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2021 ANNUAL REPORT

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting.

If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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● Tayuan Plant II

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4. Auditor:

Mei-Pin Wu and Chi-Lung Yu KPMG

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5. Overseas Securities Exchange

NA

6. Company Website:

<http://www.clc.com.tw/>

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Letter to Shareholders



Dear shareholders:

The spread of the COVID-19 pandemic in 2021 continued to pose a heavy toll on the world. Fortunately, the overall economy gradually recovered under the fiscal stimulus of the unlimited quantitative easing policies adopted by various governments. However, the Delta variant attack in the third quarter disrupted the pace of recovery. With the soaring confirmed cases, many countries adopted stricter pandemic prevention measures. The economic

performance of some emerging markets was severely impacted, while the recovery of the developed countries was relatively stable. In the fourth quarter, the recovery of the global economy was gradually back on track despite the impact of the pandemic. However, the rising inflationary pressures, port congestion, soaring prices of raw materials and energy, and the emergence of the Omicron variant have added to the uncertainty for the market. Overall, the global industrial production and trade recovered steadily in 2021 and became better than the pre-pandemic levels. Global Insight indicated that the global economic growth rate in 2021 was 5.7%, which was much better than -3.4% in 2020.

In the first half of the year, Taiwan's paper industry benefited from the effect of order transfer caused by the China-US trade war and the impact of the pandemic, as well as the thriving stay-at-home economy and e-commerce, the demand for containerboard and corrugated containers continues to increase, thereby driving the industry to hit a 20-year high. Under the pressure of rising costs of raw materials, energy, freight, and labor, product prices have risen accordingly. In the third quarter, the demand in the domestic market began to diminish, while the export sales were on the rise. As the fourth quarter has always been a traditional peak season for the paper industry, the demand recovered, enabling the overall paper industry to continue to create great performance in 2021. However, as the pandemic situation and the supply and demand of raw materials were unpredictable, along with port congestion and shortage of containers and labor, the pressure on the production cost increased for the paper industry; thus, the industry needs to stay alert to the situation in real-time. According to statistics from the Taiwan Paper Industry Association, total production volume of paper made in

Taiwan increased by 2.8% year-on-year to 4.48 million tons, and the total sales volume increased by 1.5% nearly 4.43 million tons, of which domestic sales grew by 8.7% to approximately 3.03 million tons, while the export sales declined by 11.2% to 1.39 million tons. Driven by the effect of order transfer and the development of e-commerce, the production and sales of corrugated containers across Taiwan have also increased by 4.5%, or around 2.4 billion square meters, compared with last year.

In 2021, total consolidated revenue of the whole group was around NT\$44.99 billion, an increase of 12.3% compared with the previous year, and net profit after taxes amounted to approximately of NT\$4.01 billion, an increased by 7.1%. The overall profile of production and sales is as follows: 1,915,258 metric tons of paper & paperboard was produced, an increase of 0.4%; 1,487.3 million square meters of converting products were produced, an increase of 4.0%; paper& paperboard sales reached 1,053,924 metric tons, a decrease of 5.1%; and sales of converting products reached 1,459.89 million square meters, for the growth of 4.8%. This year, the market conditions of Taiwan's paper industry were volatile. At the beginning of the year, as the pandemic slowed down, the domestic travel was booming; as such, the Company had excellent performance in the first half of the year. However, due to the backlash of the pandemic in Taiwan and Vietnam and the impact of soaring raw material prices in the second half of the year, both revenue and profit declined. The group's profit in Taiwan increased slightly compared with last year, and the profit of our converting plants in China gradually improved. However, as our papermaking and converting plants in Vietnam were affected by the pandemic in the second half of the year, we turned profit to loss. On the whole, the Company's profitability, thanks to the joint efforts of various factories at home and abroad, had reached a new high in 2021.

The efforts and highlights of the business and management in 2021 are as follows: (1) We continued to implement major projects, including the installation project of PM2 at the Cheng Loong Binh Duong Paper Co., Ltd., Vietnam; the planning and construction of the converting plants at Ben Cat and Bac Giang; Taiwan Chu Pei Mill's biomass thermal power system; the Tayuan Mill's bleached pulp production line; the Tayuan Mill's PM1 renovation and biomass power generation equipment investment project; the installation of the solar photovoltaic system at the new Yenchao Plant and the Houli Mill; and the new Yenchao Plant put into production. (2) Adoption of a demand forecasting system for containerboard and corrugated containers and introduction of the third-phase smart manufacturing system, including the sales CRM system and the interactive business intelligence visual analysis system. (3) With the efforts of the ESG Committee

and all employees, the Company has won more than 10 domestic sustainability awards and become the first domestic paper company that has obtained the highest rating from the Task Force on Climate-related Financial Disclosures (TCFD) and the only domestic paper company that has been awarded the High Distinction Award of the Corporate Social Responsibility Award by the BCCT. In addition, we have been ranked among Taiwan's Top 50 Sustainable Enterprises by TCSA and won the Award for Circular Economy Leadership, and the Platinum Award of the Sustainability Reporting Awards, etc. (4) The Company actively cooperated with the national policy and produced household paper products and corrugated containers in full capacity, to ensure that the supply was stable so as to assure the public.

In 2022, with the restart of the global economy, strong international demand, and the estimated recovery of the domestic demand, the economy is expected to continue to grow. Global Insight estimated that the global economic growth in 2022 will be 4.1%; however, the COVID-19 variants, the rising prices of raw materials and energy, the monetary policies of major economies, global energy supply and carbon reduction issues, the US-China geopolitics, and other daunting challenges may affect the global economy and market trends. With the easing of the pandemic in Taiwan, domestic economic activities have returned to normal, and the stimulus measures help facilitate the domestic demand market. It is predicted that Taiwan's economic growth rate in 2022 will reach 4.4%. As China has implemented the waste import ban on the paper industry officially in January 2021, followed by the dual control policy on energy consumption and intensity in the second half of 2021, along with the China-US trade war and the trend of decentralized global supply chains, all of this will lead to opportunities for the Company's overseas business growth. The economic growth of China and Vietnam in 2022 is estimated at 5.3% and 6.6%, respectively. With the easing of the pandemic, the market recovery will be strengthened, and the packaging demand derived therefrom will benefit the paper industry.

Looking ahead to the future, the world's major economies have put forth a number of measures to reduce carbon emissions in response to the issue of climate change. The European Union even announced a Carbon Border Adjustment Mechanism in July, indicating the increasing importance of green finance and ESG. As a result, the Company has continued to put efforts into this field in recent years by actively improving energy efficiency, developing low-carbon fuels and renewable energy, and adopting smart paper through digital transformation, while continuing to enhance the circular economy to strengthen competitiveness and announcing a commitment to reduce

carbon emissions by 30% by 2030 and strive towards the goal of net zero carbon emissions by 2050 in alignment with the national vision of net zero emissions. In the coming year, the Company's main business policies are as follows: (1) Engage in digital transformation and upgrade, realize smart production and sales, and strengthen the overall competitiveness; (2) Develop the domestic market in-depth, focus on overseas market growth and promote the globalization of business development; (3) Keep abreast of market trends, ensure high-quality sources of materials, strengthen green supply chain, and enhance the cost advantage; (4) Optimize inventory and assets, maintain stable cash flow, evaluate profit, and invest prudently; (5) Devise innovation & R&D product strategy to expand product market share and improve customer satisfaction; (6) Enhance talent management and revitalize the organization; (7) Implement clean production, deploy circular economy, and move toward the vision of zero carbon emissions; (8) Strengthen risk control, comply with laws and regulations, as well as prevent emergencies and crises from happening.

Lastly, we would like to express our sincere appreciation to all shareholders for your support. Thank you and wish all the best.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Su-Yun Cheng', with a stylized, flowing script.

Su-Yun Cheng
Chairperson
Cheng Loong Corporation

Deploy Total Circular Economy Move towards Net-Zero by 2050

Focus on three development pillars: innovation, circulation, and green energy to constantly expand the deployment of business locations at home and abroad, and develop the circular economy operations. CLC actively move towards zero-carbon transformation and pursue sustainable development by following five featured operational strategies.



Strategy 1

Promoting S.M.A.R.T. low-carbon papermaking for an all-win circular business model

S.M.A.R.T. Paper: Total circulation of products, energy, and water resources.

Annually reuse **1.80 million** MT of recovered paper, contributing to **10.40 million** MT of carbon reduction.



- S**ubtraction is Addition
- W**aste to **M**aterial
- A**I leads in Digital Transformation
- R**ecycling drives Circulation
- T**echnologies innovate Manufacture

Recovered Paper
Utilization Ratio

92.7%

Waste-to-
Resource
Ratio

92.4%

Water
Circulation

96%

Note1: Use 1 MT of recovered paper may reduce 5.8 MT of carbon emission.
Note2: Taiwan only

Transforming into Asia's new low-carbon and green energy paper company by deploying circulation business locations at home and abroad

Taiwan's No.1 and Asia's largest integrated paper company of industrial paperboard and corrugated container.

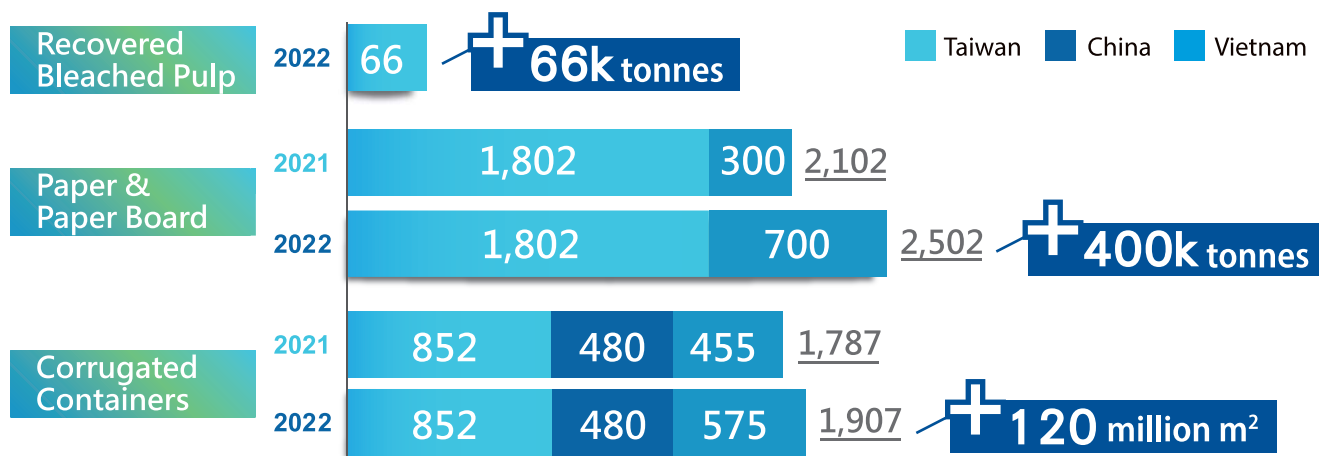
The 59th largest paper company across the globe.

Capacity Expansion



Vietnam, Binh Duong Paper Mill, (Phase II)

Location	Start-Up	Investment
Taiwan, Yenchao New Box Plant	2021	NTD 2.08 billion
Taiwan, Recovered Bleached Pulp Line in Tayuan Mill	2022	NTD 1.56 billion
Vietnam, Binh Duong Paper Mill, (Phase II)	2022	USD 200 million
Vietnam, Ben Cat Box Plant	2022	USD 23 million
Vietnam, Bac Giang Box Plant	2023	USD 46.4 million



Leading the industry as a model of ESG sustainability

- Ranked No. 34 in the large enterprise group of the Excellence in CSR launched by the Commonwealth magazine for the eighth time.
- Global Views Monthly's 2021 Corporate Social Responsibility Annual Survey - Traditional Industry Role Model Award
- The four indicative awards of the TCSA launched by the Taiwan Institute for Sustainable Energy (TAISE): Taiwan's Top 50 Sustainable Enterprises, the Award for Circular Economy Leadership, the SDG Action Award, and the Platinum Award of the Corporate Sustainability Reporting Award
- The Corporate Social Responsibility Award from the British Chamber of Commerce in Taipei (BCCT) - High Distinction Award



Note: Taiwan only



Strategy 3 /

The first paper company in Taiwan to introduce TCFD and implement the Net-Zero vision with science

Plan four major scientific carbon reduction pathways, and make a sustainable commitment to reduce carbon emissions by 30% by 2030 and carbon neutral by 2050

CLC four major scientific carbon reduction pathways

Enhancement of energy efficiency

Introduce AI smart production and sales to improve carbon reduction benefits through digital transformation.

Development of renewable energy

Add wind power, solar PV, biogas, biomass power generation and other green power facilities.

