income	-	-	-	-	2,422,374	42,998	11,454	2,476,826	131,132	2,607,958
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	374,157	-	(374,157)	-	-	-	-	-
Special reserve	-	-	-	89,630	(89,630)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,219,102)	-	-	(1,219,102)	-	(1,219,102)
Changes in equity of associates accounted for using equity method	-	1,296	-	-	-	-	-	1,296	-	1,296
Balance on December 31, 2019	**$ 11,082,745**	**1,130,653**	**2,884,571**	**1,068,452**	**8,572,266**	**(1,230,240)**	**216,240**	**23,724,687**	**1,834,340**	**25,559,027**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit from continuing operations before tax	$	2,985,814	4,996,341
Profit from discontinued operations before tax		-	17,976
Profit before income tax		2,985,814	5,014,317
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization		2,539,963	2,048,702
Expected credit losses (reversal of expected credit losses)		(21,685)	278,152
Net gains on financial assets and liabilities at fair value through profit or loss		(1,866)	(6,099)
Interest expense		597,197	439,928
Interest income		(67,288)	(69,812)
Dividend income		(20,995)	(35,697)
Share of profit of associates accounted for using equity method		(82,824)	(77,079)
Loss on disposal of property, plan and equipment		77,920	97,878
Impairment loss on property, plant and equipment		31,214	188,734
Gain on disposals of investments		-	(2,859,121)
Total adjustments to reconcile profit (loss)		3,051,636	5,586
Changes in operating assets and liabilities:			
Notes and accounts receivable		607,236	813,680
Notes and accounts receivable－related parties		30,912	331,388
Other receivables		151,169	(527,241)
Inventories		1,907,793	200,225
Construction in progress and building for sale		(209,859)	(1,051,362)
Other current assets		42,139	(272,263)
Notes and accounts payable		(358,155)	202,713
Notes and accounts payable－related parties		43,627	(72,578)
Other current liabilities		652,934	1,734,545
Net defined benefit liability and other non-current liabilities		(173,579)	(150,622)
Total adjustments		5,745,853	1,214,071
Cash inflow generated from operations		8,731,667	6,228,388
Interest received		84,023	71,955
Cash dividends received		49,681	78,727
Interest paid		(620,143)	(431,513)
Income taxes paid		(923,115)	(254,470)
Net cash flows from operating activities		7,322,113	5,693,087
Cash flows from (used in) investing activities:			
Acquisition of property, plant and equipment		(1,903,338)	(5,267,087)
Proceeds from disposal of property, plant and equipment		69,943	117,169
Increase in long-term prepaid rents		-	(298,627)
Acquisition of right-of-use assets		(169,295)	-
Increase in financial assets－non-current		(68,049)	(12,639)
Increase in other non-current assets		(30,203)	(252,500)
Decrease in other receivables		476,950	-
Proceeds from disposal of subsidiaries (subsidiaries' cash deducted)		-	4,419,992
Net cash flows used in investing activities		(1,623,992)	(1,293,692)
Cash flows from (used in) financing activities:			
Decrease in short-term borrowings		(2,360,740)	(1,407,781)
Decrease in long-term borrowings		(336,501)	(1,709,892)
Cash dividends paid		(1,219,102)	(775,792)
Subsidiaries' capital reduction to non-controlling interests		-	(671,819)
Payment of lease liabilities		(60,284)	-
Non-controlling interests acquired		-	(553,479)
Net cash flows used in financing activities		(3,976,627)	(5,118,763)
Effect of exchange rate changes on cash and cash equivalents		894,873	896,896
Net increase in cash and cash equivalents		2,616,367	177,528
Cash and cash equivalents at beginning of year		5,252,030	5,074,502
Cash and cash equivalents at end of year	$	7,868,397	5,252,030

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CHENG LOONG CORPORATION (the "Corporation") was incorporated on February 4, 1959. The address of the Corporation's registered office is No. 1, Min Sheng Rd., Sec. 1, Banqiao Dist., New Taipei City. On November 1, 2004, the Corporation merged with Tien Long Paper Manufacturing Co., Ltd. and on January 1, 2015, merged with Shan Fu Paper Co., Ltd.. The consolidated financial statements of the Corporation as of and for the years ended December 31, 2019, comprise the Corporation and its subsidiaries ("the Group").

The main activities of the Group include:

(a) the manufacturing and sale of paper products;
(b) the manufacturing and sale of materials for paper products;
(c) the manufacturing and sale of corrugated carton and paper-related products; and
(d) the building of residential and commercial premises for rent and sale in partnership with construction companies.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the board of directors on March 20, 2020.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by Financial Supervisory Commission, R.O.C. ("FSC") and are effective for annual periods beginning on or after January 1, 2019. The related new standards, interpretation and amendments are as follows (In addition, based on the announcement issued by the FSC on December 12, 2017, the Corporation can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation"):

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(l).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of other equipment.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  – their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee' s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized the amounts of $2,542,538 thousands and $951,523 thousands of right-of-use assets (including the amount in investment property) and lease liabilities, respectively; then derecognized the amounts of $19,196 thousands, $284,752 thousands, and $1,287,067 of other current assets, other non-current assets, and long-term prepaid rents, respectively; which did not affect its retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.83%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Material operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 1,982,379
Variable lease payment based on an index or a rate	(840,154)
Immaterial operating lease commitment	84,705
	$ 1,226,930
Discounted using the incremental borrowing rate at January 1, 2019 (as well as lease liabilities recognized as at January 1, 2019)	$ 951,523

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

(4) Summary of significant accounting policies

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC ("the IFRSs endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial assets at fair value through other comprehensive income are measured at fair value;

2) Hedging financial instruments are measured at fair value;

3) The defined benefit liability is recognized as the fair value of plan assets, less the present value of the defined benefit obligation.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Corporation and subsidiaries. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Profit or loss of subsidiaries is allocated to the Group and non controlling interests even if doing so causes the non controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

(Continued)

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Corporation.

When the Group loses control of a subsidiary, it shall derecognize assets (including goodwill), liabilities and non controlling interests of the former subsidiary at their carrying amounts at the date when control is lost; and shall remeasure the investment retained in the former subsidiary at its fair value at the date when control is lost. The gain or loss arising from derecognition is the difference between: (1) the total amounts of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost; and (2) the total amounts of the assets (including goodwill), liabilities and non controlling interests of the subsidiary at their carrying amounts at the date when control is lost. The Group shall account for all amounts previously recognized in other comprehensive income, in relation to that subsidiary, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
The Corporation	GemTech Optoelectronics Corp. (GemTech)	Manufacture and Installation of Electronic Components, Optical Instruments, Glass Products, and Precision Instruments	59.13 %	59.13 %	
The Corporation	Vina Tawana Container Co., Ltd. (Vina)	Manufacture and Sale of Corrugated Cardboard, Kraft Linerboard and Display Boxes	100.00 %	100.00 %	
The Corporation	Omis International Holdings Limited (Omis Holdings)	Investment	100.00 %	100.00 %	
Omis Holding	Chung Loong Paper Holdings Limited (Chung Loong Holdings)	Investment	79.71 %	79.71 %	(Note 1)
Chung Loong Holdings	1. Winvantage Corporation (Winvantage)	Investment	100.00 %	100.00 %	
Winvantage	Ever Onward Corporation (Ever Onward)	Investment	- %	- %	(Note 2)
Ever Onward	Hong Kong Chung Loong Limited (H.K. Chung Loong)	Investment	- %	- %	(Note 2)
H.K. Chung Loong	Shanghai Chung Loong Paper Co., Ltd. (Shanghai Chung Loong)	Corrugated Medium and Kraft Linerboard	- %	- %	(Note 2)
Chung Loong Holdings	2. Scorpion Perfect Investments Ltd. (Scorpion)	Investment	100.00 %	100.00 %	
Scorpion	Hong Kong Chung Hao Limited (H.K. Chung Hao)	Investment	100.00 %	100.00 %	

(Continued)

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
H.K. Chung Hao	(1)Qingdao Chung Loong Paper Co., Ltd. (Qingdao Chung Loong)	Cardboard, Paper Boxes and Paper Products	100.00 %	100.00 %	
H.K. Chung Hao	(2)Zhangzhou Cheng Loong Paper Co., Ltd. (Zhangzhou Cheng Loong)	Cardboard, Paper Boxes and Paper Products	100.00 %	100.00 %	
H.K. Chung Hao	(3)Tianjin Chung Loong Paper Co., Ltd. (Tianjin Chung Loong)	Corrugated Cardboard, Corrugated Boxes, Paper Pallets and Paper Products	- %	- %	(Note 3)
H.K Chung Hao and Kunshan Kunfu	Shanghai Chung Hao Paper Co., Ltd. (Shanghai Chung Hao)	Paper Containers, Household Papers and Core Papers	100.00 %	100.00 %	
H.K. Chung Hao, Shanghai Chung Hao and Cheng Loong (Gwangtung)	(1)Chengdu Cheng Loong Packing Products Co., Ltd. (Chengdu Cheng Loong)	Corrugated Cardboard, Paper Boxes, Paper Pallets and Paper Products	100.00 %	100.00 %	(Note 4)
H.K. Chung Hao, Shanghai Chung Hao and Cheng Loong (Gwangtung)	(2)Henan Cheng Loong Packing Products Co., Ltd. (Henan Cheng Loong)	Corrugated Cardboard and Packaging Products	100.00 %	100.00 %	(Note 5)
H.K. Chung Hao, Shanghai Chung Hao and Cheng Loong (Gwangtung)	(3)Chong Qing Cheng Loong Paper Co., Ltd. (Chong Qing Cheng Loong)	Corrugated Cardboard, Corrugated Boxes, Display Boxes, Paper pallets and Paper Products	80.00 %	80.00 %	(Note 9)
Chung Loong Holdings	3. Best Focus Holdings Limited (Best Focus)	Investment	50.00 %	50.00 %	
Best Focus	(1) Hong Kong Jian Long Limited (H.K. Jian Long)	Investment	- %	100.00 %	(Note 6)
Best Focus	(2) Crystalyte Industrial Limited (Crystalyte)	Investment	- %	100.00 %	(Note 7)
Chung Loong Holdings	4. Shan Fu Investment Co., Ltd. (Shan Fu)	Investment	100.00 %	100.00 %	
Shan Fu	Hong Kong Shan Fu Limited (H.K. Shan Fu)	Investment	100.00 %	100.00 %	
H.K. Shan Fu	Shan Fu Paper (Kunsan) Co., Ltd. (Shan Fu Kunsan)	Corrugated Paper Boxes, Cardboard and Paper Products	100.00 %	100.00 %	
Chung Loong Holdings	5. Cheng Loong (Suzhou) Investment Co., Ltd. (Cheng Loong (Suzhou))	Investment	100.00 %	100.00 %	
Cheng Loong (Suzhou)	Hong Kong Su Loong Limited (H.K. Su Loong)	Investment	100.00 %	100.00 %	
H.K. Su Loong	Suzhou Cheng Loong Paper Co., Ltd. (Suzhou Cheng Loong)	Cardboard	100.00 %	100.00 %	

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
Suzhou Cheng Loong	Kunfu Paper (Kunsan) Co., Ltd. (Kunsan Kunfu)	Corrugated Paper Boxes, Cardboard, Paper Pallets and Paper Products	100.00 %	100.00 %	
Chung Loong Holdings	6. Cheng Loong (Gwangtung) Investment Co., Ltd. (Cheng Loong (Gwangtung) Investment)	Investment	100.00 %	100.00 %	
Cheng Loong (Gwangtung) Investment	Hong Kong Gwang Loong Limited (H.K. Gwang Loong)	Investment	100.00 %	100.00 %	
H.K. Gwang Loong, Shanghai Chung Hao and Suzhou Cheng Loong	Cheng Loong (Gwangtung) Paper Co., Ltd. (Cheng Loong (Gwangtung))	Cardboard	100.00 %	100.00 %	(Note 8)
Cheng Loong (Gwangtung) and Shanghai Chung Hao	(1)Dongguand Ming Loong Paper Co., Ltd. (Dongguan Ming Loong Paper)	Corrugated Cardboard, Corrugated Boxes, Paper Pallets, paper products, Foam, Anti Static Bubble Bags, Plastic buffer Packaging Materials and Packaging Decoration Printing	100.00 %	100.00 %	(Note 10)
Chung Loong Holdings	7. Cheng Loong (Hangzhou) Investment Co., Ltd. (Cheng Loong (Hangzhou))	Investment	100.00 %	100.00 %	
Chung Loong Holdings	8.Loong Fu Investment Co., Ltd. (Loong Fu)	Investment	100.00 %	100.00 %	
Loong Fu	Hong Kong Loong Fu Limited (H.K. Loong Fu)	Investment	100.00 %	100.00 %	
H.K. Loong Fu and Shanghai Chung Hao	Loong Fu Paper (Kunsan) Co., Ltd. (Loong Fu Kunsan)	Corrugated Board, Paper Boxes and Paper Products	100.00 %	100.00 %	
Chung Loong Holdings	9.Chung Ming International Limited (Chung Ming)	Investment	100.00 %	100.00 %	
Chung Ming	CorAsia Corp.(CAC)	Design of Paper Boxes	100.00 %	100.00 %	
The Corporation	Cheng Loong Southeast Asia Holding Co., Ltd. (Southeast Asia Holding)	Investment	100.00 %	100.00 %	
Southeast Asia Holding	1.Cheng Loong Vietnam Investment Co., Ltd. (Cheng Loong (Vietnam))	Investment	100.00 %	100.00 %	
Cheng Loong (Vietnam)	(1)Cheng Loong Binh Duong Container Co., Ltd. (Cheng Loong (Binh Duong))	Manufacture and Sale of Corrugated Paper Boxes, Kraft Linerboard, and Display Boxes	100.00 %	100.00 %	
Cheng Loong (Vietnam)	(2) Cheng Loong Long An Container Co., Ltd. (Cheng Loong (Long An))	Manufacture and Sale of Corrugated Boxes	100.00 %	100.00 %	

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Percentage of shareholding December 31, 2019	Percentage of shareholding December 31, 2018	Description
Southeast Asia Holding	2.Cheng Loong Indonesia Investment Co., Ltd. (Cheng Loong (Indonesia))	Investment	100.00 %	100.00 %	
Southeast Asia Holding and Cheng Loong (Indonesia)	CL Jakarta Container, PT (CL Jakarta)	Cardboard and Paper Products	100.00 %	100.00 %	
Southeast Asia Holding	3.Cheng Loong Vietnam Paper Investment Co., Ltd. (Cheng Loong (Vietnam) Paper)	Investment	100.00 %	100.00 %	
Cheng Loong (Vietnam) Paper	Cheng Loong Binh Duong Paper Co., Ltd. (Cheng Loong (Binh Duong) Paper)	Manufacture of Industrial and Household Paper	100.00 %	100.00 %	
Cheng Loong (Binh Duong) Paper	Chinh Loong Co., Ltd. (Chinh Loong)	Water treatment, Sewage treatment, maintenance and technical repairment	99.00 %	99.00 %	

Note 1: The Group acquired the shares of Chung Loong Holdings held by Rengo Co., Ltd. ("Rengo") in February 2018. Please refer to note 6(h).
Note 2: Ever Onward were sold in the first quarter of 2018. Please refer to note 6(i).
Note 3: Tianjin Chung Loong were sold in the fourth quarter of 2018. Please refer to note 6(i).
Note 4: The shares of Chengdu Cheng Loong owned by Shanghai Chung Hao had been transferred to Cheng Loong (Gwangtung) in the first quarter of 2019.
Note 5: The shares of Henan Cheng Loong owned by Shanghai Chung Hao had been transferred to Cheng Loong (Gwangtung) in the first quarter of 2019.
Note 6: H.K. Jian Long completed its liquidation in the first quarter of 2019.
Note 7: Crystale completed its liquidation in the fourth quarter of 2019.
Note 8: The shares of Cheng Loong (Gwangtung) owned by Shanghai Chung Hao had been transferred to Suzhou Cheng Loong in the fourth quarter of 2018.
Note 9: The shares of Chong Qing Cheng Loong owned by Shanghai Chung Hao had been transferred to Cheng Loong (Gwangtung) in the fourth quarter of 2018.
Note 10: The shares of Dongguan Ming Loong Paper owned by Shanghai Chung Hao had been transferred to Cheng Loong (Gwangtung) in the first quarter of 2019.

(d) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss, except for the difference relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to New Taiwan dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan dollars at the average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only a part of investment in an associate that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, or has other restrictions.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

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

(Continued)

(f) Cash and cash equivalents

Cash comprises cash on hand and deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Time deposits that meet the above definition and are held for the purpose of meeting short-term commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)—equity investment

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward looking information.

(Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 91 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 181 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is " credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(Continued)

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

(i) Manufacturing

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average method and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Construction

Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes expenditures incurred in bringing them to their existing location and condition, and capitalization of interest.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses,

1) Construction in progress: Estimated market selling price, less the estimated costs of completion and selling expenses until construction is completed.

2) Building for sale: Estimated market selling price, less the estimated costs of building for sale and selling expenses.

(Continued)

(i) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. When an associate has a change in equity that does not result from profit and loss or from other comprehensive income and loss and there are no effects on the Group's percentage of ownership of the associate, the Group records the change in equity of the associate attributed to the Group's share as capital surplus.

Unrealized gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated party's interests in the associate.

When the Group's share of losses equals or exceeds its interest in an associate, the recognition of further losses is discontinued except to the extent that the Group has a legal or constructive obligation or has made payments on behalf of the associate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from private to investment use.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 10~55 years

2) Machinery: 3~30 years

3) Transportation and miscellaneous equipment: 3~10 years

4) Assets held for lease: 15~50 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(Continued)

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and other equipments that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a leasor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

<u>Applicable before January 1, 2019</u>

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are recognized as a reduction of lease income on a straight-line basis over the lease term.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the lease term. Incentives granted to the lessor to enter into the operating lease are recognized as a reduction of lease expense on a straight-line basis over the lease term.

(Continued)

(m) Impairment – non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, construction in progress and building for sale and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

For other assets, except for goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expenses.

(i) Site restoration

In accordance with the lease contracts, the Group has an obligation to restore plants and offices. The provision is measured at the discounted value of the estimated recovery costs at the end of the lease, and is amortized throughout the lease term.

(ii) Allowance for sales discounts

The provision of allowance for sales discounts is estimated based on historical experience and the probability of giving the discounts, and is recognized when the sales are recognized.

(o) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group manufactures paper products and sales them to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Sale of buildings

The Group entrusts a construction company to build residential and commercial buildings for sale. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to their contractual restrictions. Therefore, the related revenue is recognized at a point in time when the buildings and their legal title have been transferred to the customer.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) emporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities imultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Group discloses the Corporation's basic and diluted earnings per share attributable to ordinary shareholders of the Corporation. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Corporation divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Corporation divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of the changes in accounting estimates in the next period.

There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions or estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for the write-down reversal.

(b) Impairment assessment of other receivables

The estimation of impairment on other receivables due to the sales of the equity of subsidiary is based on the consequences of the arbitration and assumptions of expected loss rate. The Group has estimated its impairment losses according to all collectable information on the report date. However, the estimation may significantly vary depending on the proceeding of the arbitration. Please refer to note 12(c) for further information.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If there is any movement of financial instruments measured at fair value between Level 1, Level 2, and Level 3, the Group recognizes the movement at the reporting date. For assumption of measuring fair value, please refer to note 6(y).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 2,315	3,468
Demand deposits	4,059,505	2,871,689
Checking deposits	447,578	670,833
Time deposits	3,030,257	1,397,260
Commercial paper	328,742	308,780
	$ 7,868,397	5,252,030

(b) Financial assets and liabilities at FVTPL/FVOCI

	December 31, 2019	December 31, 2018
Financial liabilities at FVTPL		
Interest rate swaps	$ 10,382	12,248
Financial assets at FVOCI		
Stocks listed in domestic market	$ 459,944	446,687
Stocks unlisted in domestic market	55,437	55,437
	$ 515,381	502,124

(i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.

(ii) No strategic investments were disposed for the years ended December 31, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(iii) To hedge certain risks arising from its financial activities, the Group entered into contracts with banks for non-deliverable interest rate swaps. The Group held the following derivative instruments that did not qualify for hedge accounting, presented as held-for-trading financial liabilities:

December 31, 2019			
Notional principal (in thousands)	**Contract expiry date**	**Floating interest rate receivable**	**Interest rate payable**
NTD 1,200,000	2022.02.21~ 2022.06.02	90-day CP	0.94%~1.15%

December 31, 2018			
Notional principal (in thousands)	**Contract expiry date**	**Floating interest rate receivable**	**Interest rate payable**
TWD 1,200,000	2022.02.21~ 2022.06.02	90-day CP	0.94%~1.15%

(iv) As of December 31, 2019 and 2018, the Group did not provide any of the aforementioned financial assets as collateral.

(c) Notes and accounts receivable (including related parties)

	December 31, 2019	**December 31, 2018**
Notes receivable	$ 560,833	704,025
Accounts receivable	4,932,232	5,401,124
Accounts receivable－related parties	759,821	790,733
Less: Loss allowance	(71,678)	(96,743)
	$ 6,181,208	6,799,139

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis was as follows:

	December 31, 2019		
	Carrying amount of notes and accounts receivable	Lifetime weighted-average ECL rate	Loss allowance provision of lifetime ECL
Current	$ 5,972,796	0.40%	24,050
Overdue 0 to 30 days	244,148	8.65%	21,112
Overdue 31 to 90 days	9,671	12.58%	1,216
Overdue 91 to 180 days	2,055	52.75%	1,084
Overdue more than 181 days	24,216	100.00%	24,216
	$ 6,252,886		71,678

	December 31, 2018		
	Carrying amount of notes and accounts receivable	Lifetime weighted-average ECL rate	Loss allowance provision of lifetime ECL
Current	$ 6,406,718	0.39%	24,968
Overdue 0 to 30 days	426,386	8.11%	34,567
Overdue 31 to 90 days	22,379	19.30%	4,319
Overdue 91 to 180 days	8,906	15.92%	1,418
Overdue more than 181 days	31,493	99.93%	31,471
	$ 6,895,882		96,743

(ii) The movement in the allowance for notes and accounts receivable for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Balance at January 1	$ 96,743	899,190
Impairment losses recognized (reversed)	(21,685)	11,002
Amounts written off	(167)	(17,002)
Disposal of subsidiaries	-	(823,423)
Effects of exchange rate change	(3,213)	26,976
Balance at December 31	$ 71,678	96,743

(iii) As of December 31, 2019 and 2018, the Group did not provide any notes and accounts receivable as collateral.

(d) Other Receivables

	December 31, 2019	December 31, 2018
Other receivable – Winvantage sold subsidiaries	$ 1,244,476	1,263,944
Other receivable – H.K. Chung Hao sold subsidiary	-	48,549
Other receivable – loans to related parties	-	479,650
Others	42,569	125,424
Less: Loss allowance	(259,304)	(267,150)
	$ 1,027,741	1,650,417

(i) The movement in the allowance for other receivable was as follows:

	2019	2018
Balance at January 1	$ 267,150	-
Impairment losses recognized	-	267,150
Effect of exchange rate changes	(7,846)	-
Balance on December 31	$ 259,304	267,150

(ii) The Group had disposed of subsidiaries, Ever Onward and Tianjin Chung Loong, to third parties for the year ended December 31, 2018. Please refer to note 6(i).

(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials in transit	$ 674,947	1,081,385
Raw materials	1,552,070	2,268,040
Semi-finished goods and work in process	1,064,797	1,612,645
Finished goods	558,505	796,042
	$ 3,850,319	5,758,112

(i) For the years ended December 31, 2019 and 2018, inventory costs of continuing operations of the Group recognized as cost of sales amounted to $30,362,779 thousand and $32,150,447 thousand, respectively. For the years ended December 31, 2019 and 2018, the reversal of write-downs amounted to $2,299 thousand and 8,629 thousand, respectively. The write-downs and reversals are included in cost of sales.

(ii) As of December 31, 2019 and 2018, the Group did not provide any inventories as collateral for its loans.

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(f) Construction in progress and building for sale

The Group entered into agreements with a construction company to build residential and commercial premises for rent and sale. The details of construction in progress and building for sale were as follows:

	Construction in progress for sale		Advance received on real estate contracts	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Cheng Loong Tien Dee – building for sale	$ 31,108	32,396	-	-
Beitou Lee Tse – building for sale	50,900	53,509	-	-
Cheng Loong Lee Tse – building for sale	25,384	25,384	-	-
Cheng Loong Jing Zuan – building for sale	12,892	43,752	-	-
Roosevelt Road – building for sale	1,408,992	-	346,392	-
Raohe Street – building for sale	978,232	-	527,674	-
Roosevelt Road – construction in progress	-	1,827,604	-	102,512
Hang Jhou South Road – construction in progress	1,181,293	606,294	223,267	-
Raohe Street – construction in progress	-	945,891	-	-
Sanchong – construction in progress	16,183	15,595	-	-
Nanchang Road – construction in progress	85,452	62,581	-	-
Chengde Road – construction in progress	280	-	-	-
	$ 3,790,716	3,613,006	1,097,333	102,512

The capitalized interest and interest rate for construction in progress were as follows:

	2019	**2018**
Capitalized interest	$ **13,530**	**40,481**
Capitalized interest rate	**1.52%~1.57%**	**1.58%~1.71%**

(g) Investments accounted for using equity method

Investments in associated companies accounted for using the equity method were as follows:

	December 31, 2019	**December 31, 2018**
Associates	$ 1,136,246	1,077,074
Less: allowance for impairment losses	(16,025)	(16,025)
	$ **1,120,221**	**1,061,049**

(Continued)

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(i) Associates that were material to the Group were as follows:

The name of the associate	Nature of the relationship with the Group	Main operating location / Registered country of the Company	Percentage of shareholding and voting rights December 31, 2019	Percentage of shareholding and voting rights December 31, 2018
Ta Yuan Co-generation Co., Ltd. (Ta Yuan Co-generation)	Engaged in the management of cogeneration	Taiwan	41.06 %	41.06 %
Tzeng Long USA Inc. (Tzeng Long USA)	Paper trading	U.S.A.	33.55 %	33.08 %

(ii) The fair value of the listed (TPEx) associate that was material to the Group was as follows:

	December 31, 2019	December 31, 2018
Ta Yuan Co-generation	$ 1,282,640	1,159,408

(iii) Summarized financial information for each associate that was material to the Group is as follows. The financial information of the associates prepared in accordance with the IFRSs endorsed by the FSC reflects the adjustments of fair value and differences in accounting policies.

1) Ta Yuan Co-generation:

	December 31, 2019	December 31, 2018
Current assets	$ 939,702	932,453
Non-current assets	2,863,822	2,206,992
Current liabilities	(424,640)	(909,142)
Non-current liabilities	(1,557,203)	(471,679)
Net assets	$ 1,821,681	1,758,624
Net assets attributable to owners of parent	$ 1,821,681	1,758,624

	2019	2018
Operating revenues	$ 1,629,623	1,778,517
Profit	$ 146,843	138,557
Other comprehensive income (loss)	(13,926)	(78,381)
Comprehensive income	$ 132,917	60,176
Comprehensive income attributable to owners of parent	$ 132,917	60,176

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		2019	2018
Beginning balance of the Group's share of net assets	$	722,091	741,955
Effects of retrospective application		-	(1,545)
Group's share of other comprehensive income		54,577	24,711
Dividends received from the associate		(28,686)	(43,030)
Ending balance of the Group's share of net assets		747,982	722,091
Elimination of deferred unrealized gain on downstream sales of land		(89,345)	(89,345)
Investment in associate on December 31	$	**658,637**	**632,746**

2) Tzeng Long USA:

		December 31, 2019	December 31, 2018
Current assets	$	928,385	862,059
Non-current assets		185,665	192,559
Current liabilities		(130,259)	(123,899)
Non-current liabilities		(10,412)	(9,930)
Net assets	$	**973,379**	**920,789**
Net assets attributable to owners of parent	$	**973,379**	**920,789**

		2019	2018
Operating revenues	$	**1,828,282**	**1,844,686**
Profit	$	46,854	41,844
Other comprehensive income		5,157	8,445
Comprehensive income	$	**52,011**	**50,289**
Comprehensive income attributable to owners of parent	$	**52,011**	**50,289**

		2019	2018
Beginning balance of the Group's share of net assets	$	304,597	284,658
Net worth differences of buyback treasury stocks		20,676	3,639
Group's share of other comprehensive income		1,296	16,300
Ending balance of the Group's share of net assets	$	**326,569**	**304,597**
Investment in associate on December 31	$	**326,569**	**304,597**

(Continued)

CHENG LOONG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Summarized financial information about individually immaterial associates:

Summarized financial information in aggregate for all individually immaterial associates of the Group accounted for using the equity method is as follows. The amounts are included in the investment accounted for using the equity method in the Group' s consolidated financial statements.

		December 31, 2019	December 31, 2018
Carrying amount in aggregate for all individually immaterial associates	$	**135,015**	**123,706**

The aggregate amount of the Group's share of those associates:

		2019	2018
Profit	$	7,009	6,594
Other comprehensive income		4,301	3,669
Comprehensive income	$	**11,310**	**10,263**

(iv) As of December 31, 2019 and 2018, the aforementioned investments were not provided as collateral.

(v) Tzeng Long USA is an associate of the Group in the United States of America with financial statements having September 30 as the year-end date; the same date is used by the Group to apply the equity method to this associate.

(h) Non-controlling interests acquired

(i) The Group acquired 9,448 thousand shares of Chung Loong Holdings from Rengo with the consideration amounting to USD18,897 thousand (USD2.00 per share) in February 2018. The price was determined by both parties after referring to the valuation report, which was issued by appraisal company. The amendment of registration of this equity transaction had been completed, and the Group's shareholding ratio in Chung Loong Holdings had increased from 75.49% to 79.71%. The change in the Group's shares in Chung Loong Holdings impacted the parent company's equity as follows:

Book value of non-controlling interests acquired	$	391,016
Less: the amount paid in acquiring non-controlling interests		553,479
Capital surplus – the amount difference between acquiring price and book value	$	**(162,463)**

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(i) Loss of control of subsidiaries

(i) Based on the resolution approved by Winvantage's (the Group's subsidiary) board of directors on January 16, 2018, Winvantage entered into a share sale and purchase agreement with Hybest(BVI) Company Limited and Sinobird Holding Limited to sell all shares of Ever Onward in order to transfer Shanghai Chung Loong indirectly. The consideration amounting to CNY1,310,000 thousand. The amendment of registration was completed in the first quarter of 2018. The gain on disposal amounting to $2,634,870 thousand, which was calculated based on the proceeds deducted from the book value and the cumulative translation adjustments, recorded as gains on disposals of investments. As of December 31, 2019 and 2018, the amounts of receivable were $1,244,476 thousand (CNY290,562 thousand) and $1,263,944 thousand (CNY290,562 thousand), respectively, recorded as other receivables after deducting allowance.

The book value of assets and liabilities of Ever Onward on March 28, 2018 (equity delivery date) were as follows:

Cash and cash equivalents	$	383,540
Notes and accounts receivable, net		19,088
Inventories		67,904
Other current assets		102,501
Property, plant and equipment		3,776,535
Long-term prepaid rents		171,748
Other financial assets－non-current		96
Notes and accounts payable		(90,783)
Other current liabilities		(1,061,373)
Other non-current liabilities		(5,064)
Net assets of former subsidiary	$	**3,364,192**

(ii) Based on the resolution approved by H.K. Chung Hao's (the Group's subsidiary) board of directors on December 20, 2018. H.K. Chung Hao sold all shares of Tianjin Chung Loong to Tianjin Shenzhen International Integrated Logistics Hub Development Co., Ltd., with the consideration amounting to CNY10,880 thousand. The amendment of registration was completed in the fourth quarter of 2018. The gain on disposal amounting to $224,251 thousand, which was calculated based on the proceeds deducted from the book value and the cumulative translation adjustments. As of December 31, 2018, the amount of receivables was $48,549 thousand which was recorded as other receivables. As of December 31, 2019, the aforementioned other receivables had been settled.

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The book value of assets and liabilities of Tianjin Chung Loong on December 29, 2018 (Equity delivery date) were as follows:

Cash and cash equivalents	$	14,512
Notes and accounts receivable, net		37
Property, plant and equipment		1,825
Investment property		309,567
Other financial assets — non-current		4
Other current liabilities		(467,924)
Other non-current liabilities		(2,497)
Net assets of former subsidiary	$	**(144,476)**

(j) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Name of subsidiaries	Main operating location / Registered country of the Company	Percentage of non-controlling interests and voting rights	
		December 31, 2019	**December 31, 2018**
Chung Loong Holdings	Cayman Islands	20.29 %	20.29 %

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information prepared in accordance with the IFRSs endorsed by the FSC reflects the adjustments of fair value and differences in accounting policies. It represents amounts before intragroup eliminations.