Intensification of circular, low-carbon fuels

Make good use of process residual materials to make SRF (solid recovered fuel) that can replace fossil fuels.

Innovation and application of negative carbon emission technologies

Research and develop innovative technologies such as negative carbon, carbon capture, and green hydrogen energy.

Green Energy Plan

◆ Biogas:

Tayuan Mill (electricity generation in 2022),
Houli Mill (kick-off project in 2022)

◆ Biomass power generation:

Chupei Mill (electricity generation in 2022),
Houli Mill (kick-off project in 2022)

◆ Solar PV:

Yenchao Plant (electricity generation in 2021),
Houli Mill (construction in 2022)



Tayuan Mill Biogas Power System: Annual power generation 19.2 million kWh, and combine Taipower electricity network in Q2, 2022, providing green electricity to 5,200 households.

Energy Saving and Carbon Reduction Results

◆ 387 energy saving projects (2013~2021)

Saved **81.69 million** kWh of electricity

Reduced GHG emission by **62,355** tonnes of CO₂e

◆ Energy consumption per unit **-2.87%** (Base year: 2019)

◆ Waste-to-resource ratio **92.4%, 7.3%** YoY



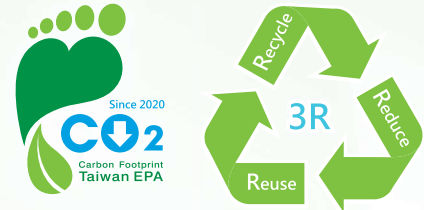
Integrate Corporate Governance 3.0 with TCFD (Task Force on Climate-Related Financial Disclosures) in advance and taking the initiative to obtain the first TCFD rated top certification in the Taiwan paper industry.

Strategy 4 /

Developing comprehensive low-carbon products and services based on the principle of 3R

Start carbon reduction from a piece of toilet tissue

Taiwan first enterprise acquires the "Carbon Reduction Label" for three household paper products



Annual sales > 56 million packs

Carbon reduction by 1,569 tonnes

Note: Taiwan only

Less is More! CLC maximized value at the least resources with low-carbon products

One-piece plastic-free handles

✓ Materials simplification and 100% recyclable



*Patent pending

ECO Food Storage

✓ Storage period +200% and SGS heavy metal verification



*Patent pending

Strategy 5 /

Enhancing carbon reduction effectiveness through digital transformation with AI smart production-sales



Smart factory



Smart co-generation



Digital IPQC



CRM



The first paper company in Taiwan to introduce intelligent paper production and sales. From 2019 to 2021, we promoted a total of 12 "Smart Paper 4.0" projects to improve the efficiency of production and sales, and improve the efficiency of energy saving and carbon reduction through digital transformation.

Taiwan's first smart, low-carbon container box plant-Yenchao Plant: Introduce the dual-blade scheduling, full-automatic production lines, and smart warehousing and logistics and thereby upgrade the manufacturing of paper containers and packaging in Taiwan.

Corporate Overview

1. Date of Establishment: February 4, 1959

2. Milestones:

• 1954~1971

1954	Establishment of Cheng Loong Corrugated Paper Box Plant.	1967	Established an electrical machinery factory, and renamed the company as Cheng Loong Industrial Co., Ltd.
1959	Reorganization of Cheng Loong Corrugated Paper Carton Manufactory Co., Ltd. The founder is Mr. Cheng Huo-tian.	1970	Reorganized the company and renamed as Cheng Loong Corp.
1961	Established a paper mill in Banqiao City, Taipei County to complete the integrated operation of papermaking and corrugated container manufacturing.	1971	Established Houli Mill, and publicly listed on the Taiwan Stock Exchange.

• 1972~1981

1973	Established Chungho Paper Box Plant.	1980	Established Yenchao Paper Box Plant in Kaohsiung.
1977	Established Talin Paper Box Plant in Chiayi.	1981	Invested in the establishment of the subsidiaries, Shan Fu Paper Box Co., Ltd. and Shan Loong Transportation Co., Ltd.
1978	Established the Hsinchu Mill at Hsiangshan. Invested in the establishment of the subsidiaries, Long Chen Paper Co., Ltd. and Yueli Machinery Co., Ltd.		

• 1982~1991

1984	Houli Mill installed the first co-generation system in Taiwan's paper industry to supply low-cost steam and electricity.	1989	Invested in the establishment of the subsidiaries, Ko Loong Industry Co., Ltd. and Tawana Container Co., Ltd. Started preparations for the establishment of a printing and writing paper production line.
1985	Established Tayuan Display Paper Box Plant.		
1987	Established Tayuan Mill.		

• 1992~2001

1993	Established Miaoli Paper Box Plant.	1996	Started up PM7 with a daily production capacity of 600 tons at Houli Mill. Houli Mill obtained ISO 14001 certification.
1995	Completion of CLC Headquarters: Cheng Loong Square in Banqiao. All the company's factories obtained ISO 9002 certification. Launched the household paper brand "Andante".	1999	Merged with Shan Fu Paper Box Co., Ltd. and converted into Tayuan Paper Box Plant and Taichung Paper Box Plant. Invested in the establishment of the subsidiary Gemtech Optoelectronics Corp.

• 2002~2011

2002 All of the company's factories obtained ISO 9001 (2000 edition) and OHSAS 18001 certification. The overseas subsidiaries, Shanghai Chung Hao Paper Co., Ltd. commenced production. 2003 Implemented Enterprise Resource Planning (ERP) project. 2004 Merged with Tianlong Paper Mill Co., Ltd. The overseas subsidiaries, Shan Fu Paper (Kunshan) Co., Ltd. and Shanghai Chung Loong Paper Co., Ltd. started production. 2005 The overseas subsidiaries, Vina Tawana Container Co., Ltd. and Kunfu Paper (Kunshan) Co., Ltd. commenced production. 2006 The overseas subsidiaries, Suzhou Cheng Loong Paper Co., Ltd. started production. All of the company's factories obtained ISO 14064 certification. 2007 Won the 15th "Industrial Technology Advancement Award" from the MOEA. 2008 Established the overseas subsidiary "Chung Loong Paper Holdings Limited" to manage all of the subsidiaries in China. The overseas subsidiaries, Cheng Loong (Gwangtung) Paper Co., Ltd. started production.	2009 Awarded "2009 Excellence in CSR (Corporate Social Responsibility) top 50" by CommonWealth Magazine and "2009 Excellence in CSR top 70" by Global Views Magazine. The overseas subsidiary Dongguan Ming Loong Paper Co., Ltd. commenced production. 2010 Merged with Zhangzhou Cheng Loong Paper Co., Ltd. and Qingdao Chung Loong Paper Co., Ltd. The overseas subsidiaries, Cheng Loong Binh Duong Container Co., Ltd. and Chengdu Cheng Loong Packing Products Co., Ltd. started production. "Dandelion" environmental household paper obtained the first "carbon footprint" label in paper industry of Taiwan. Awarded the first "Taiwan Environmental Hero Award" by Global Views Magazine. Divested subsidiary Yueli Machinery Co., Ltd. 2011 The recycled containerboard machine PM10 commenced production with a capacity of 1,200 tonne/day at Houli Mill. Ranked on "Top 100 Taiwan Brands" and "Top 100 Taiwan Innovators" by MOEA. Divested overseas subsidiary Tawana Container Co., Ltd.

• 2012~2020

2013 Chupei Mill won the 3rd "Taiwan Green Classics Award" from MOEA and the "Green Procurement Award" from EPA. 2014 Published the first "Corporate Social Responsibility Report" in Taiwan's paper industry and won the Taiwan Corporate Sustainability Awards. The Chupei Mill received the "National Standardization Award" from MOEA. 2015 Merged with Shan Fu Paper Co., Ltd. The household machine PM16 commenced production in Chupei Mill. All of the paper mills and paper box plants in Taiwan were certificated with ISO50001 Energy Management System. Invested in the establishment of Cheng Loong Binh Duong Paper Co., Ltd.	2016 Ranked one of the top 40 enterprises by the Global Views Monthly Corporate Social Responsibility Awards. Cheng Loong Long An Container Co., Ltd., the 3rd box plant in Vietnam, commenced production. 2017 Received the prize of "Excellence in CSR" award for the sixth time by CommonWealth Magazine. Chupei Mill won the "Low-carbon Product Award" from EPA.

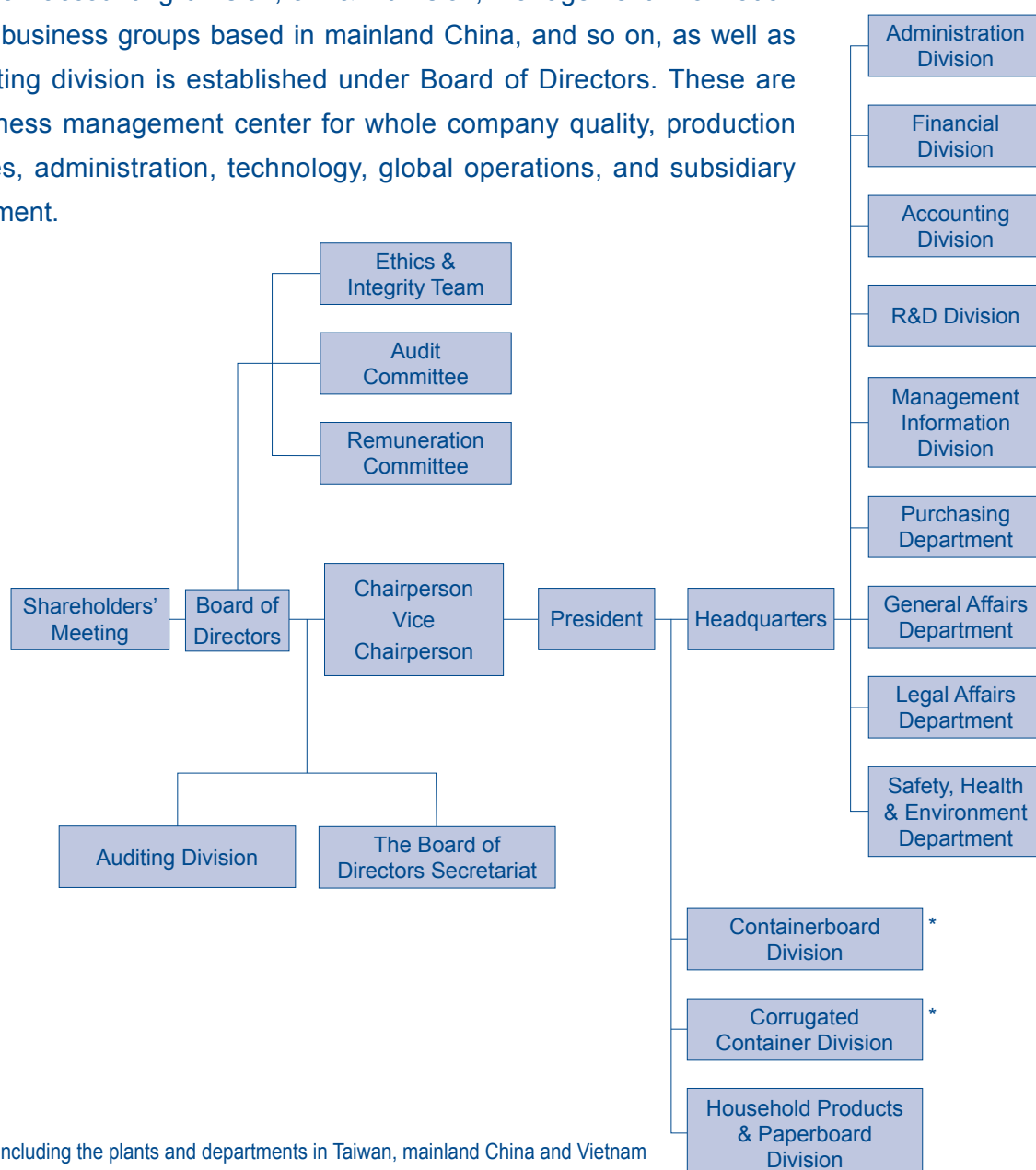
- 2018 Tayuan Mill, Houli Mill, and Chupei Mill all won the highest level Two Star Award launched by the Environmental Protection Administration in 2018 for “Circular Economic Evaluation of Waste Resources.” Disposed of equity of the overseas company “Shanghai Chung Loong Paper Co., Ltd.” The trial production of Machine No. 1 (industrial paper machine with daily output of 1000 tons) at Cheng Loong Binh Duong Paper Co., Ltd. was completed, and it has been put into production.
- 2019 The Chupei Mill won the Silver Award of the first “National Enterprise Environmental Protection Award” and a 2019 Low-Carbon Product Excellence Award. A second-level paper mill of Cheng Loong Long An Container Co., Ltd., was put into operation.
- 2020 In 2019, Cheng Loong’s CSR report obtained the AA1000 Type 1 moderate-level third-party assurance for the first time, while Cheng Loong won the award for Excellence in CSR presented by the CommonWealth Magazine for the seventh time, won the High Distinction Award for Low-Carbon Products and the Carbon Footprint Coefficient Contribution Award from the Environmental Protection Agency, and was recognized with the Taiwan Circular Economy Awards (TCEA) by the Chung-Hua Institution for Economic Research.
- 2021 Cheng Loong’s CSR report has obtained AA1000 Type 1 moderate-level assurance by a third party for two consecutive years, won the award for Excellence in CSR presented by the CommonWealth Magazine’s for the eighth time, the BCCT Corporate Social Responsibility Award, and the three major indicative awards of the TCSA, and the EPA’s Excellent Entity for Green Procurement.