Summarized financial information of Chung Loong Holdings:

		December 31, 2019	**December 31, 2018**
Current assets	$	8,176,674	8,728,250
Non-current assets		3,854,900	4,444,558
Current liabilities		(3,544,672)	(5,178,689)
Non-current liabilities		(182,504)	(143,371)
Net assets	$	**8,304,398**	**7,850,748**
Non-controlling interests	$	**1,698,381**	**1,563,803**

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	2019	2018
Operating revenues	$ 9,061,073	10,965,316
Profit	$ 14,430	1,788,429
Other comprehensive income (loss)	307,874	238,791
Comprehensive loss	$ 322,304	2,027,220
Profit (loss) attributable to non-controlling interests	$ 46,677	348,071
Comprehensive income (loss) attributable to non-controlling interests	$ 134,578	401,359
Cash flows from operating activities	$ 1,948,192	2,389,902
Cash flows from investing activities	(7,580)	4,402,871
Cash flows from financing activities	(672,699)	(7,843,452)
Effect of exchange rate changes	357,612	226,539
Net decrease in cash and cash equivalents	$ 1,625,525	(824,140)
Capital reduction to non-controlling interests		$ 671,819

(k) Property, plant and equipment

Movements of the cost, accumulated depreciation, and impairment of property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Transportation and miscellaneous equipment	Rental assets	Construction in progress	Total
Cost:							
Balance on January 1, 2019	$ 5,126,996	10,813,113	36,815,995	3,188,464	468,099	7,227,638	63,640,305
Additions	57,440	146,511	246,463	223,732	-	1,169,738	1,843,884
Disposals	-	(2,761)	(484,308)	(92,033)	-	-	(579,102)
Reclassification	7,750	1,561,889	3,564,017	338,808	-	(5,461,823)	10,641
Effect of exchange rate changes	(203)	(120,260)	(188,135)	(1,327)	-	(618,331)	(928,256)
Balance on December 31, 2019	$ 5,191,983	12,398,492	39,954,032	3,657,644	468,099	2,317,222	63,987,472
Balance on January 1, 2018	$ 5,105,837	12,438,073	42,628,585	3,154,362	468,099	3,892,301	67,687,257
Additions	15,032	37,623	195,776	151,376	-	4,845,079	5,244,886
Disposals	-	-	(577,429)	(82,834)	-	-	(660,263)
Reclassification	5,867	113,621	611,034	76,517	-	(750,086)	56,953
Disposals of subsidiaries	-	(1,745,087)	(6,093,568)	(95,334)	-	-	(7,933,989)
Effect of exchange rate changes	260	(31,117)	51,597	(15,623)	-	(759,656)	(754,539)
Balance on December 31, 2018	$ 5,126,996	10,813,113	36,815,995	3,188,464	468,099	7,227,638	63,640,305

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		Land	Buildings	Machinery	Transportation and miscellaneous equipment	Rental assets	Construction in progress	Total
Accumulated depreciation and impairment:								
Balance on January 1, 2019	$	-	5,801,226	25,061,546	2,621,971	155,298	-	33,640,041
Depreciation		-	482,511	1,574,014	292,291	10,090	-	2,358,906
Disposals		-	(1,761)	(353,755)	(75,723)	-	-	(431,239)
Reclassification		-	18,053	-	-	-	-	18,053
Impairment loss (reversal)		-	(179)	35,707	(4,314)	-	-	31,214
Effect of exchange rate changes		-	(73,654)	(170,706)	(38,712)	-	-	(283,072)
Balance on December 31, 2019	$	-	6,226,196	26,146,806	2,795,513	165,388	-	35,333,903
Balance on January 1, 2018	$	-	6,131,733	27,295,470	2,585,348	145,208	-	36,157,759
Depreciation		-	416,036	1,279,969	209,381	10,090	-	1,915,476
Disposals		-	-	(364,300)	(80,916)	-	-	(445,216)
Reclassification		-	6,624	-	-	-	-	6,624
Impairment loss		-	-	177,260	11,474	-	-	188,734
Disposal of subsidiaries		-	(728,607)	(3,333,285)	(93,737)	-	-	(4,155,629)
Effect of exchange rate changes		-	(24,560)	6,432	(9,579)	-	-	(27,707)
Balance on December 31, 2018	$	-	5,801,226	25,061,546	2,621,971	155,298	-	33,640,041
Carry amount:								
Balance on December 31, 2019	$	5,191,983	6,172,296	13,807,226	862,131	302,711	2,317,222	28,653,569
Balance on December 31, 2018	$	5,126,996	5,011,887	11,754,449	566,493	312,801	7,227,638	30,000,264
Balance on January 1, 2018	$	5,105,837	6,306,340	15,333,115	569,014	322,891	3,892,301	31,529,498

(i) Because the group adjusts its production lines to improve product competitiveness, some of the machines are idle. The continuing operations of the Group has evaluated theirs impairment amounting to $31,214 thousand and $188,734 thousand for the years ended December 31, 2019 and 2018, respectively. Base on appraisal reports and the Group's assessments.

(ii) As of December 31, 2019 and 2018 property, plant and equipment of the Group were pledged as collateral for bank loans; please refer to note 8.

(iii) As of December 31, 2019 and 2018, the book values of agricultural land bought by the Group for operational use both amounted to $1,087,016 thousand. The ownership titles to the land cannot be transferred to the Group. The land has been registered under the name of a trustee, and the Group has signed a contract with the trustee which states the rights and obligations of both parties.

(iv) The Group had disposed of subsidiaries, Ever onward and Tianjin Chung Loong, to third parties on March 28 and December 29, 2018. Please refer to note 6(i).

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(v) Property, plant and equipment under construction

As of December 31, 2019 and 2018, the construction in progress amounted to $2,291,484 thousand and $6,940,879 thousand, respectively, including the capitalized borrowing costs.

The capitalized interest and interest rate due to construction in progress were as follows:

	2019	2018
Capitalized interest	$ 97,692	194,027
Capitalized interest rate	1.52%~4.71%	1.58%~6.35%

(l) Right-of-use assets

The Corporation leases many assets including land and buildings, machinery and transportation equipment. Movements of the cost and accumulated depreciation of right-of-use assets as follows:

	Land	Buildings	Machinery	Transportation	Total
Cost:					
Balance at January 1, 2019	$ -	-	-	-	-
Effects of retrospective application for IFRS16	2,237,351	161,556	895	1,670	2,401,472
Additions	169,295	8,500	5,640	2,067	185,502
Lease Modification	1,354	(17,931)	-	-	(16,577)
Disposal	(101)	(6,392)	-	-	(6,493)
Effect of exchange rates changes	(122,948)	(447)	-	-	(123,395)
Balance at December 31, 2019	$ 2,284,951	145,286	6,535	3,737	2,440,509
Accumulated depreciation:					
Balance at January 1, 2019	$ -	-	-	-	-
Depreciation	75,554	33,933	1,177	799	111,463
Disposal	(19)	(1,278)	-	-	(1,297)
Effect of exchange rates changes	(10,073)	(664)	-	-	(10,737)
Balance at December 31, 2019	$ 65,462	31,991	1,177	799	99,429
Carrying amount:					
Balance st December 31, 2019	$ 2,219,489	113,295	5,358	2,938	2,341,080

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(m) Investment property

		Land	Buildings	Right-of-use assets-land	Total
Cost:					
Balance on January 1, 2019	$	122,952	1,953,983	-	2,076,935
Effects of retrospective application for IFRS16		-	-	141,065	141,065
Additions		-	-	1,524	1,524
Reclassification from building for sale and property, plant and equipment		14,390	30,859	-	45,249
Reclassification to property, plant and equipment		(1,997)	(56,686)	-	(58,683)
Effect of exchange rate changes		(1,092)	(6,748)	-	(7,840)
Balance on December 31, 2019	$	134,253	1,921,408	142,589	2,198,250
Balance on January 1, 2018	$	156,041	2,359,009	-	2,515,050
Reclassification from building for sale and property, plant and equipment		2,856	63,808	-	66,664
Reclassification to building for sale, property, plant and equipment		(2,754)	(78,063)	-	(80,817)
Disposals of subsidiaries		(31,552)	(377,274)	-	(408,826)
Effect of exchange rate changes		(1,639)	(13,497)	-	(15,136)
Balance on December 31, 2018	$	122,952	1,953,983	-	2,076,935
Accumulated depreciation and impairment:					
Balance on January 1, 2019	$	1,642	619,223	-	620,865
Depreciation		-	49,804	9,054	58,858
Amortization		1,617	-	-	1,617
Reclassification from property, plant and equipment		-	4,439	-	4,439
Reclassification to property, plant and equipment		-	(22,492)	-	(22,492)
Effect of exchange rate changes		(25)	(1,653)	-	(1,678)
Balance on December 31, 2019	$	3,234	649,321	9,054	661,609
Balance on January 1, 2018	$	-	657,375	-	657,375
Depreciation		-	70,626	-	70,626
Amortization		3,198	-	-	3,198
Reclassification from building for sale and property, plant and equipment		-	17,650	-	17,650
Reclassification to property, plant and equipment		-	(24,283)	-	(24,283)
Disposals of subsidiaries		(1,489)	(97,770)	-	(99,259)
Effect of exchange rate changes		(67)	(4,375)	-	(4,442)
Balance on December 31, 2018	$	1,642	619,223	-	620,865

(Continued)

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	Land	Buildings	Right-of-use assets-land	Total
Carrying amount:				
Balance on December 31, 2019	$ 131,019	1,272,087	133,535	1,536,641
Balance on December 31, 2018	$ 121,310	1,334,760	-	1,456,070
Balance on January 1, 2018	$ 156,041	1,701,634	-	1,857,675
Fair value:				
Balance on December 31, 2019				$ 5,557,170
Balance on December 31, 2018				$ 5,252,565

(i) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~5 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Please refer to note 6(q).

(ii) The Group has sublet the No. 15 public parking lot in Banqiao Dist., New Taipei City, and part of its factory in Yilan, but has decided not to treat this property as investment property because the primary purpose of the Group is not to have long-term capital appreciation or to earn rental. Accordingly, the property is still treated as rental assets of property, plant and equipment.

(iii) As there is no readily comparable information regarding the fair value of the aforementioned investment property, management determined its fair value according to the latest prices within the vicinity or the discounted value of the estimated future cash flows. The inputs used to evaluate the fair value belonged to Level 3.

(iv) The Group had disposed of subsidiary Tianjin Chung Loong on December 29, 2018. Please refer to note 6(i).

(v) As of December 31, 2019 and 2018, investment property of the Group was pledged as collateral for bank loans; please refer to note 8.

(n) Long-term prepaid rents

	December 31, 2018
Land use rights	$ 1,287,067

(i) The Group had signed contracts with the governments of China and Vietnam for the usage rights of land for building factories and dormitories. The duration of the contracts is from 2002 to 2061. The land use rights had been transferred to right-of-use assets as the initial application of IFRS16 on January 1, 2019. Please refer to note 6(l).

(ii) As of December 31, 2018, the aforementioned land use rights were not provided as collateral.

(o) Long-term and short-term borrowings

The details, terms and conditions were as follows:

	Currency	Interest rate	Maturity year	December 31, 2019	December 31, 2018
Secured bank loans	RMB	4.25%~5.00%	2020	$ 527,817	973,696
Secured bank loans	USD	2.76%~3.98%	2020~2025	3,971,950	4,593,174
Secured bank loans	NTD	2.00%	2020	180,000	620,000
Secured bank loans	VND	4.90%~5.25%	2020~2025	448,519	498,382
Unsecured bank loans	USD	2.95%~3.43%	2020	874,074	768,570
Unsecured bank loans	NTD	0.90%~1.79%	2020~2023	8,418,300	8,561,820
Unsecured bank loans	VND	4.86%~5.75%	2020	594,281	710,369
Letters of credit	USD	2.45%~2.63%	2020	292,027	700,024
Letters of credit	EUR	0.85%	2020	19,997	17,641
Letters of credit	JPY	0.72%	2020	15,679	43,674
Letters of credit	SEK	1.08%~1.34%	2020	843	-
Commercial paper payable	NTD	1.06%~1.34%	2020~2022	5,447,243	6,000,621
Total				$ 20,790,730	23,487,971
Current — short-term borrowings				$ 5,508,273	7,869,013
Current — current portion of long-term borrowings				645,082	488,522
Non-current — long-term borrowings				14,637,375	15,130,436
Total				$ 20,790,730	23,487,971

(i) The total line of credit for the Corporation's syndicated loan with 13 banks including First Commercial Bank was $6,000,000 thousand. The contract period is from November 7, 2014 to November 6, 2019, a total of five years. Since this line of credit is revolving in nature and does not require repayment in the short term, it is recorded as a long-term liability. The syndicated loan was repaid in the fourth quarter of 2018.

(ii) The total line of credit for the long-term secured loan with Mega International Commercial Bank was $1,500,000 thousand. The contract period is from June 22, 2015 to June 22, 2020, a total of five years. The loan will be repaid in seven installments starting June 2017.

(iii) The total line of credit for the Corporation's syndicated loan with 9 banks, including First Commercial Bank, was $3,000,000 thousand. The contract period is from May 26, 2016 to May 25, 2021, a total of five years. Since this line of credit is revolving in nature and does not require repayment in the short term, it is recorded as a long-term liability.

(iv) The total line of credit for the Corporation's syndicated loan with 12 banks, including Hua Nan Commercial Bank, was $6,000,000 thousand (including $2,000,000 thousand of revolving long-term commercial paper payable). The contract period is from December 26, 2016 to December 25, 2021, a total of five years. Since this line of credit is revolving in nature and does not require repayment in the short term, it is recorded as a long-term liability. Since the commercial paper is revolving in nature, it is recorded as a long-term liability.

(v) The total line of credit for the Corporation's syndicated loan with 9 banks, including Credit Agricole Corporate and Investment Bank was $2,400,000 thousand (comprising $300,000 thousand of revolving long-term commercial paper payable and $2,100,000 thousand of non-revolving short-term commercial paper payable). The contract period is from April 26, 2017 to April 25, 2020, a total of three years. Since the line of credit is revolving in nature and does not require repayment in the short term, it is recorded as a long-term liability. However, since the residual commercial paper payable is not revolving in nature within one year and requires repayment in the short term, it is recorded as a short-term liability. The syndicated loan was repaid in the fourth quarter of 2019.

(vi) The total line of credit for the Corporation's syndicated loan with 13 banks, including Hua Nan Commercial Bank, was $7,200,000 thousand. The contract was signed on April 26, 2018. The contract period is from October 23, 2018 to October 22, 2023, a total of five years. Since this line of credit is revolving in nature and does not require repayment in the short term, it is recorded as a long-term liability. Since the commercial paper is revolving in nature, it is recorded as a long-term liability.

(vii) The total line of credit for the Group' s syndicated loan with 9 banks, including Credit Agricole Corporate and Investment Bank was $2,600,000 thousand (comprising $500,000 thousand of revolving long-term commercial paper payable and $2,100,000 thousand of non-revolving short-term commercial paper payable). The contract period is from December 10, 2019 to December 9, 2022, a total of three years. Since the line of credit is revolving in nature and does not require repayment in the short term, it is recorded as a long-term liability. However, since the residual commercial paper payable is not revolving in nature for one year and requires repayment in the short term, it is recorded as a short-term liability.

(viii) The total line of credit for the syndicated loan of Chung Loong Holdings (a subsidiary of a Corporation subsidiary) with 10 banks including ANZ Bank was USD$100,000 thousand. The contract period is from November 10, 2015, to November 9, 2018, a total of three years. The covenants of the above loan are as follows: On each December 31 during the contract period, the current ratio (current assets/current liabilities) cannot be less than 80%; the stockholders' equity ratio (stockholders' equity/total assets) cannot be less than 35%; the times interest earned ((income before taxes + interest expense + depreciation expenses + amortization expenses)/interest expenses) cannot be less than 2.25 times; and the net tangible assets cannot be less than CNY$1,800,000 thousand. The syndicated loan was repaid in April 2018.

(ix) The total line of credit for the syndicated loan with 10 banks, including Mega International Commercial Bank, was USD$165,000 thousand. The contract period is from June 25, 2017 to July 24, 2022, a total of five years.

(x) The long-term secured loan of First Commercial Bank was USD18,000 thousand. The contract period is from August 6, 2018 to August 13, 2025, a total of seven years. The loan will be repaid in ten installments starting February 2021.