Corporate Governance Report

1. Organizational System:

The organizational structure of the company is divided into four big systems including headquarters, a containerboard division, a corrugated container division and a household products & paperboard division, and the investees are located in domestic and overseas. In addition, individuals have independent production and sales system, they are closely combined with each other in terms of industrial structure and market regulation functions. In coordination and integration, and long-term research development of the business, this is overall planned by the headquarters, and the governance mechanism of domestic and overseas subsidiaries is implemented according to laws.

Headquarters of the company have an administration division, a financial division, an accounting division, a R&D division, management information division, business groups based in mainland China, and so on, as well as the auditing division is established under Board of Directors. These are the business management center for whole company quality, production and sales, administration, technology, global operations, and subsidiary management.



2. Information on Directors, Presidents, Vice Presidents, Assistant Vice Presidents, and the Management Team

A. Director

Title	Nationality	Name	Gender, Age	Date Elected	Term (year)	Date First Elected	Shareholding when Elected		Current Shareholding	
							Shares	%	Shares	%
Chairperson	Republic of China	Su-Yun Cheng	F 41-50	June 13, 2019	3	April 21, 1998	11,676,197	1.05	11,676,197	1.05
Vice Chairperson	Republic of China	Jen-Ming Cheng	M 41-50	June 13, 2019	3	August 21, 2001	12,995,194	1.17	13,632,194	1.23

April 12, 2022

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Positions in the Company or other Companies	Executives or Directors who Are Spouses or within Two Degrees of Kinship			Remarks
Shares	%	Shares	%			Title	Name	Relationship	
-	-	-	-	Chairperson of Cheng Loong Corp. MBA, Waseda University, Japan	CEO, Cheng Loong Corp. Chairperson, Gem Tech Optoelectronics Corp. Chairperson, Kai Shih Investment Co., Ltd. Chairperson, Cheng Huotien Charity Foundation Director, Shan Loong Transportation Co., Ltd. Director, Shine Far Co., Ltd. Director, Sun Favorite Co., Ltd. Director, Jen Yun Co., Ltd. Director, Wen Gin Development Co., Ltd. Director, Shine Far Construction Co., Ltd. Director, Cheng Loong Investment Co., Ltd. Supervisor, Shin Loong Lifecare Corp. Director, Chung Win Investments Limited (Hong Kong) Director, Yamahatsu Nihon Co., Ltd. Director, Ming Foong Plastic (Singapore) Co., Ltd.	Vice Chairperson	Jen-Ming Cheng	Siblings	-
3,000	-	-	-	Vice Chairperson, Cheng Loong Corp. Vice Chairperson, Ta-Yuan Cogen Co., Ltd. Bachelor, Business, Northeastern University, U.S.	Deputy CEO, Cheng Loong Corp. Chairperson, Shin Loong Lifecare Corp. Vice Chairperson, Ta-Yuan Cogen Co., Ltd. Executive Director, Taiwan Paper Industry Association Director, Shine Far Co., Ltd. Director, Sun Favorite Co., Ltd. Director, Jen Yun Co., Ltd. Director, Wen Gin Development Co., Ltd. Director, Shine Far Construction Co., Ltd. Director, Shine Far Property Co., Ltd. Director, Shine Far Electromechanical Co., Ltd. Director, Cheng Loong Investment Co., Ltd. Director, Chung Win Investments Limited (Hong Kong) Supervisor, Yamahatsu Nihon Co., Ltd. Please refer to the "Information on Affiliated Companies" for details.	Chairperson	Su-Yun Cheng	Siblings	-

Title	Nationality	Name	Gender, Age	Date Elected	Term (year)	Date First Elected	Shareholding when Elected		Current Shareholding	
							Shares	%	Shares	%
Director	Republic of China	Yen-Hao Chen	M 61-70	June 13, 2019	3	June 13, 2007	11,820,692	1.07	11,820,692	1.07
Director	Republic of China	Shine Far Co., Ltd. Rep.: Tong-Ho Tsai	M 71-80	June 13, 2019	3	February 28, 1983	27,236,182	2.46	27,236,182	2.46
							1,805,991	0.16	1,805,991	0.16
Director	Republic of China	Ming Foong Plastic Co., Ltd. Rep.: Ching-Huei Yu	M 71-80	June 13, 2019	3	March 16, 1989	15,031,611	1.36	15,031,611	1.36
							816,612	0.07	816,612	0.07
Director	Republic of China	Sun Favorite Co., Ltd. Rep.: Ching-Biao Chang	M 71-80	June 13, 2019	3	April 27, 2001	54,286,078	4.90	54,595,078	4.92
							161,376	0.02	161,376	0.02
Independent Director	Republic of China	Yung-Chi Wang	M 71-80	June 13, 2019	3	June 14, 2013	66,393	0.01	66,393	0.01

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Positions in the Company or other Companies	Executives or Directors who Are Spouses or within Two Degrees of Kinship			Remarks
Shares	%	Shares	%			Title	Name	Relationship	
-	-	-	-	Chairperson, Hao Shang Construction Enterprise Co., Ltd. Chairperson, Ten Fu Investment Co., Ltd. Director, Tian Long Industrial Co., Ltd. Bachelor, Electronic Computer Science, Tamkang University	Chairperson, Hao Shang Construction Enterprise Co., Ltd. Chairperson, Ten Fu Investment Co., Ltd.	-	-	-	-
-	-	-	-	President, Cheng Loong Corp. EMBA, National Chiao Tung University	Director, Gem Tech Optoelectronics Corp. Director, Shine Far Co., Ltd. Director, Ko Loong Industry Co., Ltd. Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-
74,675	0.01	-	-						-
-	-	-	-	Vice President, Cheng Loong Corp. Bachelors in Banking And Insurance, Tamkang College of Sciences and Literatures	Vice President, Cheng Loong Corp. Director, Ming Foong Plastic Co., Ltd. Supervisor, Gem Tech Optoelectronics Corp. Director, Shine Far long-term care corporation Director, Dongguan Ming Foong Plastics Co., Ltd. Director, Sun favorite (Shanghai) Co., Ltd. Chairperson, Phu Kieu Viet Nam Co., Ltd. Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-
1,165	-	-	-						-
-	-	-	-	President, Cheng Loong Corp. Masters in Forestry, National Chung Hsing University EMBA, National Chiao Tung University	President, Cheng Loong Corp. Convenor of the Supervisory Board, Taiwan Paper Industry Association	-	-	-	-
14,884	-	-	-						-
-	-	-	-	President, Long Chen Paper Co., Ltd. KaiNan Vocational High School Managers' post graduate study, Tunghai University	Member of Audit Committee, Cheng Loong Corp. Member of Remuneration Committee, Cheng Loong Corp. Managing Director, Hwa Fong Paper Product Co., Ltd. Director, Shiu Lung Paper Product Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender, Age	Date Elected	Term (year)	Date First Elected	Shareholding when Elected		Current Shareholding	
							Shares	%	Shares	%
Independent Director	Republic of China	Yao-Ming Yang	M 81-90	June 13, 2019	3	June 14, 2013	303	-	303	-
Independent Director	Republic of China	Fu-Hsing Chang	M 61-70	June 13, 2019	3	June 06, 2016	-	-	-	-

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Positions in the Company or other Companies	Executives or Directors who Are Spouses or within Two Degrees of Kinship			Remarks
Shares	%	Shares	%			Title	Name	Relationship	
8	-	-	-	President, Ta-Yuan Cogen Co., Ltd. National Taipei Institute of Technology	Member of Audit Committee, Cheng Loong Corp. Member of Remuneration Committee, Cheng Loong Corp.	-	-	-	-
-	-	-	-	Associate Professor, Chihlee University of Technology Associate Professor, National Yunlin University of Science and Technology Ph.D. in Accounting, National Chengchi University	Member of Audit Committee, Cheng Loong Corp. Member of Remuneration Committee, Cheng Loong Corp. Associate Professor, Chihlee University of Technology Independent Director, SynCore Biotechnology Co., Ltd. Member of Audit Committee, SynCore Biotechnology Co., Ltd. Member of Remuneration Committee, SynCore Biotechnology Co., Ltd. Independent Director, YuFo Electronics Co., Ltd. Member of Audit Committee, YuFo Electronics Co., Ltd. Member of Remuneration Committee, YuFo Electronics Co., Ltd. Member of Remuneration Committee, Sinphar Pharmaceutical Co., Ltd.	-	-	-	-

I. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

Criteria Name	Professional qualifications and expertise	Independent status	Also a member of Compensation Committee to other public companies (number of firms)
Su-Yun Cheng	1. Five years or more of experience in commercial and corporate business—Chairperson, Cheng Loong Corp., Chairperson, GemTech Optoelectronics Corp., Director, Shan Loong Transportation Co., Ltd. 2. Not engaged in affairs described in Article 30 of Company Act		
Jen-Ming Cheng	1. Five years or more of experience in commercial and corporate business—Vice Chairperson, Cheng Loong Corp., Vice Chairperson, Ta-Yuan Cogen Co., Ltd. 2. Not engaged in affairs described in Article 30 of Company Act		
Yen-Hao, Chen	1. Five years or more of experience in commercial and corporate business—Chairperson, Hao Shang Construction Enterprise Co., Ltd., Chairperson, Ten Fu Investment Co., Ltd., Director, Tian Long Industrial Co., Ltd. 2. Not engaged in affairs described in Article 30 of Company Act		
Shine Far Co., Ltd. Rep.: Tong-Ho Tsai	1. Five years or more of experience in commercial and corporate business—President, Cheng Loong Corp. 2. Not engaged in affairs described in Article 30 of Company Act		
Ming Foong Plastic Co., Ltd. Rep.: Ching-Huei Yu	1. Five years or more of experience in commercial and corporate business—Vice President, Cheng Loong Corp. 2. Not engaged in affairs described in Article 30 of Company Act		
Sun Favorite Co., Ltd. Rep.: Ching-Biao Chang	1. Five years or more of experience in commercial and corporate business—President, Cheng Loong Corp., Vice President, Cheng Loong Corp. 2. Not engaged in affairs described in Article 30 of Company Act		

Criteria Name	Professional qualifications and expertise	Independent status	Also a member of Compensation Committee to other public companies (number of firms)
Yung-Chi Wang	1. Five years or more of experience in commercial and corporate business—President, Long Chen Paper Co., Ltd. 2. Not engaged in affairs described in Article 30 of Company Act	1. Not the Company's or its affiliate's Director, Supervisor, or employee or his or her spouse or second-degree relatives; 2. Number and proportion of Company shares (66,393 shares/0.01%) held by a non-employee, his or her spouse, and second-degree relatives (or in the name of others) ; 3. Not a Director, Supervisor, or employee of companies that have a certain relationship with the Company (referenced from subparagraph 5 to 8, paragraph 1, article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); 4. Remuneration for business, legal, financial, accounting and other services provided to the Company or its affiliates in the last two years accounts for 0.	
Yao-Ming Yang	1. Five years or more of experience in commercial and corporate business—President of Ta-Yuan Cogen Co., Ltd. 2. Not engaged in affairs described in Article 30 of Company Act	1. Not the Company's or its affiliate's Director, Supervisor, or employee or his or her spouse or second-degree relatives; 2. Number and proportion of Company shares (311 shares/0.00%) held by a non-employee, his or her spouse, and second-degree relatives (or in the name of others) ; 3. Not a Director, Supervisor, or employee of companies that have a certain relationship with the Company (referenced from subparagraph 5 to 8, paragraph 1, article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); 4. Remuneration for business, legal, financial, accounting and other services provided to the Company or its affiliates in the last two years accounts for 0.	