(Continued)

(xi) To obtain the above loans, the Group promised to comply with the covenants within the contract periods and to maintain the following financial ratios: On each December 31 during the contract period, the current ratio (current assets/current liabilities) cannot be less than 100%; the stockholders' equity ratio (stockholders' equity/total assets) cannot be less than 40%; the times interest earned ((income before taxes + interest expense + depreciation expenses + amortization expenses)/interest expenses) cannot be less than 2.25 times; and the net tangible assets cannot be less than $16,000,000 thousand.

(xii) As of December 31, 2019, the Group had not violated the covenants of the loans above.

(xiii) For the details on the collateral provided for bank loans, please refer to note 8.

(p) Lease liabilities

Lease liabilities of the Group were as follows:

	December 31, 2019
Current	$ 59,162
Non-current	$ 828,493

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 16,439
Expenses relating to short-term leases	$ 38,618
Expenses relating to leases of substantive substitution right and low-value assets	$ 573

The amounts recognized in the statement of cash flows for the Group were as follows:

	2019
Rental paid in operating activities	$ 39,191
Interest on lease liabilities paid in operating activities	16,439
Payment made on lease liabilities in financing activities	60,284
Total cash outflow for leases	$ 115,914

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(q) Operating leases

(i) Lessee

Non-cancellable rentals payable of operating leases were as follows:

		December 31, 2018
Less than one year	$	70,491
Between one and five years		218,129
More than five years		1,693,759
	$	1,982,379

The Group leased a few office buildings and warehouses, and some factory equipment under operating leases with a lease term between six and ten years, retaining the option to renew the lease.

For the year ended December 31, 2018, continuing operations' expenses in profit or loss in respect of operating leases amounted to $133,493 thousand, and were recorded as operating cost and operating expense. The contracts do not include any contingent terms and conditions.

(ii) Lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(m) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

		December 31, 2019	December 31, 2018
Less than one year	$	155,602	114,369
One to two years		129,366	95,570
Two to three years		82,602	68,869
Three to four years		61,866	51,012
Four to five years		51,473	43,918
More than five years		102,036	142,668
	$	582,945	516,406

For the years ended December 31, 2019 and 2018, the rental revenue with respect to property leases amounted to $132,159 thousand and $144,497 thousand, respectively, and was recorded as operating revenues.

(r) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of plan assets of the Group were as follows:

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	(3,153,483)	(3,320,345)
Fair value of plan assets		1,525,104	1,352,105
Net defined benefit liability	$	**(1,628,379)**	**(1,968,240)**

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan, which provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a lump-sum payment based on years of service and average salary of the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s labor pension reserve account balance at Bank of Taiwan amounted to $1,537,608 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of defined benefit obligations

The movements in the present value of defined benefit obligations for the Group for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Defined benefit obligations on January 1	$	(3,320,345)	(3,162,266)
Benefits paid by the plan		180,183	170,509
Remeasurement of net defined benefit liability (assets) – actuarial gains (losses) arising from changes in financial assumptions		73,653	(244,366)
Current service cost and interest expense		(86,974)	(84,222)
Defined benefit obligations on December 31	$	**(3,153,483)**	**(3,320,345)**

(Continued)

CHENG LOONG CORPORATION AND SUBSIDIARIES
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3) Movements in the fair value of plan assets

The movements in the fair value of defined benefit plan assets for the Group for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Fair value of plan assets on January 1	$ 1,352,105	1,210,634
Expected return on plan assets	15,557	17,143
Remeasurement of net defined benefit liability (assets) – return on plan assets (excluding interest expense)	44,486	22,463
Contribution made	256,422	245,753
Benefits paid by the plan	(143,466)	(143,888)
Fair value of plan assets on December 31	$ 1,525,104	1,352,105

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Service cost	$ 48,994	42,651
Net interest on net defined benefit liability	22,424	24,428
	$ 71,418	67,079
Operating costs	$ 41,597	45,960
Selling expenses	7,065	6,989
Administrative expenses	21,098	12,448
Research and development expenses	1,658	1,682
	$ 71,418	67,079

(Continued)

CHENG LOONG CORPORATION AND SUBSIDIARIES
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5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The Group' s remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

		2019	2018
Cumulative amount on January 1	$	668,978	447,075
Recognized (reversal) during the period		(118,139)	221,903
Cumulative amount on December 31	$	550,839	668,978

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2019	2018
Discount rate	0.800%~1.000%	1.125%~1.250%
Future salary increase rate	2.000%~3.250%	2.000%~3.250%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $260,500 thousand. The weighted-average duration of the defined benefit plans is 11~12.76 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2019 and 2018, would have been as follows:

	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(78,500)	81,401
Future salary increase rate	79,505	(77,016)
December 31, 2018		
Discount rate	(84,748)	87,436
Future salary increase rate	85,508	(83,380)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of the net defined benefit liability in the balance sheet.

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group contributes 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group, contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Group's continuing operations recognized pension costs under the defined contribution method amounting to $152,929 thousand and $173,558 thousand for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(s) Income tax

(i) Components of income tax expenses from continuing operations were as follows:

		2019	2018
Current tax expenses	$	643,000	852,986
Deferred tax expenses (benefits)		(4,288)	71,145
Income tax expenses	$	**638,712**	**924,131**

(ii) Tax expenses (benefits) from continuing operations under other comprehensive income or loss were as follows:

		2019	2018
Exchange differences on translation of foreign financial statements	$	9,719	(56,639)
Shares of other comprehensive income of associates accounted for using equity method		1,031	495
	$	**10,750**	**(56,144)**

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(iii) Reconciliation of income tax expenses and profit before income tax from continuing operations was as follows:

	2019	2018
Profit before income tax	$ 2,985,814	4,996,341
Income tax using the Corporation's domestic tax rate	597,163	999,268
Effect of tax rate differential in foreign jurisdictions	(64,812)	(249,103)
Shares of profit accounted for using equity method	(6,073)	(300,993)
Surtax on undistributed earnings	75,070	177
Gains on sale of land exempt from income tax	(30,209)	(5,114)
Prior year's income tax adjustment	11,892	3,937
Recognition of previously unrecognized tax losses	207,637	47,515
Capital gains tax on disposal of subsidiaries	-	212,831
Reversal of prior year's capital gains tax on disposal of subsidiaries	(125,001)	-
Changes in unrecognized temporary differences	1,018	1,839
Land value incremental tax	12,414	1,344
Investment tax credits accrued	(10,551)	-
Changes in the tax rates	-	97,607
Others	(29,836)	114,823
	$ **638,712**	**924,131**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2019	December 31, 2018
Deductible temporary differences:		
Unallocated pension expenses	$ (2,215)	(6,127)
Others	(18,326)	(13,396)
	(20,541)	(19,523)
Tax losses	(606,388)	(399,769)
	$ **(626,929)**	**(419,292)**

Deferred tax assets were not recognized because it is not probable that future taxable income of the Group will be available to utilize the benefits.

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2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	Unallocated pension expenses	Provision for impairment loss on property	Unrealized accrued expenses	Idle capacity for inventories at end of period transferred to cost of sales	Others	Total
Balance on January 1, 2019	$ (47,807)	(25,468)	(11,592)	(16,605)	(355,109)	(456,581)
Recognized in profit or loss	40,389	(8,526)	(10,567)	223	(53,754)	(32,235)
Recognized in other comprehensive income	-	-	-	-	10,750	10,750
Balance on December 31, 2019	$ (7,418)	(33,994)	(22,159)	(16,382)	(398,113)	(478,066)
Balance on January 1, 2018	(71,399)	(17,617)	(14,066)	(9,875)	(267,259)	(380,216)
Recognized in profit or loss	23,592	(7,851)	2,474	(6,730)	(31,706)	(20,221)
Recognized in other comprehensive income	-	-	-	-	(56,144)	(56,144)
Balance on December 31, 2018	$ (47,807)	(25,468)	(11,592)	(16,605)	(355,109)	(456,581)

Deferred tax liabilities:

	Overseas investment income recognized under the equity method	Land value increment tax	Temporary differences from depreciation of machinery	Gain on bargain purchase	Others	Total
Balance on January 1, 2019	$ 258,259	195,757	665,584	17,408	-	1,137,008
Recognized in profit or loss	(67,364)	-	112,719	(17,408)	-	27,947
Balance on December 31, 2019	$ 190,895	195,757	778,303	-	-	1,164,955
Balance on January 1, 2018	349,774	195,757	470,290	29,593	228	1,045,642
Recognized in profit or loss	(91,515)	-	195,294	(12,185)	(228)	91,366
Balance on December 31, 2018	$ 258,259	195,757	665,584	17,408	-	1,137,008

(v) The tax returns of the Corporation and R.O.C. subsidiaries have been examined by the R.O.C. income tax authorities through the following years:

	Year
The Corporation	2017
Gem Tech	2017
Chung Ming Taiwan (branch of Chung Ming)	2017

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(t) Capital and other equity

(i) Capital

As of December 31, 2019 and 2018, the Corporation's authorized common stock, and issued and outstanding common stock amounted to $15,000,000 thousand and $11,082,745 thousand, respectively, for both years, with a par value of $10 (dollars) per share.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 675,632	675,632
Treasury share transactions	39,381	39,381
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	412,805	411,509
Others	2,835	2,835
	$ 1,130,653	1,129,357

According to the R.O.C. Company Act, capital surplus can only be used to offset an accumulated deficit, and then the realized capital surplus can be distributed as stock dividends or cash dividends according to the stockholders' original percentage of ownership. The aforementioned realized capital surplus includes capital surplus resulting from premium upon the issuance of capital stock and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the increase in capital by transferring the paid-in capital in excess of the par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the articles of the Corporation, when allocating the earnings for each year, the Corporation shall first pay income taxes, and offset its prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve has equaled the total capital of the Corporation; then set aside a special reserve in accordance with the relevant laws when necessary. The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals and the resolution at the stockholders' meeting.

(Continued)

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The dividend policy of the Corporation is as follows:

Phase 1: Keep a portion of accumulated earnings on hand for operational needs.

Phase 2: Distribute stock dividends based on future capital expenditure and long-term financial planning.

Phase 3: After the above appropriations, distribute cash dividends of at least 50% of the remaining accumulated earnings.

Phase 4: If the cash dividends per share are less than NT$0.1 (dollars), they shall be deferred to next year or thereafter.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a stockholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash to shareholders, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for the cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of earnings

As of June 13, 2019, and June 8, 2018, based on a resolution approved by the stockholders' meetings, the information on dividends appropriated from the distributable retained earnings of 2018 and 2017 was as follows:

	2018	2017
Stockholders' dividends – cash, $1.1 (dollars) and $0.7 (dollars) per share, respectively	$ 1,219,102	775,792

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(u) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share of years 2019 and 2018 based on the profit attributable to ordinary stockholders of the Corporation and the weighted-average number of common shares outstanding was as follows:

	2019	2018
Profit attributable to owners of parent:		
Continuing operations	$ 2,303,904	3,727,240
Discontinued operations	-	14,329
Total	$ 2,303,904	3,741,569
Weighted-average number of common shares (Basic / thousand shares)	1,108,275	1,108,275
Basic earnings per share (dollars):		
Continuing operations	$ 2.08	3.37
Discontinued operations	-	0.01
	$ 2.08	3.38

(ii) Diluted earnings per share

The calculation of diluted earnings per share of years 2019 and 2018 based on the profit attributable to ofdinary stockholders of the Corporation and the weighted-average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares was as follows:

	2019	2018
Profit attributable to owners of parent:		
Continuing operations	$ 2,303,904	3,727,240
Discontinued operations	-	14,329
Total	$ 2,303,904	3,741,569
Weighted-average number of common shares (Diluted / thousand shares)	1,111,464	1,111,451
Diluted earnings per share (dollars):		
Continuing operations	$ 2.07	3.36
Discontinued operations	-	0.01
	$ 2.07	3.37

(Continued)

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Weighted-average number of common shares (Diluted / thousand shares):

	2019	2018
Weighted-average number of common shares (basic)	1,108,275	1,108,275
Effect of employee stock remuneration	3,189	3,176
Weighted-average number of common shares (diluted)	**1,111,464**	**1,111,451**

(v) Revenue from contracts with customers

(i) Disaggregation of revenue from continuing operations

		2019	2018
Primary geographical markets			
Taiwan	$	27,621,495	28,294,483
Mainland China		8,113,953	10,062,261
South east Asia		4,652,128	2,824,765
	$	**40,387,576**	**41,181,509**
Major products / services lines			
Sale of goods	$	39,173,288	40,926,799
Sales of building		1,031,774	53,838
Rental revenue		132,159	144,497
Cogeneration revenue		50,355	56,375
	$	**40,387,576**	**41,181,509**

(ii) Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$	6,252,886	6,895,882	8,900,500
Less: Loss allowance		(71,678)	(96,743)	(899,190)
	$	**6,181,208**	**6,799,139**	**8,001,310**
Contract liabilities－advance receive on real estate	$	**1,097,333**	**102,512**	**20,243**

1) For details on notes, accounts receivable and loss allowance, please refer to note 6(c).

2) The amounts of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were $102,512 thousand and $5,804 thousand, respectively.

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3) The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(w) Employee remuneration

Based on the Corporation' s articles, if the Corporation incurred earnings for the year, the earnings shall first be use to offset against any deficits; the remainder, if any, a minimum of 1% of the annual profit before tax (excluding employee remuneration) shall be appropriated as employee remuneration.

The employee remuneration both amounted to $50,000 thousand for 2019 and 2018. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding employee remuneration, multiplied by the percentage of remuneration to employees, as specified in the Corporation' s articles. The remuneration is expensed under operating costs or operating expenses during 2019 and 2018. Information about employee remuneration can be accessed in the Market Observation Post System website. The differences between the estimated amounts in the financial statements and the actual amounts approved by the board of directors, if any, shall be accounted for as changes in accounting estimates and recognized in 2019. The actual amounts appropriated and the estimated amounts in the financial statements were the same in 2018.

(x) Non-operating income and expenses

(i) Other income

The other income from continuing operations was as follows:

		2019	2018
Interest income	$	67,288	65,450
Rental revenue		49,287	51,386
Dividend income		20,995	35,697
Subsidize revenue from waste disposal		14,002	-
	$	151,572	152,533

(ii) Other gains and losses, net

The other gains and losses from continuing operations was as follows:

		2019	2018
Net Loss on disposal of property, plant and equipment	$	(77,920)	(97,878)
Net gain (loss) on foreign exchanges		(107,297)	34,309
Impairment loss on property, plant and equipment		(31,214)	(188,734)
Net loss on financial assets/liabilities at fair value through profit or loss		1,866	(3,478)
Expected credit losses		-	(267,150)
Others		49,904	(3,510)
	$	(164,661)	(526,441)

(Continued)

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(iii) Finance costs

The Group's finance costs, excluding capitalized interest, from continuing operations were as follows:

		2019	2018
Interest expense	$	580,758	425,145
Interest on lease liabilities		16,439	-
Total finance costs	$	**597,197**	**425,145**

(y) Financial instruments

(i) Credit risk

1) Exposure to credit risk

A credit risk is the risk of having financial losses arising from counterparties failing to meet their required contract obligation. The major potential credit risks are from cash and cash equivalents, notes and accounts receivable, as well as defaults from counterparties involved in derivative financial instruments transactions.

a) Cash and cash equivalents

Cash are deposited in different financial institutions, all of whom were banks with good credit, which shall not lead to significant credit risk.

b) Notes and accounts receivable

The Group trades with a wide range of customers from different geographic regions. The Group does not consider the credit risk of its accounts receivable to be concentrated since there are no significant transactions with individual customers. To reduce credit risk, the Group continuously assesses the financial condition of its customers and will require collateral if necessary.

c) Derivative financial instruments

All counterparties involved in the derivative financial instruments transactions are financial institutions with good credit and reputation. There is a low possibility that those counterparties would default, which shall not lead to major credit risk.

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum exposure to credit risk amounted to $15,635,429 thousand and $14,114,623 thousand, respectively.