Criteria Name	Professional qualifications and expertise	Independent status	Also a member of Compensation Committee to other public companies (number of firms)
Fu-Hsing Chang	1. Obtained CPA certificate 2. Obtained CPA qualification certificate 3. Ph.D. in Accounting, National Chengchi University 4. Associate Professor, National Yunlin University of Science and Technology 5. Serving as the specially appointed associate professor of Chihlee University of Technology for more than 5 years 6. Not engaged in affairs described in Article 30 of Company Act	1. Not the Company's or its affiliate's Director, Supervisor, or employee or his or her spouse or second-degree relatives; 2. 0 shares held by a non-employee, his or her spouse, and second-degree relatives (or in the name of others); 3. Not a Director, Supervisor, or employee of companies that have a certain relationship with the Company (referenced from subparagraph 5 to 8, paragraph 1, article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); 4. Remuneration for business, legal, financial, accounting and other services provided to the Company or its affiliates in the last two years accounts for 0.	2

II. Diversity and independence of board of director:

(I.) Diversity:

i. Diversity policy:

The composition of the company's Board of Directors shall be based on diversification, and an appropriate diversification policy shall be developed in terms of its own operations, types of operations, and development needs, which shall include, but not limited to, the following two major dimensions:

- (1) Basic conditions and values: gender, age, nationality, and culture.
- (2) Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

Board members shall generally have the knowledge, skills and competence necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board shall have the following overall capabilities: (1) operational judgment, (2) accounting and financial analysis capabilities, (3) management capabilities, (4) crisis management capabilities, (5) industry knowledge, (6) international market vision, (7) leadership, and (8) decision-making ability.

ii. Practical objectives and implementation situation:

The Company's Board of Directors is aimed to consist of Directors of different genders, ages, professional knowledge and backgrounds, with at least one female Director, at least one Director with financial and accounting background, and over 50% of Directors with practical management experiences in the papermaking field. The Board of Directors consists of nine Directors, including one female Director (accounting for 11%), one Director with financial and accounting background (accounting for 11%), and seven Directors with practical management experiences in the papermaking field (accounting for 78%), five Directors with an employee status (accounting for 56%) and three Independent Directors (accounting for 33%). The seniority of one of the Independent Directors is four to six years and the other two of the Independent Directors is seven to nine years; two of the Directors are under 49 years old, and the other seven Directors are over 50 years old. The professional backgrounds and capabilities of the Board members as a whole are as follows:

Diversified Core Projects		Nationality	Gender	Concurrent Employee of the Company*	Age		Seniority of Independent Directors	
Title	Name				Under 49 of Age	50 or Older of Age	4-6 Years	7-9 Years
Chairperson	Su-Yun Cheng	Republic of China	Female	✓	✓			
Vice Chairperson	Jen-Ming Cheng	Republic of China	Male	✓	✓			
Director	Yen-Hao Chen	Republic of China	Male			✓		
Director	Shine Far Co., Ltd. Rep.: Tong-Ho Tsai	Republic of China	Male	✓		✓		
Director	Ming Foong Plastic Co., Ltd. Rep.: Ching-Huei Yu	Republic of China	Male	✓		✓		
Director	Sun Favorite Co., Ltd. Rep.: Ching-Biao Chang	Republic of China	Male	✓		✓		
Independent Director	Yung-Chi Wang	Republic of China	Male			✓		✓
Independent Director	Yao-Ming Yang	Republic of China	Male			✓		✓
Independent Director	Fu-Hsing Chang	Republic of China	Male			✓	✓	

(ii.) Independence:

The Company of the Board of Directors consists of nine Directors, including three Independent Directors (accounting for 33%). The number of Directors who are spouses to another or the Directors' second-degree relatives does not exceed 50% of the Directors, and only the Chairperson, Su-Yun Cheng is the sister of the Vice Chairperson, Jen-Ming Cheng. The Board of Directors is therefore independent.

Operational Judgment Ability	Accounting and Ainalcial Analysis Ability	Operational Management Ability	Crisis Handling Ability	Industry Knowledge	International Market Vision	Leadership Ability	Decision-Making Ability
✓	✓	✓	✓	✓	✓	✓	✓
✓		✓	✓	✓	✓	✓	✓
✓		✓	✓		✓		
✓	✓	✓	✓	✓	✓	✓	✓
✓		✓	✓	✓	✓	✓	✓
✓		✓	✓	✓	✓	✓	✓
✓		✓		✓	✓	✓	
✓		✓		✓	✓	✓	
✓	✓	✓			✓		

(1) Major Shareholders of Institutional Shareholders of the Company

April 12, 2022

Name of corporate shareholders	Major Direct and Indirect Institutional Shareholders	
Shine Far Co., Ltd.	Sun Favorite Co., Ltd.	52.81%
	Jen Yun Co., Ltd.	23.71%
	Shine Far Construction Co., Ltd.	17.23%
	Jyuan-Jyuan Lu	1.53%
	Hsing-Jui Li	1.00%
	Yu-Cing Su	0.98%
	Shan-Loong Transportation Co., Ltd.	0.87%
	Tong-Ho Tsai	0.59%
	Ai-Ling Ci	0.51%
	Ming-Quan Xie	0.43%
Ming Foong Plastic Co., Ltd.	Chen-Loong Cheng	19.53%
	Shine Far Construction Co., Ltd.	19.31%
	Jyuan-Jyuan Lu	13.91%
	Cheng Loong Corp.	8.14%
	Sun Favorite Co., Ltd.	4.64%
	Wen-Ming Cheng	4.13%
	Shine Far Co., Ltd.	3.91%
	Jin-Chong Lin	3.57%
	Jhu-Er Lin Lu	3.57%
	Yu-Cing Su	2.93%
Sun Favorite Co., Ltd.	Ai-Ling Ci	22.39%
	Jhen Lu	20.90%
	Ciao-Yun Cheng	17.53%
	Su-Yun Cheng	17.53%
	Chen-Loong Cheng	12.24%
	Jyuan-Jyuan Lu	8.96%
	Jen Yun Co., Ltd.	0.45%

(2) Major Indirect Institutional Shareholders

April 12, 2022

Name of the legal person	Main shareholders of corporate shareholders
Cheng Loong Corp.	Sun Favorite Co., Ltd. 4.92%
	Shine Far Construction Co., Ltd. 4.25%
	Wen Ging Development Co., Ltd. 3.91%
	Fubon Life Insurance Co, Ltd. 3.78%
	Jen Yun Co., Ltd. 3.77%
	CLC Employee Welfare Committee 3.11%
	Shan-Loong Investment Co., Ltd. 2.87%
	CLC employee stock ownership trust in CTBC Bank 2.47%
	Shine Far Co., Ltd. 2.46%
	Chunghwa Post Co., Ltd. 2.04%
Shan-Loong Transportation Co., Ltd.	Cheng Loong Corp. 9.24%
	Shan-Loong Transportation employee stock ownership trust in CTBC Bank 6.16%
	Shine Far Co., Ltd. 6.10%
	Shine Far Construction Co., Ltd. 4.91%
	Jen-Ming Cheng 4.77%
	Cyong-Miao Ye 4.39%
	Cheng Loong Investment Co., Ltd. 3.55%
	Jen- Hong Cheng 3.15%
	Cheng Guan Investment Co., Ltd 2.44%
	Sun Favorite Co., Ltd. 1.39%
Jen Yun Co., Ltd.	Chung Win Investments Limited 23.53%
	Jhen Lu 14.12%
	Ai-Ling Ci 14.12%
	Su-Yun Cheng 14.12%
	Jyuan-Jyuan Lu 14.12%
	Ciao-Yun Cheng 11.76%
	Chu-Chun Hsiung 5.88%
	Chen-Loong Cheng 2.35%
Shine Far Construction Co., Ltd.	Jhen Lu 26.49%
	Ai-Ling Ci 26.49%
	Su-Yun Cheng 15.00%
	Jyuan-Jyuan Lu 13.26%
	Ciao-Yun Cheng 10.27%
	Chen-Loong Cheng 8.13%
	Wen Gin Development Co., Ltd. 0.36%
Shine Far Co., Ltd.	Please refer to P. 25
Sun Favorite Co., Ltd.	

B. Profiles of the Management Team

April. 12, 2022

Title	Nationality	Name	Gender	Date of Appointment	Shareholding		Spouse & Minor Shareholding	
					Shares	%	Shares	%
CEO	Republic of China	Su-Yun Cheng	F	January 01,2021	11,676,197	1.05	-	-
Deputy CEO	Republic of China	Jen-Ming Cheng	M	January 01,2021	13,632,194	1.23	3,000	-

Shareholding by Nominee Arrangement		Experience and Education	Other Positions in the Company or other Companies	Managers who Are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relationship	
-	-	Chairperson of Cheng Loong Corp. MBA, Waseda University, Japan	Chairperson, Cheng Loong Corp. Chairperson, Gem Tech Optoelectronics Corp. Chairperson, Kai Shih Investment Co., Ltd. Chairperson, Cheng Huotien Charity Foundation Director, Shan Loong Transportation Co., Ltd. Director, Shine Far Co., Ltd. Director, Sun Favorite Co., Ltd. Director, Jen Yun Co., Ltd. Director, Wen Gin Development Co., Ltd. Director, Shine Far Construction Co., Ltd. Director, Cheng Loong Investment Co., Ltd. Supervisor, Shin Loong Lifecare Corp. Director, Chung Win Investments Limited (Hong Kong) Director, Yamahatsu Nihon Co., Ltd. Director, Ming Foong Plastic (Singapore) Co., Ltd.	Vice Chairperson	Jen-Ming Cheng	Siblings	-
-	-	Vice Chairperson, Cheng Loong Corp. Vice Chairperson, Ta-Yuan Cogen Co., Ltd. Bachelor, Business, Northeastern University, U.S.	Vice Chairperson, Cheng Loong Corp. Chairperson, Shin Loong Lifecare Corp. Vice Chairperson, Ta-Yuan Cogen Co., Ltd. Executive Director, Taiwan Paper Industry Association Director, Shine Far Co., Ltd. Director, Sun Favorite Co., Ltd. Director, Jen Yun Co., Ltd. Director, Wen Gin Development Co., Ltd. Director, Shine Far Construction Co., Ltd. Director, Shine Far Property Co., Ltd. Director, Shine Far Electromechanical Co., Ltd. Director, Cheng Loong Investment Co., Ltd. Director, Chung Win Investments Limited (Hong Kong) Supervisor, Yamahatsu Nihon Co., Ltd. Please refer to the "Information on Affiliated Companies" for details.	Chairperson	Su-Yun Cheng	Siblings	-

Title	Nationality	Name	Gender	Date of Appointment	Shareholding		Spouse & Minor Shareholding	
					Shares	%	Shares	%
President	Republic of China	Ching-Biao Chang	M	September 01, 2021	161,376	0.02	14,884	-
Vice President	Republic of China	Ching-Huei Yu	M	December 16, 2019	816,612	0.07	1,165	-
Head of Containerboard Division	Republic of China	Mu-Hsiang Peng	M	September 01, 2021	48,633	-	4,626	-
Head of Corrugated Container Division	Republic of China	Tseng-Fu Hou	M	July 01, 2014	96,632	0.01	3,564	-
Head of Household Products & Paperboard Division	Republic of China	Yi-Chin Chen	M	September 01, 2021	15,137	-	-	-
Head of Auditing Division	Republic of China	Feng-Chih Yeh	M	October 01, 2017	181,153	0.02	-	-

Shareholding by Nominee Arrangement		Experience and Education	Other Positions in the Company or other Companies	Managers who Are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relationship	
-	-	President, Cheng Loong Corp. Master in Forestry, National Chung Hsing University EMBA, National Chiao Tung University	Director, Cheng Loong Corp. Convenor of the Supervisory Board, Taiwan Paper Industry Association	-	-	-	-
-	-	Vice President, Cheng Loong Corp. Bachelors in Banking And Insurance, Tamkang College of Sciences and Literatures	Director, Cheng Loong Corp. Director, Ming Foong Plastic Co., Ltd. Supervisor, GemTech Optoelectronics Corp. Director, Shine Far long-term care corporation Director, Ming Foong Plastics (Dong Guan) Co., Ltd. Director, Sun favorite (Shanghai) Co., Ltd. Chairperson, Phu Kieu Viet Nam Company Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-
-	-	Vice President, Cheng Loong Corp. Department of Mechanical Engineering, Nanya Institute of Technology	Director, Taiwan Paper Industry Association	-	-	-	-
-	-	Vice President, Cheng Loong Corp. Bachelor, Chemistry, National Chung Hsing University	Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. Department of Mechanical Engineering, Lee-Ming Institute of Technology	-	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. Bachelor, Business Administration, National Cheng Kung University	-	-	-	-	-