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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	More than 5 years
December 31, 2019					
Non-derivative financial liabilities:					
Long-term and short-term borrowings	$ 20,790,730	21,336,113	6,314,770	9,770,059	5,251,284
Notes and accounts payable (including related parties)	4,989,522	4,989,522	4,989,522	-	-
Lease liabilities	887,655	1,146,270	74,333	229,194	842,743
Other payables	653,952	653,952	653,952	-	-
Derivative financial liabilities:					
Interest rate swaps	10,382	10,382	10,382	-	-
	$ 27,332,241	28,136,239	12,042,959	9,999,253	6,094,027
December 31, 2018					
Non-derivative financial liabilities:					
Long-term and short-term borrowings	$ 23,487,971	23,900,514	8,504,327	15,341,609	54,578
Notes and accounts payable (including related parties)	5,304,050	5,304,050	5,304,050	-	-
Other payables	1,059,015	1,059,015	1,059,015	-	-
Derivative financial liabilities:					
Interest rate swaps	12,248	12,248	12,248	-	-
	$ 29,863,284	30,275,827	14,879,640	15,341,609	54,578

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 334,883	29.9500	10,029,746	306,022	30.6500	9,379,574
JPY	80,425	0.2741	22,044	140,037	0.2760	38,650
RMB	10,914	4.2830	46,475	14,550	4.3500	63,293
EUR	4,033	33.4200	134,787	-	-	-
Non-monetary items						
USD	10,538	30.9900	326,569	9,992	30.4830	304,597

(Continued)

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial liabilities						
Monetary item						
USD	$ 242,700	30.0500	7,293,135	360,308	30.7500	11,079,471
JPY	56,530	0.2783	15,682	430,715	0.2800	120,600

2) Sensitivity analysis

The Group' s exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, notes and accounts receivable, other receivables, loans, notes and accounts payable, and other payables. If the exchange rate of the foreign currencies against the NTD mentioned above had depreciated or appreciated 1%, with other factors remaining constant, on the reporting date, profit before income tax would have increased or decreased by $29,242 thousand and $17,186 thousand for the years ended December 31, 2019 and 2018, respectively. Analysis of the two periods is based on the same standard.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2019 and 2018, the foreign exchange gain or loss from continuing operations, including both realized and unrealized, amounted to losses $107,297 thousand and gains $34,309 thousand, respectively.

(iv) Interest rate risk

The details of interest-bearing financial instruments at the reporting date were as follows:

	Carrying amount	
	December 31, 2019	December 31, 2018
Fixed-rate instruments:		
Financial assets	$ 3,030,257	1,397,260
Variable-rate instruments:		
Financial assets	$ 4,835,825	3,851,302
Financial liabilities	(20,790,730)	(23,487,971)
	$ (15,954,905)	(19,636,669)

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments at the reporting date. If the interest rate had increased or decreased by 25 basis points, the profit before income tax would have decreased or increased by $39,887 thousand and $49,092 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant. This mainly resulted from borrowings with variable interest rates.

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In addition, the Group's financial liabilities comprising fixed-rate instruments are measured at amortized cost. Since a change in market interest rate on the reporting date would have no impact on profit and loss, disclosure of the sensitivity analysis for changes in fair value is not necessary.

(v) Other market price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income as illustrated below:

	2019		2018	
Price of securities at the reporting date	**Other comprehensive income before tax**	**Profit before income tax**	**Other comprehensive income before tax**	**Profit before income tax**
Increasing 10%	$ 45,994	-	44,669	-
Decreasing 10%	$ (45,994)	-	(44,669)	-

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

	December 31, 2019				
	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks listed in domestic market	$ 459,944	459,944	-	-	459,944
Stocks unlisted in domestic market	55,437	-	-	55,437	55,437
	$ 515,381	459,944	-	55,437	515,381
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 7,868,397				
Notes and accounts receivable (including related parties)	6,181,208				
Other receivables	1,027,741				
Other financial assets－current	281,157				
Other financial assets －non-current	279,241				
	$ 15,637,744				

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	December 31, 2019				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Interest rate swaps	$ 10,382	-	-	10,382	10,382
Financial liabilities at amortized cost					
Borrowings	$ 20,790,730				
Notes and accounts payable (including related parties)	4,989,522				
Other payables	653,952				
Guarantee deposits	411,675				
Lease liabilities	887,655				
	$ 27,733,534				

	December 31, 2018				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks listed in domestic market	$ 446,687	446,687	-	-	446,687
Stocks unlisted in domestic market	55,437	-	-	55,437	55,437
	$ 502,124	446,687	-	55,437	502,124
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,252,030				
Notes and accounts receivable (including related parties)	6,799,139				
Other receivables	1,650,417				
Other financial assets－current	18,263				
Other financial assets －non-current	211,192				
	$ 13,931,041				
Financial liabilities at fair value through profit or loss					
Interest rate swaps	$ 12,248	-	-	12,248	12,248
Financial liabilities at amortized cost					
Borrowings	$ 23,487,971				
Notes and accounts payable (including related parties)	5,304,050				
Other payables	1,059,015				
Guarantee deposits	363,533				
	$ 30,214,569				

2) Valuation techniques to measure fair value of financial instruments not measured at fair value

Financial instruments of the Group not measured at fair value are financial assets and liabilities valued at amortized cost. Measurement of fair value of these financial instruments is based on recent transaction prices. When market price are unavailable, valuation is based on discounted cash flow.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Fair value measurement of financial instruments is based on quoted market prices if these prices are available in an active market. Quoted prices on stock exchanges are regarded as the fair value of equity instruments in a listed market.

A financial instrument is regarded as being quoted in an active market if quoted market prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be met, then the market is considered as non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of financial assets and liabilities with standard terms and conditions and trading in active markets is based on quoted market prices. These include investments in stocks of listed entities.

The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the book value per share of the investee and the price-book ratio of market comparable listed companies. The estimation of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of marketability.

b) Derivative financial instruments

The fair value is based on quoted prices. When quoted prices are unavailable, the fair value is in accordance with third-party pricing information.

4) Transfers between Level l and Level 3

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

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5) Changes in Level 3

	Financial assets (liabilities) at fair value through profit or loss	Financial assets at fair value through other comprehensive income (available-for-sale financial assets)
Balance on January 1, 2019	$ (12,248)	55,437
Recognized in profit or loss	1,866	-
Balance on December 31, 2019	**$ (10,382)**	**55,437**
Balance on January 1, 2018	$ (18,412)	55,437
Recognized in profit or loss	6,164	-
Balance on December 31, 2018	**$ (12,248)**	**55,437**

The aforementioned total gains and losses that were recognized in " other gains and losses". The gains and losses related to assets (liabilities) still held on December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total gains or losses		
In profit or loss (recognized in "other gains and losses")	$ (10,382)	(12,248)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial liabilities at fair value through profit or loss–derivative financial instruments" and "fair value through other comprehensive income–equity investments." The fair value of these financial instruments resulted from the quotation of a third party and did not use any unobservable inputs in its calculation. Therefore, the Group did not disclose the quantitative information about significant unobservable inputs and sensitivity analysis.

Significant quantitative information about unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets at fair value through other comprehensive income—equity investments in inactive markets	Market comparable listed company approach	Discounts for lack of marketability on December 31, 2019 and 2018 was both 30%	The fair value would decrease if the discount for lack of marketability were higher

7) Fair value measured in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement of fair value of financial instruments is reasonable, but using different evaluation models or parameters will cause different results. For financial instruments in Level 3, if the evaluation parameters had changed, the effects on other comprehensive income and loss would have been as follows:

	Inputs	Increase or decrease	Effects of changes in fair value on other comprehensive income and loss	
December 31, 2019				
Financial assets at fair value through other comprehensive income—equity investments in inactive markets	Discount for lack of marketability	±10%	$ (2,644)	2,644
December 31, 2018				
Available-for-sale financial assets – equity investments in inactive markets	Discount for lack of marketability	±10%	$ (2,390)	2,390

(z) Financial risk management

(i) The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

For detailed information on exposure to each of the above risks, objectives, policies, and processes of risk measurement and management, and on quantitative disclosures, please refer to note 6(y).

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(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(aa) Capital management

The Group's capital management policy is to maintain a strong capital base and appropriate debt ratio so as to maintain investor, creditor, and market confidence to sustain the future development of the business.

As of December 31, 2019 and 2018, the debt ratios were 57% and 60%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2019.

(ab) Non-cash transactions for investing and financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Short-term borrowings	$ 7,869,013	(2,360,740)	-	5,508,273
Long-term borrowings	15,618,958	(336,501)	-	15,282,457
Lease liabilities	951,523	(60,284)	(3,584)	887,655
Total liabilities from financing activities	$ 24,439,494	(2,757,525)	(3,584)	21,678,385

	January 1, 2018	Cash flows	December 31, 2018
Short-term borrowings	$ 9,276,794	(1,407,781)	7,869,013
Long-term borrowings	17,328,850	(1,709,892)	15,618,958
Total liabilities from financing activities	$ 26,605,644	(3,117,673)	23,487,971

(Continued)

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Tzeng Long USA Inc. (Tzeng Long USA)	An associate of the Group
Ta Yuan Co generation Co., Ltd. (Ta Yuan Co generation)	An associate of the Group
Ming Foong Plastic Co., Ltd. (Ming Foong Plastic)	The institutional director of the Corporation
Shine Far Co., Ltd. (Shine Far)	The institutional director of the Corporation
Sun Favorite Co., Ltd. (Sun Favorite)	The institutional director of the Corporation
Jen Yun Co., Ltd. (Jen Yun)	The entity's chairman is the second immediate family of the chairman of the Corporation
Wen Gin Development Co., Ltd. (Wen Gin Development)	The entity's chairman is the second immediate family of the chairman of the Corporation
Yamahatsu Nihon Co., Ltd. (Yamahatsu Nihon)	The entity's chairman is the second immediate family of the chairman of the Corporation
Ko Loong Industry Co., Ltd. (Ko Loong Industry)	The entity's chairman is the second immediate family of the chairman of the Corporation
Shan Loong Transportation Co., Ltd. (Shan Loong Transportation)	Original as an institutional director of the Corporation. It has been regarded as a substantial related party after the election of directors in June 2019.
Sun Favorite (Shanghai) Co., Ltd. (Sun Favorite Shanghai)	A substantial related party
Shine Far Construction Co., Ltd. (Shine Far Construction)	A substantial related party
Yue Loong Co., Ltd.(Yue Loong)	A substantial related party
Sun Favorite Construction (Viet) Co.,Ltd. (Sun Favorite Vietnam)	A substantial related party
Cheng Loong Children's Care Foundation (Cheng Loong Children's Care Foundation)	A substantial related party
Cheng Huotien Charity Foundation (Cheng Huotien Charity Foundation)	A substantial related party
Shanghai Chung Loong Paper Co., Ltd. (Shanghai Chung Loong)	Original as a subsidiary of the Group, it's no longer a related party after its all shares were sold in March of 2018. However, it has been regarded as a substantial related party in 2018.

(Continued)

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Name of related party	Relationship with the Group
Tianjin Chung Loong Paper Co., Ltd. (Tianjin Chung Loong)	Original as a subsidiary of the Group, it's no longer a related party after its all shares were sold in March of 2018. However, it has been regarded as a substantial related party in 2018.
Shan Loong International & Customs Broker Co., Ltd. (Shan Loong International)	Original as a subsidiary of the institutional director of the Corporation. It has been regarded as a substantial related party after the election of directors in June 2019.
Shan Loong Biotechnology Co., Ltd. (Shan Loong Biotechnology)	Original as a subsidiary of the institutional director of the Corporation. It completed liquidation in February 2019.
Shanghai Shan Tong Logistic Co., Ltd. (Shanghai Shan Tong)	Original as a subsidiary of the institutional director of the Corporation. It has been regarded as a subsidiary of substantial related party after the election of directors in June 2019.
Shanloong Logistic Company Limited (Vietnam Shanloong)	Original as a subsidiary of the institutional director of the Corporation. It has been regarded as a subsidiary of substantial related party after the election of directors in June 2019.
Zheng Zhou Shan Tong Logistic Co., Ltd. (Zheng Zhou Shan Tong)	Original as a subsidiary of the institutional director of the Corporation. It's no longer a related party after its all shares were sold by the institutional director in August 2018. However, it is still a substantial related party in 2018.
Shine Far Property Co., Ltd. (Shine Far Property)	A subsidiary of the substantial related party
Shine Far Electromechanical Co., Ltd. (Shine Far Electromechanical)	A subsidiary of the substantial related party
Liu, Ke-Ya	The second immediate family of the chairman of the Corporation
Chien, Pi-Hua	The second immediate family of the chairman of the Corporation
Liu, Yu-Bang	The second immediate family of the chairman of the Corporation
Lu, Mei -Yun	The spouse of the representative of the institutional director of the Corporation

(b) Significant related-party transactions

(i) Sale of goods to related parties

		Sales	
		2019	**2018**
Associates	$	56,960	46,850
Other related parties		2,718,094	4,020,570
Total	$	**2,775,054**	**4,067,420**

There were no significant differences in the selling prices and trading terms between related parties and other customers. The credit terms ranged from 25 to 90 days, which were not significant difference with to other customers.

The Group sold its real estate and parking spaces amounting to $768,132 thousand to other related parties in advance during the construction period. As of December 2019, the related advance payment received by the Group amounted to $13,294 thousand.

(ii) Purchase of goods from related parties

		Purchases	
		2019	**2018**
Associates	$	597,057	725,830
Other related parties		901,452	685,124
Total	$	**1,498,509**	**1,410,954**

There were no significant differences in the purchasing prices and trading terms between related parties and other vendors. The payment terms was 30 days, which were no significant differences with other vendors.

(iii) Purchases or sales of property and other assets

1) The Group purchased machinery from other related party Shanghai Chung Loong for $1,045,223 thousand. The purchasing price was determined after negotiation and consideration of the appraisal report. As of December 31, 2018, payables for purchase transactions were settled.

2) The Group purchased machinery from other related parties for $9,400 thousand in 2018. The purchase price was determined after negotiation and consideration of both the domestic and foreign market prices. The payment was on a monthly basis, and the terms were the same as normal equipment purchases. As of December 31, 2018, payables for the purchase transactions were settled.

(Continued)

3) In September 1993, the Group sold land to an associate. The gain on this disposal amounted to $181,965 thousand. The Group recognized a deferred unrealized gain of $89,345 thousand based on the percentage of ownership. As of December 31, 2019 and 2018, such gain was recorded as a subtraction from investments accounted for using equity method.

4) The Group sold machinery to other related parties for $73,300 thousand, and the loss on disposal was $48,290 thousand in 2018. The selling price was determined after negotiation and consideration of both the domestic and foreign market prices. The trading terms were the same as normal equipment sales. As of December 31, 2018, receivables for transactions were settled.

(iv) Lease

1) Lessee

The Group rented land, plants, and buildings from other related parties. The rental expense were as follows:

	Depreciation and Rental expense	
	2019	**2018**
Other related parties:		
Shan Loong Transportation	$ 9,573	18,416
Others	3,897	4,200
Total	**$ 13,470**	**22,616**

The rental expense paid to related parties were according to the terms of the contracts and were negotiated based on local market prices.

The Group rented property, plants and equipment from other related parties. As the initial application of IFRS16, the Group recognized right-of -use assets and lease liabilities both amounted to $74,291 thousand on January 1, 2019. For the year ended December 31, 2019, the Group recognized the amount of $1,421 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to $63,352 thousand.

2) Lessor

The Group leased out land, plants, buildings, and parking spaces to its associates and other related parties. The rental revenue were as follows:

	Rental revenue 2019	Rental revenue 2018
Associates	$ 2,162	2,162
Other related parties:		
Shan Loong Transportation	48,478	50,271
Others	29,200	32,693
Total	$ 79,840	85,126

For the years ended December 31, 2019 and 2018, receivables for the rental revenue amounted to $2,515 thousand and $2,128 thousand, respectively, and were recorded as other receivables.

The rental was collected according to the terms of the contracts and was negotiated based on local market prices.

(v) Miscellaneous transactions

1) The miscellaneous expenses which the Group paid to its related parties were as follows:

	Item	2019	2018
Associates	Co-generation expenses, technical service and others	$ 596,613	623,719
Other related parties	Delivery expense	1,367,243	1,466,839
Other related parties	Maintenance expense, technical service, and construction of plants and residential and commercial premises	841,075	952,890
Other related parties	Customs declaration expenses	170,492	173,738
Other related parties	Others	96,285	77,935
		$ 3,071,708	3,295,121

As of December 31, 2019 and 2018, payables for the construction of the plants amounted to $36,590 thousand and $6,005 thousand, respectively, and were recorded as other current liabilities.