Title	Nationality	Name	Gender	Date of Appointment	Shareholding		Spouse & Minor Shareholding	
					Shares	%	Shares	%
Head of R&D Division	Republic of China	Tsun-Hui Chuang	M	October 01, 2017	95,907	0.01	296	-
Head of Administration Division	Republic of China	Hsiang-Chu Lin	M	July 01, 2017	32,897	-	-	-
Head of Financial Division	Republic of China	Chung-Lin Chou	M	November 01, 2003	99,028	0.01	-	-
Head of Accounting Division	Republic of China	Tai-Lang Ho	M	November 01, 2006	318,743	0.03	23,000	-
Head of Management Information Division	Republic of China	Chen-Kuang Liu	M	January 01, 2021	6,860	-	2,000	-
Chief corporate governance officer	Republic of China	Chung-Lin Chou	M	April 01, 2019	99,028	0.01	-	-

Shareholding by Nominee Arrangement		Experience and Education	Other Positions in the Company or other Companies	Managers who Are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relationship	
-	-	Assistant Vice President, Cheng Loong Corp. EMBA, National Taiwan University of Science and Technology	-	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. Bachelor, Agricultural Education, National Chung Hsing University	-	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. EMBA, Ming Chuan University	Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. EMBA, Tamkang University	Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. Chemical Engineering, Chinese Culture University	-	-	-	-	-
-	-	Assistant Vice President, Cheng Loong Corp. EMBA, Ming Chuan University	Please refer to the "Information on Affiliated Companies" for details.	-	-	-	-

3. Remuneration Paid Out to Directors, President, and Vice Presidents in the Most Recent Year

Remuneration of Directors

December 31, 2021

Unit: NT\$1,000

Title	Name	Director's Remuneration							
		Base Compensation (A)		Severance Pay and Pensions (B)		Remuneration for Directors (C)		Operation Allowances (D)	
		CLC	Consolidated Companies	CLC	Consolidated Companies	CLC	Consolidated Companies	CLC	Consolidated Companies
Chairperson	Su-Yun Cheng	-	-	-	-	-	-	11,520	13,870
Vice Chairperson	Jen-Ming Cheng								
Director	Yen-Hao, Chen								
Director	Shine Far Co., Ltd. Rep.: Tong-Ho Tsai								
Director	Ming Foong Plastic Co., Ltd. Rep.: Ching-Huei Yu								
Director	Sun Favorite Co., Ltd. Rep.: Ching-Biao Chang	-	-	-	-	-	-	5,040	5,040
Independent Director	Yung-Chi Wang								
Independent Director	Yao-Ming Yang								
Independent Director	Fu-Hsing Chang								

Note 1: In accordance with the provision of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration to the directors based on the extent to which the directors participate in the operation of the Company and the value of their contributions while referring to the fixed remuneration provided by the companies in the same industry, and there is no variable remuneration distributed based on the Company's profitability.

Note 2: In addition to the information disclosed above, other remuneration collected by directors during the past year for providing services (e.g. serving as a consultant for clc/consolidated companies/ non-employees of reinvestment business): None.

Ratio and amount of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are also Employees								Ratio and amount of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration Obtained from Reinvestment Business Other Than the Subsidiaries or the Parent Company
		Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Bonus to Employees from Distribution of Earnings (G)						
CLC	Consolidated Companies	CLC	Consolidated Companies	CLC	Consolidated Companies	CLC		Consolidated Companies		CLC	Consolidated Companies	
						Cash	Stock	Cash	Stock			
11,520	13,870									44,698	50,651	3,600
/	/	32,487	36,090	320	320	371	-	371	-	/	/	
0.29	0.35									1.13	1.28	
5,040	5,040									5,040	5,040	-
/	/	-	-	-	-	-	-	-	-	/	/	
0.13	0.13									0.13	0.13	

Range of remuneration

Range of remuneration to director	Name	
	(A+B+C+D)	
	CLC	Consolidated Companies
Under NT\$1,000,000	Shine Far Co., Ltd. Ming Foong Plastic Co., Ltd. Sun Favorite Co., Ltd.	Shine Far Co., Ltd. Ming Foong Plastic Co., Ltd. Sun Favorite Co., Ltd.
NT\$1,000,000 ~ NT\$2,000,000	Su-Yun Cheng Jen-Ming Cheng Yen-Hao Chen Tong-Ho Tsai Ching-Huei Yu Ching-Biao Chang Fu-Hsing Chang Yung-Chi Wang Yao-Ming Yang	Jen-Ming Cheng Yen-Hao Chen Ching-Biao Chang Fu-Hsing Chang Yung-Chi Wang Yao-Ming Yang
NT\$2,000,000 ~ NT\$3,500,000	-	Su-Yun Cheng Tong-Ho Tsai Ching-Huei Yu
NT\$3,500,000 ~ NT\$5,000,000	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	12	12

Name	
(A+B+C+D+E+F+G)	
CLC	The Parent Company and All Reinvestment Business
Shine Far Co., Ltd. Ming Foong Plastic Co., Ltd. Sun Favorite Co., Ltd.	Shine Far Co., Ltd. Ming Foong Plastic Co., Ltd. Sun Favorite Co., Ltd.
Yen-Hao Chen Fu-Hsing Chang Yung-Chi Wang Yao-Ming Yang	Yen-Hao Chen Fu-Hsing Chang Yung-Chi Wang Yao-Ming Yang
-	-
-	-
Su-Yun Cheng Jen-Ming Cheng Tong-Ho Tsai Ching-Huei Yu Ching-Biao Chang	Ching-Huei Yu Ching-Biao Chang
-	Jen-Ming Cheng Tong-Ho Tsai
-	Su-Yun Cheng
-	-
-	-
-	-
12	12

Remuneration of the President and Vice Presidents

Title	Name	Salary (A)		Severance Pay and Pensions (B)	
		CLC	Consolidated Companies	CLC	Consolidated Companies
CEO	Su-Yun Cheng (Note1)	16,880	19,127	420	420
Deputy CEO	Jen-Ming Cheng (Note2)				
President	Tong-Ho Tsai (Note3)				
President	Ching-Biao Chang (Note4)				
Executive Vice President and Head of Containerboard Division	Ching-Biao Chang (Note5)				
Vice President	Ching-Huei Yu				
Head of Containerboard Division	Mu-Hsiang Peng (Note6)				
Head of Corrugated Container Division	Tseng-Fu Hou				

Note 1: 2021/1/1 newly-appointed.

Note 2: 2021/1/1 newly-appointed.

Note 3: 2021/9/1 resign.

Note 4: 2021/9/1 inaugurate.

Note 5: 2021/9/1 resign.

Note 6: 2021/9/1 inaugurate.

December 31, 2021
Unit: NT\$1,000

Bonuses and Allowances (C)		Bonus to Employees from Distribution of Earnings (D)				Ratio and amount of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration Obtained from Reinvestment Business Other Than the Subsidiaries or the Parent Company
CLC	Consolidated Companies	CLC		Consolidated Companies		CLC	Consolidated Companies	
		Cash	Stock	Cash	Stock			
						39,966	43,569	
22,227	23,583	439	-	439	-	/	/	3,600
						1.01	1.1	

Range of remuneration

Range of remuneration to president or vice president	Name	
	CLC	The Parent Company and All Reinvestment Business
Under NT\$1,000,000	-	-
NT\$1,000,000 ~ NT\$2,000,000	Mu-Hsiang Peng	Mu-Hsiang Peng
NT\$2,000,000 ~ NT\$3,500,000	-	-
NT\$3,500,000 ~ NT\$5,000,000	Ching-Huei Yu	Ching-Huei Yu
NT\$5,000,000 ~ NT\$10,000,000	Su-Yun Cheng Jen-Ming Cheng Tong-Ho Tsai Ching-Biao Chang Tseng-Fu Hou	Jen-Ming Cheng Tong-Ho Tsai Ching-Biao Chang Tseng-Fu Hou
NT\$10,000,000 ~ NT\$15,000,000	-	Su-Yun Cheng
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	7	7

Names of managers who distribute employee salaries and distribution status

Unit: NT\$1,000

December 31, 2021

	Title	Name	Stock Bonus	Cash Bonus	Total	Total as a % of After-Tax Income
Manager	CEO	Su-Yun Cheng (Note1)	-	844	844	0.02
	Deputy CEO	Jen-Ming Cheng (Note2)				
	President	Tong-Ho Tsai (Note3)				
	President	Ching-Biao Chang (Note4)				
	Executive Vice President and Head of Containerboard Division	Ching-Biao Chang (Note5)				
	Vice President	Ching-Huei Yu				
	Head of Containerboard Division	Mu-Hsiang Peng (Note6)				
	Head of Corrugated Container Division	Tseng-Fu Hou				
	Head of Household Products & Paperboard Division	Yi-Chin Chen (Note7)				
	Head of Financial Division and Chief corporate governance officer	Chung-Lin Chou				
	Head of Accounting Division	Tai-Lang Ho				
	Head of Auditing Division	Feng-Chih Yeh				
	Head of R&D Division	Tsun-Hui Chuang				
	Head of Administration Division	Hsiang-Chu Lin				
	Head of Management Information Division	Chen-Kuang Liu				

Note 1: 2021/1/1 newly-appointed.

Note 2: 2021/1/1 newly-appointed.

Note 3: 2021/9/1 resign.

Note 4: 2021/9/1 inaugurate.

Note 5: 2021/9/1 resign.

Note 6: 2021/9/1 inaugurate.

Note 7: 2021/9/1 inaugurate.

The Ratio of Total Remuneration Paid by the company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, President and Vice Presidents to Net Income and the Explanation of the remuneration policy, standards/packages, procedures, the linkage to operating performance and future risk exposure

1. The ratio of total remuneration paid to Directors, President and Vice Presidents to net income in the last two year:

Title	Ratio of Total Remuneration to Net Income					
	2021		2020		Differences	
	From CLC	From All Consolidated Entities	From CLC	From All Consolidated Entities	From CLC	From All Consolidated Entities
Directors	1.13%	1.28%	1.04%	1.20%	0.09%	0.08%
Independent Director	0.13%	0.13%	0.12%	0.12%	0.01%	0.01%
President and Vice Presidents	1.01%	1.1%	0.57%	0.58%	0.44%	0.52%

2. Explanation of the remuneration policy, standards/packages, procedures, the linkage to operating performance and future risk exposure:

In accordance with the provision of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration to the directors based on the extent to which the directors participate in the operation of the Company and the value of their contributions while referring to the fixed remuneration provided by the companies in the same industry, and there is no variable remuneration distributed based on the Company's profitability.

The remuneration paid by the Company to managers and employees includes fixed salary and variable rewards. The fixed salary is determined by rank and position, and the variable rewards include employee compensation and bonuses that shall be calculated based on the current pre-tax income according to the Company's articles of Incorporation. Bonuses are distributed based on the Company's operating performance and profitability in the previous year, as well as the individual performance including target achievement rate, operation management ability, contribution, and special achievements. Among them, the remuneration paid to the managers must be reviewed and approved by the Remuneration Committee and sent to the Board of Directors for resolution.

4. Implementation of Corporate Governance

A. Board of Directors Meeting Status

In the year of 2021 and up to the date of publication of the annual report, the Board of Directors met 8 times (A); the Directors' attendance is as follows:

Title	Name	Attend in Person (B)	Attend by Proxy	Attendance Rate (%) (B/A)	Remarks
Chairperson	Su-Yun Cheng	8	-	100	
Vice Chairperson	Jen-Ming Cheng	8	-	100	
Director	Yen-Hao Chen	8	-	100	
	Shine Far Co., Ltd. Rep.: Tong-Ho Tsai	8	-	100	
	Ming Foong Plastic Co., Ltd. Rep.: Ching-Huei Yu	8	-	100	
	Sun Favorite Co., Ltd. Rep.: Ching-Biao Chang	8	-	100	
Independent Director	Yung-Chi Wang	8	-	100	
Independent Director	Yao-Ming Yang	8	-	100	
Independent Director	Fu-Hsing Chang	8	-	100	

Other statutory information:

- Items required by Article 14-3 of the Securities Exchange Act are shown on page 75~81. Other resolutions of the Board of Directors which received objections or reserved comments from the independent directors that are supported by appropriate records or written declarations: N/A.
- Recusals of Directors due to conflicts of interests: Directors recused themselves from the discussion and voting of their interest resolution.
- Information on the period, duration, range, means, and content of evaluation of Board of Directors' Performance:
The company has completed the performance evaluations of the Board of Directors for 2021 in first quarter 2022. Evaluation period was January 1, 2021 to December 31, 2021, the scope included overall Board of Directors, individual directors, the Audit Committee, and the Remuneration Committee and the method was internal self-evaluation and Board members' self-evaluation. The implementation Status is as follows:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
Internal performance evaluation is conducted once a year. An external professional independent organization or an external team of experts and scholars will perform the evaluation at least every three years.	January 1, 2021 to December 31, 2021	Board of Directors, individual directors, and functional committees are covered.	Internal self-evaluation and Board members' self-evaluation	The aspects of the Company's evaluation of the Board of Directors' include: I. Entire Board of Directors 1. The degree of participation in the Company's operations. 2. Improvement of the quality of decision making by the Board of Directors. 3. The composition and structure of the Board of Directors. 4. Election and continuing education of the directors. 5. Internal control. II. Individual Directors 1. Management of the Company's goals and tasks. 2. Knowledge of director's duties and responsibilities.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
				3. The degree of participation in Company's operations. 4. Internal relationship management and communication. 5. Professionalism and continuing professional education. 6. Internal control. III. Functional Committees 1. The degree of participation in the Company's operations. 2. Knowledge of the duties of the functional committees. 3. Improvement in the quality of decision making by the functional committees. 4. The composition of the functional committees and the selection of members. 5. Internal control.