2) Payments paid on behalf of others from its related parties were as follows:

	Item	2019	2018
Associates	Others	$ 972	972
Other related parties	Payments for the salary of technical support personnel	4,081	4,366
Other related parties	Others	5,509	6,044
		$ 10,562	11,382

(vi) Notes and accounts receivable from and payable to related parties

Notes and accounts receivable from and payable to related parties resulting from the above transactions (except payments paid on behalf of others and for miscellaneous transactions) were as follows:

	Notes and accounts receivable	
	December 31, 2019	December 31, 2018
Associates	$ 6,887	5,079
Other related parties:		
Sun Favorite	642,973	677,452
Others	109,961	108,202
	$ 759,821	790,733

	Notes and accounts payable	
	December 31, 2019	December 31, 2018
Associates	$ 84,873	57,005
Other related parties	359,024	343,739
	$ 443,897	400,744

(vii) Loans to related parties

1) In 2018, the interest charged by the Group to other related party, Shanghai Chung Loong, amounted to $21,296 thousand. As of December 31, 2018, the loan was collected.

2) In 2018, the loans to other related party, Tianjin Chung Loong, amounted to $696,685 thousand. As of December 31, 2018, the balance $479,650 thousand was recorded as other receivables. The aforementioned other receivables were settled in the first quarter of 2019.

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(c) Key management personnel compensation

		2019	2018
Short-term employee benefits	$	59,351	57,013
Post-employment benefits		255	305
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payments		-	-
	$	59,606	57,318

The Group provides vehicles for directors, supervisors, and upper management. As of December 31, 2019, the cost of acquisition was $35,756 thousand.

(8) Pledged assets

The assets pledged as collateral for bank borrowings were as follows:

Pledged assets	Pledged to secure		December 31, 2019	December 31, 2018
Property, plant and equipment:				
Land	Bank long-term borrowings	$	1,251,342	1,648,611
Buildings	〃		394,137	420,688
Machinery	〃		7,426,955	5,017,598
Transportation and other equipment	〃		11,952	4,856
Investment property:				
Land	Bank long-term borrowings		1,694	1,694
Buildings	〃		30,652	31,595
Total		$	9,116,732	7,125,042

(9) Commitments and contingencies

(a) As of December 31, 2019 and 2018, the Group had outstanding letters of credit amounting to $643,867 thousand and $253,180 thousand, respectively. The fair value of the letters of credit was similar to the contract price.

(b) The Group signed contracts for the construction of buildings. As of December 31, 2019 and 2018, the related undue disbursements amounted to $1,942,164 thousand and $2,666,101 thousand, respectively.

(c) As of December 31, 2019 and 2018, the significant construction contracts and the undue fixed asset purchase contracts of the Group amounted to $1,657,498 thousand and $554,491 thousand, respectively.

(d) As of December 31, 2019 and 2018, the pre-sale contracts of real estate signed with clients amounted to $1,399,710 thousand and $0 thousand, respectively.

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(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

(a) Employee benefits, depreciation, and amortization are summarized by function from continuing operations are below:

By function / By item	2019 Classified as Operating Costs	2019 Classified as Operating Expenses	2019 Total	2018 Classified as Operating Costs	2018 Classified as Operating Expenses	2018 Total
Employee benefits						
Salary	2,882,269	1,530,250	4,412,519	2,861,540	1,525,956	4,387,496
Labor and health insurance	194,986	111,816	306,802	175,392	101,375	276,767
Pension	150,643	73,704	224,347	171,356	69,281	240,637
Others	66,803	134,997	201,800	89,478	142,134	231,612
Depreciation	1,977,559	551,668	2,529,227	1,604,592	381,510	1,986,102
Amortization	2,769	7,967	10,736	1,998	40,035	42,033

(b) Discontinued operations

The Group sold all shares of Ever Onward on March 28, 2018. Therefore, the statement of comprehensive income show the discontinued operation separately from continuing operations.

Profit and loss, and cash flows from (used in) discontinued operations are summarized as follows:

	2018
Results from operating activities:	
Operating revenues	$ -
Operating costs	-
Gross profit	-
Operating expenses	20,076
Net operating loss	(20,076)
Non-operating income and expenses	38,052
Profit before income tax	17,976
Income tax expenses	-
Profit from discontinued operation	$ 17,976
Profit from discontinued operation attributable to:	
Owners of parent	$ 14,329
Non-controlling interests	3,647
	$ 17,976

		2018
Cash flows from discontinued operations:		
Net cash from operating activities	$	748,082
Net cash from investing activities		482
Net cash from financing activities		(1,328,779)
Effect of exchange rate changes		(17,763)
Net increase (decrease) in cash and cash in equivalents	$	**(597,978)**

(c) Winvantage, a subsidiary of the Group, entered into a share sale and purchase agreement with Sinobird Holding Limited and Hybest (BVI) Company Limited (hereinafter referred to as the "Buyer") on January 16, 2018, which were the wholly funded subsidiaries of China Vanke Co., Ltd, to sell 100% shares of its subsidiary Ever Onward and indirectly transfer 100% shares of Shanghai Chung Loong. However, the Buyer claimed that the agreement is invalid, therefore, refused to pay the 3rd and 4th installment, refunds and supplemental payments in line with the agreement. The Buyer then submitted unilaterally an arbitration application to the Hong Kong International Arbitration Centre, claiming that they were under no obligation to pay the installments. This case has already been filed to the Hong Kong International Arbitration Centre, and the trial has commenced on May 2, 2019. The Buyer also submitted an application and evidence to the arbitration tribunal on July 31, 2019, claiming to terminate the agreement and revoke the deed of guarantees and indemnities. At same time, the Buyer demanded the Group to return the payment due to the agreement being invalid and pay 10% of the consideration as the compensation. According to the progress of arbitration, the Group had submitted the plea and counterclaim based on the complaint from the Buyer, the Buyer had provided their responses to the arbitration tribunal on October 30, 2019. On February 10, 2020, the arbitration tribunal requested both the Group and the Buyer to provide the essential documents for the arbitration before March 9, 2020. The Buyer then applied for an extension for the above request, in which the arbitration tribunal agreed that both parties can submit the necessary documents before April 6, 2020 on March 5, 2020. The Group will provide the related documents before the deadline and continue to follow the progress of the arbitration in defence of the right of the Group.

As of December 31, 2019, the receivable amounted to $1,244,476 thousand. Although the lawyers estimated that the Group has a high chance of winning the case, the arbitration result is uncertain and the Group had already made the appropriate impairment assessment.

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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required to be disclosed by the Regulations for the Group:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
0	Cheng Loong Corporation	Hong Kong Gwang Loong Limited	Other receivables	Yes	456,825	449,250	149,750	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	4,744,937	9,489,875
0	Cheng Loong Corporation	Hong Kong Chung Hao Limited	Other receivables	Yes	761,375	748,750	449,250	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	4,744,937	9,489,875
1	Chung Loong Paper Holdings Limited	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	94,935	-	-	2.50 % ~2.80 %	Short-term borrowings	-	Operating capital	-	-	-	8,287,564	8,287,564
1	Chung Loong Paper Holdings Limited	Henan Cheng Loong Packing Products Co., Ltd.	Other receivables	Yes	174,048	-	-	2.50 % ~3.00 %	Short-term borrowings	-	Operating capital	-	-	-	8,287,564	8,287,564
1	Chung Loong Paper Holdings Limited	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	253,160	-	-	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	8,287,564	8,287,564
1	Chung Loong Paper Holdings Limited	Cheng Loong (Gwangtung) Investment Co., Ltd.	Other receivables	Yes	664,545	389,350	389,350	2.50 % ~2.80 %	Short-term borrowings	-	Operating capital	-	-	-	8,287,564	8,287,564
1	Chung Loong Paper Holdings Limited	Winvantage Corporation	Other receivables	Yes	221,515	-	-	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	8,287,564	8,287,564
1	Chung Loong Paper Holdings Limited	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	443,030	119,800	119,800	2.50 % ~2.80 %	Short-term borrowings	-	Operating capital	-	-	-	8,287,564	8,287,564
2	Shanghai Chung Hao Paper Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	358,270	288,160	288,160	4.35 %	Short-term borrowings	-	Operating capital	-	-	-	1,462,709	1,462,709
2	Shanghai Chung Hao Paper Co., Ltd.	Kunfu Paper (Kunsan) Co., Ltd.	Other receivables	Yes	31,729	31,355	31,355	4.35 % ~5.00%	Short-term borrowings	-	Operating capital	-	-	-	1,462,709	1,462,709
2	Shanghai Chung Hao Paper Co., Ltd.	Tianjin Chung Loong Paper Co., Ltd.	Other receivables	Yes	493,642	-	-	3.92 % ~5.00%	Short-term borrowings	-	Operating capital	-	-	-	1,462,709	1,462,709

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
2	Shanghai Chung Hao Paper Co., Ltd.	Henan Cheng Loong Packing Products Co., Ltd.	Other receivables	Yes	258,496	158,363	158,363	4.35 % ~5.00 %	Short-term borrowings	-	Operating capital	-	-	-	1,462,709	1,462,709
2	Shanghai Chung Hao Paper Co., Ltd.	Cheng Loog (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	85,660	85,660	85,660	4.35 %	Short-term borrowings	-	Operating capital	-	-	-	1,462,709	1,462,709
2	Shanghai Chung Hao Paper Co., Ltd.	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	34,061	-	-	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	1,462,709	1,462,709
3	Cheng Loong (Gwangtung) Investment Co.,Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	188,640	-	-	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	1,136,418	1,136,418
3	Cheng Loong (Gwangtung) Investment Co.,Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	345,840	209,650	209,650	2.80 % ~3.00 %	Short-term borrowings	-	Operating capital	-	-	-	1,136,418	1,136,418
3	Cheng Loong (Gwangtung) Investment Co., Ltd.	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	145,567	137,770	137,770	2.80 % ~3.00 %	Short-term borrowings	-	Operating capital	-	-	-	1,136,418	1,136,418
3	Cheng Loong (Gwangtung) Investment Co., Ltd.	Cheng Loong (Hangzhou) Investment Co.,Ltd.	Other receivables	Yes	63,290	59,900	59,900	2.80 % ~3.00 %	Short-term borrowings	-	Operating capital	-	-	-	1,136,418	1,136,418
4	Suzhou Cheng Loong Paper Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	34,241	3,140	3,140	0.455 %	Short-term borrowings	-	Operating capital	-	-	-	252,026	252,026
5	Zhangzhou Cheng Loong Paper Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd	Other receivables	Yes	23,714	-	-	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	131,135	131,135
6	Dongguan Ming Loong Paper Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	22,398	-	-	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	128,630	128,630
7	Cheng Loong (Gwangtung) Paper Co., Ltd.	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	29,710	29,710	29,710	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	893,283	893,283
7	Cheng Loong (Gwangtung) Paper Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	213,663	149,905	149,905	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	893,283	893,283

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
7	Cheng Loong (Gwangtung) Paper Co., Ltd.	Dongguan Ming Loong Paper Co., Ltd.	Other receivables	Yes	13,821	13,821	13,821	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	893,283	893,283
8	Chengdu Cheng Loong Packing Products Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	28,914	23,038	23,038	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	258,737	258,737
8	Chengdu Cheng Loong Packing Products Co., Ltd.	Qingdao Chung Loong Paper Co., Ltd.	Other receivables	Yes	87,086	58,677	58,677	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	258,737	258,737
9	Henan Cheng Loong Packing Products Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	83,340	-	-	0.455 %	Short-term borrowings	-	Operating capital	-	-	-	131,129	131,129
10	Shan Fu Paper (Kunsan) Co., Ltd.	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	71,200	68,528	68,528	4.35 %	Short-term borrowings	-	Operating capital	-	-	-	573,134	573,134
10	Shan Fu Paper (Kunsan) Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	91,225	87,802	87,802	5.00 %	Short-term borrowings	-	Operating capital	-	-	-	573,134	573,134
11	Loong Fu Paper (Kunsan) Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	116,149	111,358	111,358	1.35 % ~2.00%	Short-term borrowings	-	Operating capital	-	-	-	243,076	243,076
12	Cheng Loong Vietnam Paper Investment Co., Ltd.	Cheng Loong Binh Duong Paper Co., Ltd	Other receivables	Yes	47,468	-	-	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	2,445,921	2,445,921
13	Hong Kong Chung Hao Limited	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	119,800	119,800	119,800	2.80 %	Short-term borrowings	-	Operating capital	-	-	-	1,754,530	1,754,530
13	Hong Kong Chung Hao Limited	Winvantage Corporation	Other receivables	Yes	213,185	209,650	209,650	3.00 %	Short-term borrowings	-	Operating capital	-	-	-	1,754,530	1,754,530
14	Hong Kong Gwang Loong Limited	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	89,850	89,850	89,850	3.00 %	Short-term borrowings	-	Operating capital	-	-	-	868,676	868,676

Note 1: The amount and total amount for loans to a company shall not exceed 20% and 40% of the net worth of the Corporation in its latest financial statements, respectively. The amount and the total amount for loans to a company shall not exceed its net worth in the latest financial statements.
Note 2: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

		Counter-party of guarantee and endorsement											
No.	Name of guarantor	Name	Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements during the period	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements /guarantees to third parties on behalf of companies in Mainland China
0	The Corporation	Cheng Loong Long An Container Co., Ltd.	2	23,724,687	1,037,520	991,650	704,022	-	4.18 %	42,704,437	Y	N	N
0	The Corporation	Cheng Loong Vietnam Paper Investment Co.,Ltd.	2	23,724,687	94,935	45,075	45,075	-	0.19 %	42,704,437	Y	N	N
0	The Corporation	Cheng Loong Binh Duong Container Co., Ltd.	2	23,724,687	464,250	180,300	-	-	0.76 %	42,704,437	Y	N	N
0	The Corporation	Vina Tawana Container Co., Ltd.	2	23,724,687	759,480	330,550	11,720	-	1.39 %	42,704,437	Y	N	N
0	The Corporation	Cheng Loong Binh Duong Paper Co., Ltd.	2	23,724,687	9,021,364	8,872,263	5,449,229	-	37.40 %	42,704,437	Y	N	N
0	The Corporation	Chung Ming International Limited (Note 2)	2	23,724,687	-	-	-	-	- %	42,704,437	Y	N	N
0	The Corporation	Cheng Loong (Gwangtung) Investment Co., Ltd.	2	23,724,687	305,550	300,500	120,200	-	1.27 %	42,704,437	Y	N	N
0	The Corporation	Chung Loong Paper Holdings Limited (Note 2)	2	23,724,687	443,030	420,700	-	-	1.77 %	42,704,437	Y	N	N
0	The Corporation	Qingdao Chung Loong Paper Co., Ltd.	2	23,724,687	63,290	60,100	-	-	0.25 %	42,704,437	Y	N	Y
0	The Corporation	Dongguan Ming Loong Paper Co., Ltd.	2	23,724,687	843,308	830,590	108,593	-	3.50 %	42,704,437	Y	N	Y
0	The Corporation	Henan Cheng Loong Packing Products Co., Ltd.	2	23,724,687	189,870	-	-	-	- %	42,704,437	Y	N	Y
0	The Corporation	Shan Fu Paper (Kunsan) Co., Ltd.	2	23,724,687	244,440	240,400	-	-	1.01 %	42,704,437	Y	N	Y
0	The Corporation	Zhangzhou Cheng Loong Paper Co., Ltd.	2	23,724,687	401,867	395,690	6,509	-	1.67 %	42,704,437	Y	N	Y
0	The Corporation	Cheng Loong (Gwangtung) Paper Co., Ltd.	2	23,724,687	1,385,678	1,046,805	485,649	-	4.41 %	42,704,437	Y	N	Y

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements during the period	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements /guarantees to third parties on behalf of companies in Mainland China
0	The Corporation	Chong Qing Cheng Loong Paper Co., Ltd.	2	23,724,687	348,095	-	-	-	- %	42,704,437	Y	N	Y
0	The Corporation	Suzhou Cheng Loong Paper Co., Ltd.	2	23,724,687	862,820	691,150	327,609	-	2.91 %	42,704,437	Y	N	Y
1	Cheng Loong (Gwangtung) Paper Co., Ltd.	Hong Kong Chung Hao Limited	4	893,283	93,140	86,660	86,660	-	9.70 %	1,607,909	N	N	N

Note 1: The guarantee amount to a company shall not exceed its net worth in the latest financial statements, and the total guarantee amount to a company shall not exceed 180% of its net worth in the latest financial statements.