4. Description of the objectives about enhancement of the Board function and the execution results:

- a. The company has formulated the "Procedures for Ethical Management and Guidelines for Conduct", and designated the Ethical Management Promotion Team as the dedicated unit, which shall report its implementation status to the Board of Directors annually. The team reported its implementation status for 2021 at the 18th session of 17th Board of Directors on December 23, 2021.
- b. The company has formulated the "Risk Management Policy and Procedure", with the Board of Directors as the highest risk management unit, and the President was authorized to implement risk management decisions. The team reported its risk management operations for 2021 at the 18th session of 17th Board of Directors on December 23, 2021.
- c. The company has formulated the "Board of Directors Performance Evaluation Regulations". The performance evaluations of the overall Board of Directors, individual directors, the Audit Committee, and the Remuneration Committee for 2020 and 2021 were completed, and the performance evaluation results will be reported to Board of Directors.
- d. The company has formulated corporate governance officers to assist the Directors with execution of duties in a timely and effective manner, and they are responsible for handling the requests raised by the Directors as soon as possible.
- e. The company has formulated the "Standard Operating Procedures for Handling Directors' Requests" to respond to the Directors' requests in an appropriate and timely manner.
- f. The company buys liability insurance for its Directors within the scope of business.

B. Audit Committee Meeting Status

1. Audit Committee's authority and key tasks of the year:

- (1) Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Evaluate the effectiveness of the internal control system.
- (3) Establish or amend the procedures for significant financial activities, including obtaining or disposing of assets, engaging in derivative transactions, loaning funds to others, or providing others with endorsement or guarantees in accordance with Article 36-1 of the Securities and Exchange Act.
- (4) Handle matters involving the directors' interests.
- (5) Carry out material asset or derivative transactions.
- (6) Loan significant funds or provide endorsement or guarantee to others.
- (7) Raise, issue, or privately raise securities with equity nature.
- (8) Appoint, dismiss or remunerate certified public accountants (CPAs).
- (9) Appoint or dismiss the heads of finance, accounting, and internal audit.
- (10) Audit financial reports and annual financial reports for the first, second, and third quarters.
- (11) Other major matters stipulated by the company or competent authorities.

2. In the year of 2021 and up to the date of publication of the annual report, the Audit Committee met 10 times. (A) The attendance of independent directors is as follows:

Title	Name	Attend in Person (B)	Attend by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Yung-Chi Wang	10	-	100	
Committee member	Yao-Ming Yang	10	-	100	
Committee member	Fu-Hsing Chang	10	-	100	

Other statutory information:

1. If any of the following circumstances have occurred during the operation of the Audit Committee, specify the date, period, case content, resolution of the Audit Committee meeting, and the handling of the opinions of the Audit Committee by the Company:

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

In the year of 2021 and up to the date of publication of the annual report, a total of 10 meetings of the Audit Committee had been held. The contents of the resolutions are as follows. The Audit Committee passed all the matters listed in Article 14-5 of the Securities and Exchange Act without any objection.

Date of Meeting	Session	Content of Proposal	Result	Response to Opinions of Audit Committee
March 18, 2021	The 13 th session of 2 nd Audit Committee meeting	1. The Company's 2020 individual financial statements and consolidated financial statements. 2. As of the end of December 2020, the endorsements/guarantees provided by the Company and their necessity and reasonableness, as well as the amounts of loans given to others. 3. A proposal to apply for the short-term general credit limit from relevant financial institutions. 4. A proposal to provide endorsements/guarantees or letters of comfort to the Company's reinvestment affiliated companies in Mainland China. 5. A proposal to provide endorsements/guarantees to the Company's reinvestment affiliated companies in Southeast Asia. 6. A proposal for increasing capital of "Cheng Loong Bac Giang Company Limited" in Vietnam. 7. The Company's Statement of Internal Control System for 2020 has been completed in accordance with the regulations. 8. The assessment of the independence of CPAs. 9. The appointment of CPAs and a resolution on their remuneration.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.
March 18, 2021	The 14 th session of 2 nd Audit Committee meeting	The Company's business report and distribution of earnings for 2020.	Approved by all members present	
May 12, 2021	The 15 th session of 2 nd Audit Committee meeting	1. Consolidated financial report for the first quarter of 2021. 2. As of the end of March 2021, the endorsements and guarantees provided and the amount of funds loaned to others. 3. A proposal for increasing capital of the Company's offshore holding subsidiary. 4. A proposal to dispose of the right-of-use assets in the Haishan section of the Banqiao District, New Taipei City. 5. The amendments to the Company's "Rules for Internal Control System of Shareholder Services Units".	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.
June 29, 2021	The 16 th session of 2 nd Audit Committee meeting	1. Changed the transaction counter-party of the pre-sale of the property on Hangzhou South Road, Taipei City, to a related party. 2. A proposal to apply for the short-term general credit limit from relevant financial institutions. 3. A proposal to provide endorsements/guarantees to the Company's reinvestment affiliated companies in Southeast Asia.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.
August 10, 2021	The 17 th session of 2 nd Audit Committee meeting	1. Consolidated financial report for the second quarter of 2021. 2. As of the end of June 2021, the endorsements and guarantees provided and the amount of funds loaned to others. 3. The Company's subsidiary sold 100% of the equity of Loong Fu Paper (Kunsan) Co., Ltd. 4. A proposal to apply to the Taishin International Bank for a green financing project. 5. A proposal to apply for the short-term general credit limit from relevant financial institutions. 6. Proposed to loan funds to Hong Kong Chung Hao Limited and Hong Kong Gwang Loong Limited. 7. A proposal to sign a supplementary contract and confirm the consent documents regarding the Company's provision of guarantee for a syndicated loan taken out by the subsidiary in Vietnam, Cheng Loong Binh Duong Paper Co., Ltd., in 2020.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.

Date of Meeting	Session	Content of Proposal	Result	Response to Opinions of Audit Committee
		8. In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to provide endorsements/guarantees to the affiliated companies that the Company would invest in. 9. A proposal for increasing capital of "Cheng Loong Long An Container Co., Ltd." in Vietnam. 10. A proposal to purchase property (land improvement) from related parties. 11. A proposal for trading equity of Chung Loong Paper Holdings Limited. Extempore motions: A proposal to call on the corporate governance unit to actively respond to the COVID-19 pandemic and take precautions.		
October 15, 2021	The 18 th session of 2 nd Audit Committee meeting	1. A proposal to increase the investment amount of the Tayuan Mill's bleached pulp line equipment. 2. A proposal to sign the commissioning contract on the construction of a bleached pulp line plant at Plant C of the Tayuan Mill.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.
November 8, 2021	The 19 th session of 2 nd Audit Committee meeting	1. Consolidated financial report for the third quarter of 2021. 2. As of the end of September 2021, the endorsements and guarantees provided and the amount of funds loaned to others. 3. A proposal for increasing capital of "Cheng Loong Binh Duong Paper Co., Ltd." in Vietnam. 4. A proposal to apply for the short-term general credit limit and commercial paper facilities from relevant financial institutions. 5. A proposal to provide endorsements/guarantees or letters of comfort to the the Company's reinvestment affiliated companies in Mainland China. 6. A proposal to provide endorsements/guarantees to the Company's reinvestment affiliated companies in Southeast Asia. 7. A proposal to become the joint guarantor of the bridge loan for the third phase of the factory construction of Cheng Loong Binh Duong Paper Co., Ltd. 8. A proposal to apply for a guarantee loan for the third phase factory construction of Cheng Loong Binh Duong Paper Co., Ltd. 9. A proposal for providing guarantee for a syndicated loan borrowed by Cheng Loong Binh Duong Paper Co., Ltd., a subsidiary in Vietnam in which the Company invests. 10. Proposed to sell on-sale premises on Hangzhou South Road, Taipei City, to related parties. 11. Proposed to discuss the Company's 2022 annual audit plan.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.
December 23, 2021	The 20 th session of 2 nd Audit Committee meeting	1. A proposal to apply for the short-term general credit limit from relevant financial institutions. 2. A proposal for joint venture in the establishment of Cheng Tong Investment Co., Ltd. in Vietnam.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.
March 15, 2022	The 21 th session of 2 nd Audit Committee meeting	1. The Company's 2021 individual financial statements and consolidated financial statements. 2. As of the end of December 2021, the endorsements/ guarantees provided by the Company and their necessity and reasonableness, as well as the amounts of loans given to others. 3. The Company has undertaken two derivative financial instruments with a total principal amount of NT\$300 million in January 2022. 4. A proposal to apply for the short-term general credit limit from relevant financial institutions.	Approved by all members present	The resolution was submitted to and approved by the Board of Directors of the company.

Date of Meeting	Session	Content of Proposal	Result	Response to Opinions of Audit Committee
		5. The Company proposed to apply for derivative financial instruments principal amount of USD500,000 from First Commercial Bank. 6. A proposal to provide endorsements/guarantees or letters of comfort to the Company's reinvestment affiliated companies in Mainland China. 7. A proposal to provide endorsements/guarantees to the Company's reinvestment affiliated companies in Southeast Asia. 8. A proposal to amend some of the provisions of the Company's "Procedures for Assets Acquisition and Disposal". 9. The Company's Statement of Internal Control System for 2021 has been completed in accordance with the regulations. 10. A proposal to change the CPAs and a resolution on their remuneration. 11. The assessment of the independence of CPAs.		
March 15, 2022	The 22 th session of 2 nd Audit Committee meeting	The Company's business report and distribution of earnings for 2021.	Approved by all members present	

- (2) Other resolutions that were not approved by the audit committee but were approved by two third or more of all directors: N/A.
2. The implementation status of avoidance of proposals having conflicts of interest on the part of Independent Directors: Regarding proposals that involve the interests of Independent Directors, the relevant Independent Directors were all highly disciplined and did not participate in discussions or voting on such proposals and did not vote on behalf of other Independent Directors.
3. Communication between Independent Directors, internal auditing supervisors, and CPAs:
- (1) The audit supervisor of the company submits a completed audit report to the Audit Committee on paper or electronically to the Audit Committee on a regular or irregular basis. If the Audit Committee has any questions or instructions, they should inquire or inform the audit supervisor.
 - (2) The audit supervisor presents an audit business report every quarter to the Audit Committee, which includes the audit business of the company and its subsidiaries, audit findings, and improvements of abnormal events.
 - (3) The Audit Supervisor submits a statement of the internal control system to the Audit Committee in the first quarter of each year in accordance with the laws and submits the audit plan for the following year in the fourth quarter.
 - (4) The company's CPAs regularly report to the independent directors on the audit results of the financial report and the situation of internal control checks in the annual Audit Committee meeting and communicate the updates of important laws and regulations.
 - (5) In the year of 2021 and up to the date of publication of the annual report, the summary of previous communications is as follows:

1. The communication between independent directors and the internal audit supervisor:

Date of Meeting	Topics of Communication	Suggestions and Implementation Results
March 18, 2021 (The 13 th session of 2 nd Audit Committee meeting)	The Company's Statement of Internal Control System for 2020.	None of the independent directors had any opinions at this meeting
May 12, 2021 (The 15 th session of 2 nd Audit Committee meeting)	The amendments to the Company's "Rules for Internal Control System of Shareholder Services Units".	None of the independent directors had any opinions at this meeting
November 18, 2021 (The 19 th session of 2 nd Audit Committee meeting)	The company's 2022 annual audit plan.	None of the independent directors had any opinions at this meeting
March 15, 2022 (The 21 st session of 2 nd Audit Committee meeting)	The Company's Statement of Internal Control System for 2021.	None of the independent directors had any opinions at this meeting

2. Communication between independent directors and CPAs:

Date of Meeting	Topics of Communication	Suggestions and Implementation Results
March 18, 2021 (The 13 th session of 2 nd Audit Committee meeting)	1. Audit results report on 2020 individual and consolidated financial reports: Contents include types of opinions, comparative analysis of consolidated financial reports, key auditing items, and description of other important matters. 2. Concerns of competent authorities: This includes strengthening the evaluation of the internal control process of the investing cycle and enhancing the audit of 2020 financial statements as a publicly listed company. 3. Communication of important legal updates: This includes amendments to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the Financial Supervisory Commission's enhanced disclosure measures: the basis for single largest shareholders over which the Company has no control, the matters that publicly listed companies need to cooperate with in preparation of the financial statements, and Corporate Governance 3.0—Blueprint for Sustainable Development.	None of the independent directors had any opinions at this meeting
March 15, 2022 (The 21 st session of 2 nd Audit Committee meeting)	1. Audit results report on 2021 individual and consolidated financial reports: Contents include types of opinions, comparative analysis of consolidated financial reports, key auditing items, and description of other important matters. 2. Communication of important legal updates: These include the amendment to the Board of Directors' Meeting Regulations FAQ, the standard for the establishment of corporate governance directors in TWSE/TPEX-listed companies, Regulations Governing Information to be Published in Annual Reports of Public Companies, Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies, Regulations Governing Establishment of Internal Control Systems by Public Companies and FAQ, the applicable conditions of the Company Act and the video conference of shareholders' meeting, the amendment to Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and the new requirement for TWSE/TPEX-listed companies reporting annual self-assessed financial information.	None of the independent directors had any opinions at this meeting

C. Corporate Governance and the Discrepancies Between Actual Corporate Governance and the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the Reason for the Discrepancy

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
I. Has the company defined and disclosed its governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		We have established and disclosed on the Company's website and MOPS the “Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”. We have also established the Rules of Procedure for Meeting of Shareholders, the Regulations for Handling Material Inside Information, the Internal Control System and the Procedures for the Acquisition and Disposal of Assets in relation to corporate governance and implemented them in conformity with the Governance Best Practice.	In conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Structure of shareholdings and shareholder's equity				
(I) Does the company establish and implement internal procedures for handling shareholder suggestions, questions, disputes and litigation?	✓		(I) In addition to establishing the spokesperson system and the stock services unit to communicate with shareholder, we have designated the Legal Affairs Department to receive all external emails and distribute them to the concerned responsible units in accordance with the “Email Management Regulations”.	(I) We have designated staff to handle stockholder services in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the company keep an up-to-date list of its dominant shareholders and the parties with ultimate control over its dominant shareholders?	✓		(II) We have established a dedicated stock services unit and designated staff to take care of concerned business and keep track of related matters at any time.	(II) We have designated stock service staff to handle concerned business in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company establish and implement a risk control mechanism and firewall between its affiliates?	✓		(III) We have established the “Guidelines for the Adoption of Codes of Ethical Conduct” and the “Procedures for Ethical Management and Guidelines for Conduct” to specify business conducted with affiliates.	(III) We have established regulations to govern related internal affairs in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company establish internal rules to prevent insider trading?	✓		(IV) We have specified in the “Procedures for Ethical Management and Guidelines for Conduct” and “Insider Trading Prevention Management Regulations” that staff shall not trade marketable securities with information undisclosed to the public (insider trading).	(IV) We have established regulations to govern related internal affairs in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Organization and functions of the board of director (BOD)				
(I) Does the Board of Directors formulate diversification policy, and specific management objectives and implement them?	✓		(I) For the Company's diversity policies, practical management objectives, and implementation status, please see page 21~24.	(I) The company has formulated a diversification policy and disclosed its specific management objectives and implementation.

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
(II) In addition to a Compensation Committee and an Audit Committee required by law, does the company voluntarily establish other functional committees?		✓	Except for establishing the Compensation Committee and Audit Committee as requested by law, we have not established other functional committees.	(II) We will carefully assess this topic according to organizational development needs.
(III) Does the company establish a method to evaluate BOD performance and routinely evaluate BOD performance every year while reporting the results of the performance evaluation to BOD as a reference for individual directors' remuneration and nomination and re-election?	✓		(III) The company has formulated the "Board of Directors Performance Evaluation Regulations". The performance evaluations of the overall Board of Directors, individual directors, the Audit Committee, and the Remuneration Committee for 2021 were completed in February 2022. The performance evaluation results will be reported at Board of Directors on March 15, 2022, as a reference for the remuneration of individual directors and nomination for reelection.	(III) We have established regulations to govern related internal affairs in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the company regularly evaluate the independence of its certified public accountants?	✓		(IV) The Accounting Division evaluates the independence of the certified public accountants (CPAs) every year. The latest evaluation results were submitted to the Audit Committee for discussion on March 15, 2022 and approved by the BOD afterwards. With respect to the evaluation of the Accounting Division, CPAs Mei-Pin Wu and Hung-Wen Fu of KPMG Taiwan comply with the criteria for evaluation of CPA independence (Note1) of this Company. They are thus qualified to provide CPA services for this Company as shown in the statement made by KPMG Taiwan (Note2).	(IV) We evaluate the independence of CPAs periodically and will report to BOD to replace them, when there are doubts about their professionalism and independent.
IV. Does the company listed on stock/OTC markets designate an appropriate number of qualified personnel for corporate governance, and appoint a corporate governance officer, responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information to perform business, assisting directors and supervisors in compliance, handling matters related to the BOD meeting and the shareholders' meeting in accordance with the laws, as well as keeping minutes of the BOD meeting and shareholders' meetings)?	✓		The company passed the resolution of the Board of Directors on March 25, 2019 to set up a "Corporate Governance Officer," which was simultaneously served by Chung-Lin Chou, Head of Financial Division, to protect shareholders' rights and strengthen the functions of the Board of Directors. Assistant President Chung-Lin Chou has more than three years of experience at a management position in public offering companies in financial and equity affairs. According to the Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, the main duties of a corporate governance supervisor are to handle relevant matters of the Board of Directors and shareholders' meetings in accordance with the laws, prepare the minutes of the Board of Directors and shareholders' meetings, assist Directors (including Independent Directors) in their appointments and further training, provide information required by Directors (including Independent Directors) to perform business, and assist Directors (including Independent Directors) to comply with laws and regulations. The implementation of the corporate governance business in 2021 is as follows:	This Company discloses information in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
			I. Assist Independent Directors and Directors in performing their duties, provide required information, and arrange Directors' further training: (1) The Board of Directors shall be notified in a timely manner of the revision and development of the latest laws and regulations related to the company's business field and corporate governance. (2) Review and provide relevant company information required by Directors to maintain smooth communication and exchanges between Directors and supervisors of each business unit. (3) Assist with arrangement of relevant meetings, when the Independent Directors need to meet with the internal audit supervisor or CPAs individually to understand the company's financial business in accordance with the Corporate Governance Best Practice Principles. (4) Assist the Independent Directors and Directors in formulating annual training plans and arranging courses in accordance with the company's industrial characteristics and Director's academic backgrounds and experience. II. Assist the Board meetings and shareholders' meetings in the compliance with the rules of the procedures and resolutions: (1) Confirm whether the meetings of the company's shareholders and the Board of Directors are in compliance with relevant laws and corporate governance codes. (2) Assist and remind the Directors of abiding by the laws and regulations when carrying out business or adopting a formal resolution at a Board meeting, and put forward suggestions when the Board of Directors is going to adopt a resolution in violation of the laws. (3) Supervise the release of major information on important resolutions of the Board of Directors, to ensure the legality and correctness of the content of the major information, in order to protect the parity of transaction information for investors. III. Formulate agenda of a Board meeting, inform Directors of the proposed agenda seven days in advance, and convene the meeting and provide meeting materials. Inform a given Director to avoid the meeting in advance if an issue involves the Director's conflict of interest and complete the meeting minutes of the Board meeting twenty days after the meeting.	

Indicator	Implementation Status					Discrepancies/ reasons																										
	Yes	No	Summary Description																													
			IV. Register the date of the shareholders' meeting in accordance with the laws, develop a meeting notice, proceedings handbook, and minute book within the legal deadline, while handling the registration of changes to the Articles of Incorporation or the Director election policy. The status of corporate governance officials' further training in 2021 is as follows: <table><tr><th>Dates</th><th>Organizer</th><th>Course Name</th><th>Time</th><th>Total</th></tr><tr><td>January 19, 2021</td><td>Taiwan Corporate Governance Association</td><td>Accelerator for Business Survival - CSR, ESG, and SDG</td><td>3</td><td rowspan="5">15</td></tr><tr><td>March 19, 2021</td><td>Taiwan Corporate Governance Association</td><td>To Give Information or Not? On Directors' Right to Information</td><td>3</td></tr><tr><td>September 16, 2021</td><td>Taiwan Corporate Governance Association</td><td>Hostile Takeover, Case Analysis of Fight for Management Rights, and Countermeasures</td><td>3</td></tr><tr><td>October 29, 2021</td><td>Taiwan Corporate Governance Association</td><td>Corporate Sustainable Development Governance and Strategy</td><td>3</td></tr><tr><td>November 03, 2021</td><td>Securities and Futures Institute</td><td>2021 Annual Insider Trading Prevention Awareness-Raising Conference</td><td>3</td></tr></table>			Dates	Organizer	Course Name	Time	Total	January 19, 2021	Taiwan Corporate Governance Association	Accelerator for Business Survival - CSR, ESG, and SDG	3	15	March 19, 2021	Taiwan Corporate Governance Association	To Give Information or Not? On Directors' Right to Information	3	September 16, 2021	Taiwan Corporate Governance Association	Hostile Takeover, Case Analysis of Fight for Management Rights, and Countermeasures	3	October 29, 2021	Taiwan Corporate Governance Association	Corporate Sustainable Development Governance and Strategy	3	November 03, 2021	Securities and Futures Institute	2021 Annual Insider Trading Prevention Awareness-Raising Conference	3	
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V. Does the company establish channels for communication with stakeholders (including but without limitation to shareholders, employees, customers, and suppliers), set up a stakeholder section in the corporate website, and respond appropriately to important CSR issues that concern stakeholders?	✓		We have established the “Sustainable Development Best Practice Principles”, in order to promote the implementation of sustainable development and define channels for stakeholder communication to provide sufficient and adequate information for stakeholders to maintain their rights and interests. We have also set up a stakeholder section on the corporate website by law.			This Company discloses information in conformity with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies.																										
VI. Has the company appointed a professional stock affairs agency to organize meetings of shareholders?		✓	We have set up a stock services unit to handle affairs in relation to meetings of shareholders.			This Company discloses information in conformity with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies.																										
VII. Information disclosure (I) Has the company set up a website to disclose its financial and governance information?	✓		(I) Information in relation to stockholder services, finance, and governance has been disclosed on the corporate website at http://www.clc.com.tw/ .			(I) This Company discloses information in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.																										
(II) Has the company tried other means to disclose information (such as setting up an English website, designating personnel to gather and disclose organizational information, effectively implementing the spokesperson system, and posting investor conferences on the corporate website)?	✓		(II) The company has set up the company's Chinese and English websites to provide relevant information to shareholders and stakeholders for reference, has a dedicated unit responsible for disclosing major information on the Taiwan Stock Exchange's website and collecting company's information, and has dedicated a spokesperson and deputy spokesperson to serve shareholders or stakeholders. Due to the impact of COVID-19, the Company held an online			(II) This Company discloses information in conformity with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.																										