Note 2: The guarantee of Chung Loong Paper Holdings Limited amounting to $420,700 thousand is shared with Chung Ming International Limited.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest Percentage of ownership (%)	Note
	Stocks:								
The Corporation	Long Chen Paper Co.,Ltd.	-	Financial assets measured at FVOCI	3	42	-	42		
〃	Shan Loong Transportation Co., Ltd.	The substantial related party	〃	12,690	378,797	9.24	378,797	9.24	
〃	O-Bank Co., Ltd	-	〃	10,385	81,105	0.43	81,105	0.43	
〃	Linkou International Golf & Country Club	-	〃	9 (shares)	10,119	0.90	9,696	0.90	
〃	Ko Loong Industry Co., Ltd.	The entity's chairman is the second immediate family of the Chairman of the Corporation	〃	1,320	36,688	12.94	37,500	12.94	
〃	Ming Foong Plastic Co., Ltd.	Institutional directors of the Corporation	〃	878	7,447	8.14	12,811	-	
〃	Hsin Tung Yang Co., Ltd.	-	〃	26	1,183	0.03	1,693	-	
					515,381				

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
	Stock:													
The Corporation	Cheng Loong Southeast Asia Holding Co., Ltd.	Investments accounted for using equity method	Initial offerings	Subsidiary	174,980	3,975,299	10,000	306,570	-	-	(649,442) (Note 1)	-	184,980	3,632,427
Cheng Loong Southeast Asia Holding Co., Ltd.	Cheng Loong Vietnam Investment Co., Ltd.	〃	〃	〃	35,870	962,944	10,000	306,570	-	-	(56,111) (Note 1)	-	45,870	1,213,403

Note 1: Adjustments based on equity methods.
Note 2: The above NTD amounts were translated based on the USD exchange rate at the reporting date, which was 29.95.
Note 3: The above investments have been eliminated during the preparation of the consolidated financial statements.

(v) Acquisition of individual real estate with an amount exceeding the lower of $300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock:

Name of company	Related party	Nature of the relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Corporation	Tzeng Long USA	Investments accounted for using equity method	Purchase	568,447	4 %	T/T	The same as general trading	The same as general trading	(9,803)	-%	
〃	Shan Loong	A substantial related party	Purchase	285,385	2 %	50 days from the following month	〃	〃	(265,206)	(6)%	
〃	Shine Far	The institutional director of the Corporation	Sale	(317,590)	(1)%	90 days from the following month	〃	〃	106,828	2 %	
〃	Yamahatsu Nihon	Entity's chairman is the second immediate family of the Corporation	Purchase	452,375	3 %	T/T	〃	〃	(920)	- %	
〃	Sun Favorite	The institutional director of the Corporation	Sale	(2,271,849)	(7)%	90 days from the following month	〃	〃	642,973	13%	
〃	Chung Ming	Subsidiary	Sale	(784,931)	(3)%	90 days from the following month	〃	〃	104,232	2%	(Note)
〃	Shanghai Chung Hao	Subsidiary	Sale	(107,490)	- %	120 days from the following month	〃	〃	-	-%	(Note)

(Continued)

CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of company	Related party	Nature of the relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Corporation	Chung Ming Taiwan	Subsidiary's branch	Sale	(2,069,682)	(7)%	90 days from the following month	The same as general trading	The same as general trading	1,030,286	21 %	(Note)
〃	Suzhou Cheng Loong	Subsidiary	Sale	(102,455)	- %	60 days from the following month	〃	〃	-	-%	(Note)
〃	Binh Duong	Subsidiary	Sale	(161,012)	(1)%	30 days from the following month	〃	〃	51,656	-%	(Note)
Shanghai Chung Hao	Chung Ming Taiwan	From the same parent company	Purchase	200,361	38 %	90 days from the following month	〃	〃	(68,941)	(42)%	(Note)
〃	The Corporation	From the same parent company	Purchase	107,490	20 %	90 days from the following month	〃	〃	-	-%	(Note)
Chung Ming	Cheng Loong (Gwangtung) Investment	From the same parent company	Sale	(525,407)	(31)%	90 days from the following month	〃	〃	41,750	21%	(Note)
〃	The Corporation	Ultimate controlling party	Purchase	784,931	51 %	90 days from the following month	〃	〃	(104,232)	(43)%	(Note)
〃	Cheng Loong (Gwangtung) Investment	From the same parent company	Purchase	587,195	38 %	90 days from the following month	〃	〃	(98,935)	(41)%	(Note)
〃	Henan Cheng Loong	From the same parent company	Purchase	162,664	11 %	90 days from the following month	〃	〃	(57,437)	(24)%	(Note)
Chung Ming Taiwan	The Corporation	Ultimate controlling party	Purchase	2,069,682	36 %	90 days from the following month	〃	〃	(1,030,286)	(69)%	(Note)
〃	Cheng Loong (Gwangtung) Investment	From the same parent company	Purchase	1,783,470	31 %	90 days from the following month	〃	〃	(423,111)	(28)%	(Note)
〃	Cheng Loong (Gwangtung) Investment	From the same parent company	Sale	(247,158)	(4)%	90 days from the following month	〃	〃	156,446	9%	(Note)
〃	Cheng Loong (Gwangtung)	From the same parent company	Sale	(142,259)	(2)%	90 days from the following month	〃	〃	27,145	2%	(Note)
〃	Cheng Loong (Hangzhou) Investment	From the same parent company	Purchase	199,964	4 %	90 days from the following month	〃	〃	(68,971)	(5)%	(Note)
〃	Cheng Loong (Vietnam) Investment	From the same parent company	Sale	(900,259)	(15)%	90 days from the following month	〃	〃	279,339	16%	(Note)
〃	Cheng Loong (Vietnam) Investment	From the same parent company	Purchase	1,433,305	25 %	90 days from the following month	〃	〃	(327,344)	(22)%	(Note)

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of company	Related party	Nature of the relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Chung Ming Taiwan	Shan Fu Kunsan	From the same parent company	Sale	(196,782)	(3)%	120 days from the following month	The same as general trading	The same as general trading	70,656	4%	(Note)
〃	Dongguan Ming Loong Paper	From the same parent company	Sale	(160,268)	(3)%	90 days from the following month	〃	〃	69,713	4%	(Note)
〃	Suzhou Cheng Loong	From the same parent company	Sale	(163,535)	(3)%	60 days from the following month	〃	〃	92,774	5%	(Note)
〃	Shanghai Chung Hao	From the same parent company	Sale	(200,361)	(3)%	90 days from the following month	〃	〃	68,941	4%	(Note)
Shan Fu Kunsan	Chung Ming Taiwan	From the same parent company	Purchase	196,782	60 %	120 days from the following month	〃	〃	(70,656)	(48)%	(Note)
Suzhou Cheng Loong	The Corporation	Ultimate controlling party	Purchase	102,455	21 %	90 days from the following month	〃	〃	-	-%	(Note)
〃	Chung Ming Taiwan	From the same parent company	Purchase	163,535	34 %	90 days from the following month	〃	〃	(92,774)	(60)%	(Note)
Henan Cheng Loong	Chung Ming	From the same parent company	Sale	(162,664)	(58)%	60 days from the following month	〃	〃	57,437	77%	(Note)
Cheng Loong (Hangzhou) Investment	Chung Ming Taiwan	From the same parent company	Sale	(199,964)	(72)%	65 days from the following month	〃	〃	68,971	92%	(Note)
Cheng Loong (Gwangtung)	Cheng Loong (Gwangtung) Investment	From the same parent company	Sale	(1,002,282)	(90)%	90 days from the following month	〃	〃	91,770	60%	(Note)
〃	Chung Ming Taiwan	From the same parent company	Purchase	142,259	13 %	90 days from the following month	〃	〃	(27,145)	(28)%	(Note)
Dongguan Ming Loong	Chung Ming Taiwan	From the same parent company	Purchase	160,268	46 %	90 days from the following month	〃	〃	(69,713)	(49)%	(Note)
Vina	Binh Dung Paper	From the same parent company	Purchase	289,658	49 %	30 days from the following month	〃	〃	(26,526)	(22)%	(Note)
Cheng Loong (Gwangtung) Investment	Chung Ming	From the same parent company	Purchase	525,407	17 %	90 days from the following month	〃	〃	(41,750)	(11)%	(Note)
〃	Cheng Loong (Gwangtung)	From the same parent company	Purchase	1,002,282	32 %	90 days from the following month	〃	〃	(91,770)	(24)%	(Note)
〃	Chung Ming Taiwan	From the same parent company	Purchase	247,158	8 %	90 days from the following month	〃	〃	(156,446)	(41)%	(Note)

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CHENG LOONG CORPORATION AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of company	Related party	Nature of the relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Cheng Loong (Gwangtung) Investment	Chung Ming	From the same parent company	Sale	(587,195)	(24)%	90 days from the following month	The same as general trading	The same as general trading	98,935	15%	(Note)
〃	Chung Ming Taiwan	From the same parent company	Sale	(1,783,470)	(74)%	90 days from the following month	〃	〃	423,111	66%	(Note)
Cheng Loong (Vietnam) Investment	Chung Ming Taiwan	From the same parent company	Sale	(1,433,305)	(100)%	90 days from the following month	〃	〃	327,344	75%	(Note)
〃	Chung Ming Taiwan	From the same parent company	Purchase	900,259	43 %	90 days from the following month	〃	〃	(279,339)	(79)%	(Note)
〃	Binh Duong	From the same parent company	Purchase	245,873	12 %	30 days from the following month	〃	〃	(42,498)	(12)%	(Note)
Binh Duong	Cheng Loong (Vietnam) Investment	From the same parent company	Sale	(245,873)	(13)%	30 days from the following month	〃	〃	42,498	16%	(Note)
〃	The Corporation	Ultimate controlling party	Purchase	161,012	13 %	90 days from the following month	〃	〃	(51,656)	(36)%	(Note)
〃	Binh Dung Paper	From the same parent company	Purchase	280,867	22 %	30 days from the following month	〃	〃	(19,493)	(14)%	(Note)
Binh Duong Paper	Binh Duong	From the same parent company	Sale	(280,867)	(14)%	30 days from the following month	〃	〃	19,493	7%	(Note)
〃	Cheng Loong(Long An)	From the same parent company	Sale	(129,482)	(6)%	55 days from the following month	〃	〃	9,187	3%	(Note)
〃	Vina	From the same parent company	Sale	(289,658)	(14)%	30 days from the following month	〃	〃	26,526	10%	(Note)
Cheng Loong(Long An)	Binh Duong Paper	From the same parent company	Purchase	129,482	30 %	30 days from the following month	〃	〃	(9,187)	(8)%	(Note)

Note: Related transactions have been eliminated during preparing the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of the relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance	Note
					Amount	Action taken			
			Accounts Receivable:						
The Corporation	Sun Favorite	The institutional director of the Corporation	642,973	3.44	-		253,926	-	
〃	Shine Far	The entity's Chairman is the second immediate family of the Chairman of the Corporation	106,828	3.00	-		43,261	-	

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Name of company	Counter-party	Nature of the relationship	Ending balance	Turnover rate	Overdue Amount	Overdue Action taken	Amounts received in subsequent period (Note 1)	Loss allowance	Note
The Corporation	Chung Ming Taiwan	Subsidiary' branch	1,030,286	2.42	-		468,388	-	(Note 2)
〃	Chung Ming	Subsidiary	104,232	3.36	-		104,232	-	(Note 2)
Chung Ming Taiwan	Cheng Loong (Gwantung) Investment	From the same parent company	156,446	4.67	-		97,507	-	(Note 2)
〃	Cheng Loong (Vietnam) Investment	From the same parent company	279,339	2.56	-		15,427	-	(Note 2)
Cheng Loong (Gwangtung) Investment	Chung Ming Taiwan	From the same parent company	423,111	2.97	-		293,690	-	(Note 2)
Cheng Loong (Vietnam)	Chung Ming Taiwan	From the same parent company	327,344	5.01	-		235,849	-	(Note 2)
			Other receivables:						
The Corporation	Hong Kong Gwang Loong	Subsidiary	149,750	-	-		-	-	(Note 2)
〃	Hong Kong Chung Hao	Subsidiary	449,250	-	-		-	-	(Note 2)
Chung Loong Paper Holdings	Cheng Loong (Gwangtung) Investment	From the same parent company	389,350	-	-		-	-	(Note 2)
〃	Cheng Loong (Gwantung)	From the same parent company	119,800	-	-		-	-	(Note 2)
Shanghai Chung Hao	Henan Cheng Loong	From the same parent company	158,363	-	-		-	-	(Note 2)
〃	Chong Qing Cheng Loong	From the same parent company	288,160	-	-		-	-	(Note 2)
Cheng Loong (Gwangtung) Investment	Cheng Loong (Gwantung)	From the same parent company	209,650	-	-		-	-	(Note 2)
〃	Zhang Zhou Cheng Loong	From the same parent company	137,770	-	-		-	-	(Note 2)
Cheng Loong (Gwangtung)	Chong Qing Cheng Loong	From the same parent company	149,905	-	-		-	-	(Note 2)
Loong Fu Kunsan	Shaghai Chung Hao	From the same parent company	111,358	-	-		-	-	(Note 2)
Hong Kong Chung Hao	Cheng Loong (Gwangtung)	From the same parent company	119,800	-	-		-	-	(Note 2)
〃	Winvantage Corporation	From the same parent company	209,650	-	-		-	-	(Note 2)

Note 1: Amounts collected as of February 20, 2020.
Note 2: Related transactions have been eliminated during the preperation of the consolidated financial statements.

(ix) Trading in derivative instruments Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of Counter-party	Nature of the relateionship (Note 2)	Intercompany transactions: Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The corporation	Chung Ming	1	Sales Revenues	784,931	90 days from the following month	1.94%
0	The corporation	Chung Ming Taiwan	1	Sales Revenues	2,069,682	90 days from the following month	5.12%
0	The corporation	Chung Ming Taiwan	1	Accounts Receivables	1,030,286	90 days from the following month	1.74%
1	Chung Ming	Cheng Loong (Gwangtung) Investment	3	Sales Revenues	525,407	90 days from the following month	1.30%
2	Cheng Loong (Gwangtung) Investment	Chung Ming Taiwan	3	Sales Revenues	1,783,470	90 days from the following month	4.42%

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No. (Note 1)	Name of company	Name of Counter-party	Nature of the relateionship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	Cheng Loong (Gwangtung) Investment	Chung Ming	3	Sales Revenues	587,195	90 days from the following month	1.45%
3	Cheng Loong (Vietnam) Investment	Chung Ming Taiwan	3	Sales Revenues	1,433,305	90 days from the following month	3.55%
4	Cheng Loong (Gwangtung)	Cheng Loong (Gwangtung) Investment	3	Sales Revenues	1,002,282	90 days from the following month	2.48%
5	Chung Ming Taiwan	Cheng Loong (Vietnam) Investment	3	Sales Revenues	900,259	90 days from the following month	2.23%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.
Note 2: "1" represents the transactions from parent company to subsidiary.
"2" represents the transactions from subsidiary to parent company.
"3" represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership (%)	Carrying value				
The Corporation	Ta Yuan Co-generation Co., Ltd.	Taiwan	Engaged in the management of cogeneration	310,459	310,459	50,201	41.06	658,637	41.06	146,843	60,296	
〃	Tzeng Long USA Inc.	U.S.A	Paper trading	76,008	76,008	393	33.55	326,569	33.55	46,854	15,519	
〃	Shin Loong Lifecare Corp.	Taiwan	Leisure, sports and creation management and facilities consultation	25,091	25,091	2,700	45.00	12,782	45.00	1,434	646	
〃	Cheng Loong Investment Co., Ltd.	Taiwan	Investment	45,000	45,000	4,500	34.62	138,258	34.62	18,379	6,363	
〃	GemTech Optoelectronics Corp.	Taiwan	Manufacture and Installation of Electronic Components	125,118	125,118	11,167	59.13	196,339	59.13	(8,491)	(5,021)	(Note 4)
〃	Omis International Holdings Limited	British Virgin Islands	Investment	3,483,338	3,483,338	92,943	100.00	6,624,514	100.00	(31,916)	(31,916)	(Note 4)
〃	Vina Tawana Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Cardboard, Kraft Linerboard and Display Boxes	601,322	601,322	22,000	100.00	349,747	100.00	111,622	111,622	(Note 4)
〃	Cheng Loong Southeast Asia Holding Co., Ltd.	Samoa	Investment	5,689,597	5,383,027	184,980	100.00	3,632,427	100.00	(412,957)	(412,957)	(Note 4)
〃	Accumulated impairment			-	-	-	-	(16,025)	-	-	-	
	Total							11,923,248			(255,448)	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Balance as of December 31, 2019: Shares (thousands)	Balance as of December 31, 2019: Percentage of ownership (%)	Balance as of December 31, 2019: Carrying value	Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
Omis International Holdings Limited	Chung Loong Paper Holdings Limited	Cayman Islands	Investment	3,366,440 (USD112,402 thousand)	3,366,440 (USD112,402 thousand) (Note 5 and Note 6)	89,064	79.71	6,606,017	79.71	(40,456)	(32,247)	(Note 4)
Chung Loong Paper Holdings Limited	Scorpion Perfect Investments Ltd.	British Virgin Islands	Investment	1,185,840 (USD39,594 thousand)	1,185,840 (USD39,594 thousand) (Note 5)	60,078	100.00	1,755,888	100.00	(273,630)	(273,630)	(Note 4)
〃	Best Focus Holdings Limited	British Virgin Islands	Investment	129,444 (USD4,322 thousand)	129,444 (USD4,322 thousand)	5,000	50.00	67,249	50.00	127,791	63,895	(Note 4)
〃	Winvantage Corporation	British Virgin Islands	Investment	114,199 (USD3,813 thousand)	114,199 (USD3,813 thousand) (Note 5)	1	100.00	722,411	100.00	(33,700)	(33,700)	(Note 4)
〃	Shan Fu Investment Co., Ltd.	Samoa	Investment	248,016 (USD8,281 thousand)	248,016 (USD8,281 thousand) (Note 5)	14,083	100.00	593,541	100.00	30,725	30,725	(Note 4)
〃	Cheng Loong (Suzhou) Investment Co., Ltd.	Samoa	Investment	580,461 (USD19,381 thousand)	580,461 (USD19,381 thousand) (Note 5)	19,500	100.00	260,054	100.00	(90,385)	(90,385)	(Note 4)
〃	Cheng Loong (Hangzhou) Investment Co., Ltd.	Samoa	Investment	300 (USD10 thousand)	300 (USD10 thousand)	10	100.00	(21,388)	100.00	475	475	(Note 4)
〃	Cheng Loong (Gwangtung) Investment Co., Ltd.	Samoa	Investment	618,468 (USD20,650 thousand)	618,468 (USD20,650 thousand) (Note 5)	30,150	100.00	1,136,418	100.00	81,831	81,831	(Note 4)
〃	Loong Fu Investment Co., Ltd.	Samoa	Investment	249,364 (USD8,326 thousand)	249,364 (USD8,326 thousand) (Note 5)	8,500	100.00	206,395	100.00	(8,390)	(8,390)	(Note 4)
〃	Chung Ming International Limited	Samoa	Investment	29,950 (USD1,000 thousand)	29,950 (USD1,000 thousand)	1,000	100.00	1,399,951	100.00	158,002	158,002	(Note 4)
Scorpion Perfect Investments Ltd.	Hong Kong Chung Hao Limited	Hong Kong	Investment	1,762,498 (USD58,848 thousand)	1,762,498 (USD58,848 thousand)	(Note 2)	100.00	1,754,530	100.00	(283,483)	(283,483)	(Note 4)
Best Focus Holdings Limited	Crystalyte Industrial Limited	British Virgin Islands	Investment	- (Note 8)	27,374 (USD914 thousand)	-	-	-	100.00	122,758	122,758	(Note 4)
〃	Hong Kong Jian Long Limited	Hong Kong	Investment	- (Note 7)	59,960 (USD2,002 thousand)	(Note 2)	-	-	100.00	-	-	(Note 4)
Shan Fu Investment Co., Ltd.	Hong Kong Shan Fu Limited	Hong Kong	Investment	421,786 (USD14,083 thousand)	421,786 (USD14,083 thousand)	(Note 2)	100.00	573,134	100.00	24,745	24,745	(Note 4)
Cheng Loong (Suzhou) Investment Co., Ltd.	Hong Kong Su Loong Limited	Hong Kong	Investment	554,075 (USD18,500 thousand)	554,075 (USD18,500 thousand)	(Note 2)	100.00	252,038	100.00	(90,517)	(90,517)	(Note 4)
Cheng Loong (Gwangtung) Investment Co., Ltd.	Hong Kong Gwang Loong Limited	Hong Kong	Investment	902,993 (USD30,150 thousand)	902,993 (USD30,150 thousand)	(Note 2)	100.00	868,676	100.00	(35,578)	(35,578)	(Note 4)
Loong Fu Investment Co., Ltd.	Hong Kong Loong Fu Limited	Hong Kong	Investment	254,575 (USD8,500 thousand)	254,575 (USD8,500 thousand)	(Note 2)	100.00	206,615	100.00	(8,502)	(8,502)	(Note 4)
Chung Ming International Limited	CorAsia Corp.	U.S.A	Design of Paper Boxes	16,473 (USD550 thousand)	16,473 (USD550 thousand)	(Note 2)	100.00	17,168	100.00	(1,859)	(1,859)	(Note 4)

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership (%)	Carrying value				
Cheng Loong Southeast Asia Holding Co., Ltd.	Cheng Loong Vietnam Investment Co., Ltd.	Samoa	Investment	1,373,807 (USD45,870 thousand)	1,074,307 (USD35,870 thousand)	45,870	100.00	1,213,403	100.00	39,856	39,856	(Note 4)
〃	Cheng Loong Indonesia Investment Co., Ltd.	Samoa	Investment	29,651 (USD990 thousand)	29,651 (USD990 thousand)	990	100.00	1,475	100.00	(1,200)	(1,200)	(Note 4)
〃	CL Jakarta Container, PT	Indonesia	Cardboard and Paper Products	300 (USD10 thousand)	300 (USD10 thousand)	10	1.00	5	1.00	(1,182)	(12)	(Note 4)
〃	Cheng Loong Vietnam Paper Investment Co., Ltd.	Samoa	Investment	4,193,000 (USD140,000 thousand)	4,193,000 (USD140,000 thousand)	140,000	100.00	2,406,266	100.00	(451,551)	(451,551)	(Note 4)
Cheng Loong Vietnam Investment Co., Ltd.	Cheng Loong Binh Duong Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Paper Boxes, Kraft Linerboard, and Display Boxes	658,900 (USD22,000 thousand)	658,900 (USD22,000 thousand)	22,000	100.00	618,582	100.00	109,597	109,597	(Note 4)
〃	Cheng Loong Long An Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Paper Boxes	449,250 (USD15,000 thousand)	449,250 (USD15,000 thousand)	15,000	100.00	238,351	100.00	(104,860)	(104,860)	(Note 4)
Cheng Loong Indonesia Investment Co., Ltd.	CL Jakarta Container, PT	Indonesia	Cardboard and Paper Products	29,651 (USD990 thousand)	29,651 (USD990 thousand)	990	99.00	457	99.00	(1,182)	(1,170)	(Note 4)
Cheng Loong Vietnam Paper Investment Co., Ltd.	Cheng Loong Binh Duong Paper Co., Ltd.	Vietnam	Manufacture of Industrial and Household Paper	4,193,000 (USD140,000 thousand)	4,193,000 (USD140,000 thousand)	140,000	100.00	2,445,921	100.00	(448,725)	(448,725)	(Note 4)
Cheng Loong Binh Duong Paper Co., Ltd.	Chinh Loong Co., Ltd.	Vietnam	Water treatment, Wastewater treatment, Maintenance and Technical Repair	28,786	28,786	(Note 2)	99.00	24,864	99.00	(938)	(928)	(Note 4)

Note 1: Profit (loss) accounted for using equity method and unrealized gain (loss) are included.
Note 2: Limited liability company.
Note 3: The above investment amounts were translated based on the USD exchange rate at the reporting date, which was 29.95.
Note 4: The above investments have been eliminated during the preparation of the consolidated financial statements.
Note 5: Includes the shareholding of Chung Loong Holdings bought from Rengo in February, 2018.
Note 6: Includes the capital reduction (US$ 89,064 thousand) of Chung Loong Holdings in April, 2018.
Note 7: Completed liquidation in the first quarter of 2019.
Note 8: Completed liquidation in the fourth quarter of 2019.

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(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Highest Percentage of ownership	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Shanghai Chung Hao Paper Co., Ltd.	Paper Containers, Household Papers and Core Papers	652,910 (USD21,800 thousand) (Note 1)	(2) (Hong Kong Chung Hao Limited)	411,693 (USD13,746 thousand)	-	-	411,693 (USD13,746 thousand)	(216,215)	79.71%	79.71 %	(172,345)	1,165,925	-
Shan Fu Paper (Kunsan) Co., Ltd.	Corrugated Paper Boxes, Cardboard and Paper Products	419,300 (USD14,000 thousand)	(2)(Hong Kong Shan Fu Limited)	248,046 (USD8,282 thousand)	-	-	248,046 (USD8,282 thousand)	24,745	79.71%	79.71 %	19,724	456,845	-
Suzhou Cheng Loong Paper Co., Ltd.	Cardboard	554,075 (USD18,500 thousand) (Note 2)	(2) (Hong Kong Su Loong Limited)	550,481 (USD18,380 thousand)	-	-	550,481 (USD18,380 thousand)	(90,517)	79.71%	79.71 %	(72,151)	200,890	-
Cheng Loong (Gwangtung) Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products and Packaging Decoration Printing	928,450 (USD31,000 thousand)	(2)(Hong Kong Gwang Loong Limited)	618,468 (USD20,650 thousand)	-	-	618,468 (USD20,650 thousand)	(36,444)	79.71%	79.71 %	(29,049)	712,036	-
Loong Fu Paper (Kunsan) Co., Ltd.	Corrugated Board, Paper Boxes and Paper Products	299,500 (USD10,000 thousand)	(2) (Hong Kong Loong Fu Limited)	63,704 (USD2,127 thousand)	-	-	63,704 (USD2,127 thousand)	(10,003)	79.71%	79.71 %	(7,973)	193,756	-
Zhangzhou Cheng Loong Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products	412,711 (USD13,780 thousand)	(2) (Hong Kong Chung Hao Limited)	124,143 (USD4,145 thousand)	-	-	124,143 (USD4,145 thousand)	(35,269)	79.71%	79.71 %	(28,113)	104,528	-
Qingdao Chung Loong Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products	119,800 (USD4,000 thousand)	(2) (Hong Kong Chung Hao Limited)	899 (USD30 thousand)	-	-	899 (USD30 thousand)	12,849	79.71%	79.71 %	10,242	16,778	-
Chong Qing Cheng Loong Paper Co., Ltd.	Corrugated Cardboard, Corrugated Boxes, Display Boxes, Paper Pallets and Paper Products	404,325 (USD13,500 thousand)	(2) (Hong Kong Chung Hao Limited)	94,163 (USD3,144 thousand) (Note 3)	-	-	94,163 (USD3,144 thousand)	(45,051)	63.77%	63.77 %	(28,728)	(160,741)	-
Chengdu Cheng Loong Packing Products Co., Ltd.	Corrugated Cardboard, Paper Boxes, Paper Pallets and Paper Products	121,178 (USD4,046 thousand)	(2) (Hong Kong Chung Hao Limited)	82,692 (USD2,761 thousand)	-	-	82,692 (USD2,761 thousand)	28,039	79.71%	79.71 %	22,350	206,239	-

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Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Highest Percentage of ownership	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Dongguan Ming Loong Paper Co., Ltd.	Corrugated Cardboard, Corrugated Boxes, Paper Pallets, paper products, Foam, Anti-Static Bubble Bags, Plastic buffer Packaging Materials and Packaging Decoration Printing	76,133 (USD2,542 thousand)	(3) (Note 4)	-	-	-	-	8,573	79.71%	79.71 %	6,833	102,531	-
Henan Cheng Loong Packing Products Co., Ltd.	Corrugated Cardboard and Packaging Products	299,201 (USD9,990 thousand)	(3) (Note 4)	46,333 (USD1,547 thousand)	-	-	46,333 (USD1,547 thousand)	(74,484)	79.71%	79.71 %	(59,371)	104,523	-
Kunfu Paper (Kunsan) Co., Ltd.	Corrugated Paper Boxes, Cardboard, Paper Pallets, and Paper Products	3,175 (USD106 thousand)	(3) (Note 4)	-	-	-	-	(14,672)	79.71%	79.71 %	(11,695)	41,866	-

Note 1: Capital increase from retained earning of USD3,780 thousand included.
Note 2: Capital increase from loan of USD2,000 thousand included.
Note 3: Investment capital recovered from Hangzhou Shengming was reinvested in Chong Qing Cheng Loong (USD2,990 thousand) and Cheng Loong (Hangzhou) with the amount of USD10 thousand in the first quarter of 2011.
Note 4: Except for the above disclosed investment capital, the capital of Dongguan Ming Loong Paper Co., Ltd., Kunfu Paper (Kunsan) Co., Ltd., Zhangzhou Cheng Loong Paper Co., Ltd., Qingdao Chung Loong Paper Co., Ltd., Chengdu Cheng Loong Packing Products Co., Ltd., Chong Qing Cheng Loong Paper Co., Ltd., Cheng Loong (Gwangtung) Paper Co., Ltd., and Henan Cheng Loong Packing Products Co., Ltd., were invested from retained earnings.
Note 5: There are three ways to invest in China：
(1)Direct investment.
(2)Invest through offshore company (offshore investment company).
(3)Others.
Note 6: The above investments have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,240,619 (USD74,812 thousand)	4,974,306 (USD166,087 thousand) (Note 7)	14,234,812 (USD475,286 thousand)

Note 7: Permitted capital increase from retained earning included.
Note 8: The above investment amounts were translated based on the USD exchange rate at the reporting date, which was 29.95.

The above investment income (losses) in mainland China were recognized based on the financial statements audited by the Corporation's auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in " Information on significant transactions" and " Business relationships and significant intercompany transactions."

(14) Segment information

(a) General information

For the purpose of resource allocation and performance measurement, the Group separates the operating segments according to the customers' geographical locations, and regularly monitors and manages every segment' s operating results through the Corporation' s board of directors. The operating segments of China, Taiwan, and Southeast Asia are the reportable segments, whose revenues mainly come from the manufacturing and sale of industrial paper, corrugated containers, and related products. Since the operating segments supply different kinds of products and services, and the sales units will differ in their product categories and marketing strategies, the operating segments are managed separately.

The measurement of the Group' s operating segments is based on profit (loss) before income tax, which has also been taken as the basis of performance evaluation. The accounting policies of the operating segments are the same as those in the summary of significant accounting policies described in note 4. Sales and transfers between the segments are regarded as transactions with third parties, and are measured by using the current market prices.

For the years ended December 31, 2019 and 2018, the Group' s operating segment information was as follows:

	2019				
	Taiwan	**China**	**Southeast Asia**	**Adjustments and Eliminations**	**Total**
Operating revenues					
Sales to external customers	$ 27,621,495	8,113,953	4,652,128	-	40,387,576
Sales among segments	3,367,684	947,119	1,455,871	(5,770,674)	-
Total	$ 30,989,179	9,061,072	6,107,999	(5,770,674)	40,387,576
Profit (loss) before income tax from continuing operations	$ 3,326,802	(73,251)	(267,737)	-	2,985,814

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	2018				
	Taiwan	China	Southeast Asia	Adjustments and Eliminations	Total
Operating revenues					
Sales to external customers	$ 28,294,483	10,062,261	2,824,765	-	41,181,509
Sales among segments	3,709,752	903,055	1,418,679	(6,031,486)	-
Elimination of discontinued segment	-	-	-	-	-
Total	$ 32,004,235	10,965,316	4,243,444	(6,031,486)	41,181,509
Profit (loss) before income tax	$ 3,394,380	2,010,883	(390,946)	-	5,014,317
Elimination of discontinued segment	-	(17,976)	-	-	(17,976)
Profit (loss) before income tax from continuing operations	$ 3,394,380	1,992,907	(390,946)	-	4,996,341

(b) Entity-wide information

(i) Products and services information

Revenue from the external customers of the Group's continuing operations was as follows:

Products and services	2019	2018
Corrugated containers	$ 21,631,394	23,617,843
Cardboard	12,828,168	12,584,071
Paper	4,479,681	4,529,452
Others	1,448,333	450,143
Total	$ 40,387,576	41,181,509

(ii) Geographical information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and noncurrent assets are based on the geographical location of the assets.

Revenue from the external customers:

Geographical information	2019	2018
Taiwan	$ 27,621,495	28,294,483
China	8,113,953	10,062,261
Southeast Asia	4,652,128	2,824,765
Total	$ 40,387,576	41,181,509

Non-current assets:

Geographical information	December 31, 2019	December 31, 2018
Taiwan	$ 21,440,420	20,737,215
China	3,846,096	4,443,557
Southeast Asia	7,287,258	8,078,767
Total	$ **32,573,774**	**33,259,539**

Non-current assets include property, plant and equipment, investment property, and other assets, not including financial instruments and deferred tax assets.

(iii) Major customer information:

The Group's revenues from a single customer did not exceed 10% of operating revenues in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, so the Group does not disclose any information on major customers.