Indicator	Implementation Status			Discrepancies/ reasons															
	Yes	No	Summary Description																
(III) Does the company publicly announce and register with the competent authority the annual financial report within two months after the end of the fiscal year, and publicly announce and register with the competent authority the financial reports for the first, second, and third quarters as well as the monthly operating conditions in advance of the prescribed time limit?		✓	investor conference on March 26 and August 20, 2021, and published the process on the Company's website. (III) The company strives to publicly announce and register with the competent authority the annual financial report within two months after the end of the fiscal year, and has publicly announced and registered with the competent authority the financial reports for the first, second, and third quarters as well as the monthly operating situation in advance if the prescribed time limit.	(III) The company's information is open to the public, and it is still striving to fully comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.															
VIII. Is there any other material information that will help understand the organizational governance practices (including but without limitation to employee rights and interests, employee care, investor relations, supplier relations, stakeholder rights, further education for directors and supervisors, the status of the risk management policy and risk measurement measures, the performance of the customer policy, and the purchase of liability insurance for directors and supervisors)?	✓		1. Employee rights and interests: We have designed a grievance channel for employees on the intranet interface and encourage employees to maintain direct communication with management and directors. 2. Employee care: We have established the Employee Welfare Committee (EWC) by law and provide employees with various benefits, allowances, and sickness/injury care. We also encourage employees to participate in various activities favoring physical and mental development, such as the Andante Bike Team, Andante Softball Team, table tennis club and the hiking club. 3. Investor relations: We always respect the right to know of shareholders. Therefore, we have established the spokesperson system and the stock services unit to provide services for shareholders and legally and timely hold the general meeting of shareholders. In addition, we abide by the information disclosure regulations at all times and provide shareholders with real-time information over MOPS and our corporate website. 4. Supplier relations and stakeholder rights: In addition to setting up a free helpline for communication with the banks, obligors, consumers, suppliers, local communities, and other interested parties, we have established a stakeholder section on the corporate website to maintain their rights and interests. 5. Further education for directors: <table border="1"> <thead> <tr> <th>Title</th><th>Name</th><th>Dates</th><th>Organizer / Course Name</th><th>Time</th></tr> </thead> <tbody> <tr> <td>Independent Director</td><td>Yung-Chi Wang</td><td>October 14, 2021</td><td>Securities and Futures Institute/ Insights into Corporate Governance from the Perspective of Financial Statements</td><td>3</td></tr> <tr> <td>Independent Director</td><td>Yung-Chi Wang</td><td>October 29, 2021</td><td>Securities and Futures Institute/ On Corporate Tax Governance and Tax Technology Solutions from ESG Trends and the Pandemic Environment</td><td>3</td></tr> </tbody> </table>	Title	Name	Dates	Organizer / Course Name	Time	Independent Director	Yung-Chi Wang	October 14, 2021	Securities and Futures Institute/ Insights into Corporate Governance from the Perspective of Financial Statements	3	Independent Director	Yung-Chi Wang	October 29, 2021	Securities and Futures Institute/ On Corporate Tax Governance and Tax Technology Solutions from ESG Trends and the Pandemic Environment	3	This Company discloses information in conformity with the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies.
Title	Name	Dates	Organizer / Course Name	Time															
Independent Director	Yung-Chi Wang	October 14, 2021	Securities and Futures Institute/ Insights into Corporate Governance from the Perspective of Financial Statements	3															
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Indicator	Implementation Status						Discrepancies/ reasons	
	Yes	No	Summary Description					
			Title	Name	Dates	Organizer / Course Name	Time	
			Independent Director	Yao-Ming Yang	August 27, 2021	Taiwan Corporate Governance Association / How to Maximize the Values of D&O for Protecting Directors and Supervisors	3	
			Independent Director	Yao-Ming Yang	October 26, 2021	Taiwan Corporate Governance Association / AI Technology Development and Application Business Opportunities	3	
			Director	Yen-Hao, Chen	March 19, 2021	Taiwan Corporate Governance Association / To Give Information or Not? On Directors' Right to Information	3	
			Director	Yen-Hao, Chen	March 24, 2021	Chinese National Association of Industry and Commerce, Taiwan / Matters to be Noted and Frequently Asked Questions for Board of Directors Meetings and Shareholders' Meetings in 2021	3	
			Corporate Representative	Ching-Huei Yu	March 23, 2021	Taiwan Corporate Governance Association / Matters to be Noted for Board of Directors Meetings and Shareholders' Meetings in 2021	3	
			Corporate Representative	Ching-Huei Yu	September 16, 2021	Taiwan Corporate Governance Association / Hostile Takeover, Case Analysis of Fight for Management Rights, and Countermeasures	3	
			Director	Jen-Ming Cheng	March 12, 2021	Taiwan Corporate Governance Association / A Complete Guide to Information Security for Directors and Supervisors	3	
			Director	Jen-Ming Cheng	March 16, 2021	Taiwan Corporate Governance Association / Analysis of Money Laundering Cases and Predicate Crimes (Including Insider Trading)	3	
			Director	Su-Yun Cheng	August 3, 2021	Taiwan Corporate Governance Association / Information Security Issues that Directors and Supervisors Should Take Seriously Due to Frequent Cyber Attack Incidents	3	
			Director	Su-Yun Cheng	September 14, 2021	Taiwan Corporate Governance Association / Changes in the 5G Era: Industrial Upgrades, Future Business Applications, and the New Normal in the Post-Pandemic Era	3	

Indicator	Implementation Status					Discrepancies/ reasons		
	Yes	No	Summary Description					
			Title	Name	Dates	Organizer / Course Name	Time	
			Independent Director	Fu-Hsing Chang	November 2,2021	Taiwan Corporate Governance Association / Trade Secret Protection and Non-competition	6	
			Corporate Representative	Tong-Ho Tsai	October 5,2021	Taiwan Corporate Governance Association / Ethical Corporate Management and Corporate Social Responsibility	3	
			Corporate Representative	Tong-Ho Tsai	October 22,2021	Taiwan Corporate Governance Association / The Sustainable Profit Model and Potential Risks from the Perspective of Financial Statements	3	
			Corporate Representative	Tong-Ho Tsai	October 27,2021	Securities and Futures Institute /2021 Insider Equity Transaction Compliance Awareness-Raising Event	3	
			Corporate Representative	Ching-Biao Chang	March 12,2021	Taiwan Corporate Governance Association / A Complete Guide to Information Security for Directors and Supervisors	3	
			Corporate Representative	Ching-Biao Chang	April 23,2021	Taiwan Corporate Governance Association / Overseas Taiwanese Businessmen's Management and M&A Strategies from the Global Political and Economic Situation	3	
6. Status of the risk management policy and risk measurement measures: (1) We have established an audit division to monitor organizational operations regularly and report to the Audit Committee members directly, in order to help them supervise the business performance of the company and the performance of directors and managers, and keep track on the performance of the company's internal control system. (2) The Company has disclosed the “Risk Management Policy and Procedure”, which was approved by the Board of Directors, and the annual operation status on the Company's website.								
7. Performance of the customer policy: We implement the customer policy in accordance with the “Sustainable Development Best Practice Principles” and specify in the corporate vision that providing customers with more delicate and better-quality satisfactory services is our goal. With the convenience of the internet, we have set up a website to accept customer complaints and actively								

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
			address to their grievances. We have also set up a switchboard number and a free helpline (0800) in each plant as channels to maintain unimpeded communication with customers. 8. The situation regarding the company's purchase of liability insurance for Directors: The company has already purchased liability insurance for the Directors' legal liability for the scope of business performed during their term of office, in order to reduce and spread the risks posed to the company and shareholders due to mistakes or negligence by Directors.	
IX. Please specify the completed improvements and the enhancements and measures prioritized for unimproved matters with reference to the Corporate Governance Evaluation results announced by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the previous year. 1. In 2021 we completed the following improvements in accordance with the results of the 7th Corporate Governance Evaluation: (1) The Company has disclosed the information of the remuneration committee on the Company's website and in the annual report. (2) The Company has established intellectual property management plans, disclosed the implementation status on the Company's website, and reported to the Board of Directors on November 8, 2021. (3) The Company has established a method for the appointment, removal, evaluation, salary, and remuneration of internal auditors to be reported to the Board of Directors or signed by the audit supervisor reporting to the Chairperson for approval, which has been disclosed on the Company's website. (4) The Company has simultaneously announced material information in English in 2021. (5) The Company has disclosed the connection between directors' performance evaluation and their remuneration in the annual report. (6) The Company has set up the Ethical Management Promotion Team as a dedicated unit to promote corporate ethical management and discloses its operation on the Company's website and in the annual report. The team also reported to the Board of Directors on December 23, 2021. 2. Priority improvements and measures were proposed for items not yet improved: None.				

(Note 1): CPA Independence Evaluation Sheet

Indicator	Evaluation item Results
(I) Self-interest (refers to the financial interests obtained from the customer asking for an audit service or the conflict of interests with the customer asking for an audit service arising from other concerns of interests)	
1. A CPA or a member of the audit team has a direct or significant, indirect concern of financial interests with this Company.	NA
2. A CPA or a member of the audit team is the financier or guarantor of this Company or its directors.	NA
3. A CPA or a member of the audit team has a close business relationship with this Company.	NA
4. A CPA or a member of the audit team has a potential employment relation with this Company.	NA
(II) Self-evaluation (refers to the report issued or the judgment made by a CPA for a non-audit project becomes an important reference of the audit conclusions in an audit or a check of the financial information; or a member of the audit team has been a director, a supervisor, or a staff having significant influence on an audit project of the customer asking for an audit service.)	
1. A CPA or a member of the audit team is a director, manager, a staff having significant influence on an audit project of this Company or has been in such roles within the past two years.	NA
2. The non-audit service provided for this Company by a CPA will bring direct influence on the material items in an audit project.	NA
(III) Defense (refers a member of the audit team defends a customer asking for an audit service from the customer's position or view, leading to a challenge of his impartiality)	
1. A CPA or a member of the audit team engages in the promotion or brokerage of the stocks or other securities issued by this Company.	NA
2. A CPA or a member of the audit team defends for this Company or represents this Company to settle conflicts with a third party.	NA
(IV) Familiarity (refers to the over concern or sympathy of a CPA or a member of the audit team for the interests of a customer asking for an audit service through the close relationship with the customer and/or its directors or supervisors, and managers.	
1. A CPA or a member of the audit team is a relative to a director, a manager or a staff of this Company having significant influence on the audit project of this Company.	NA
2. A joint practicing CPA becomes a director, a manager, or a staff having significant influence on the audit project of this Company within one year after resignation.	NA
3. A CPA or a member of the audit team accept valuable offers or gifts from this Company or our directors and managers.	NA
(V) Extortion (refers to a CPA or a member of the audit team receives or feels threats from a customer asking for an audit service, making them unable to maintain objectivity and clarify doubts in an audit project.)	
1. This company requests a CPA or a member of the audit team to accept the inappropriate choice or accounting policies or inappropriate disclosure of financial statements made by management.	NA
2. This company extorts a CPA or a member of the audit team to reduce public fees, leading to the inappropriate reduction of the audit work.	NA

Evaluation results: The evaluation results show that CPAs Mei-Pin Wu and Hung-Wen Fu of KPMG Taiwan comply with the criteria for evaluation of CPA independence of this Company. They are thus qualified to provide CPA services for this Company as shown in the statement made by KPMG Taiwan. Related evaluation results have been reported to the Audit Committee and BOD for approval.

(Note 2): The statement made by KPMG Taiwan.



安侯建業聯合會計師事務所

KPMG

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Auditors' Independence Declaration

To the directors of CHENG LOONG CORPORATION (the “**Company**”):

I hereby declare, in relations to the audit of the financial statements for the year ended December 31, 2022 of the Company, that I have complied with the Republic of China’s Code of Professional Ethics for Certified Public Accountants related to independence and KPMG’s (the “**Firm**”) independence requirements which include policies and procedure on personal independence (financial interests, loans and guarantees, employment relationships, etc.), business relationships with clients, partner rotations, and non-audit services provided to audit clients, etc. The main policies and compliance monitoring activities on independence are set out as follows.

1. Main independence policies include:

- 1.1 The Firm, its staff, and others are required to comply with the independence rules (including staff from member Firms) in order to maintain independence in accordance with the Code of Professional Ethics for Certified Public Accountants.
- 1.2 All personnel are prohibited from engaging in (directly or indirectly) insider trading, misusing of internal information, and involving in any behavior that may mislead the securities or capital markets. In addition, all personnel are required to submit their confirmation of compliance with independence policies and procedures annually.
- 1.3 For the audit of financial statements for listed entities, rotation is required for the engagement partners, co-sign partners, engagement quality control reviewers, and any other key audit partners when the cumulative service years of the above roles have reached the maximum time-on period mandated by statute or the Code of Professional Ethics for Certified Public Accountants.
- 1.4 For the services provided, engagement teams are required to identify and assess threats to independence and apply safeguards to eliminate independence threats or reduce them to an acceptable level. If necessary, services shall be terminated.

2. Monitoring of compliance with independence policies:

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG international"), a Swiss entity



- 2.1 All personnel are required to complete independence confirmation upon accepting and completing an engagement. The Firm follows up by monitoring whether all partners and staff have completed the annual ethics and independence confirmation through an online system.
- 2.2 Compliance with personal independence for personnel occupying the position of assistant manager or higher will be checked periodically by cross-examining their self-reported investment information in the Firm's Independence Compliance System.
- 2.3 Partner rotation and the appropriateness of non-audit services provided to audit clients are supervised and reviewed by checking the cumulative service years and the obtaining of approvals prior to providing non-audit services.
- 2.4 When independence is breached, the personnel (including partner) who violates the rules of independence will be reported to the Firm's Risk and Independence Committee. The Firm's Risk and Independence Committee will take appropriate disciplinary actions depending on the severity and nature of the breach in accordance with the independence policies.

Declared by: Mei-Pin Wu and Hung-Wen Fu

KPMG

Taipei, Taiwan (Republic of China)

March 15, 2022

D. The Information of the Remuneration Committee

(1) List of Remuneration Committee Members

April 30, 2022

Title	Criteria		Independent status	Also a member of Compensation Committee to other public companies (number of firms)
	Name	Professional qualifications and expertise		
Convener Independent Director	Yung-Chi Wang	- Five years or more of experience in commercial and corporate business—President, Long Chen Paper Co., Ltd. - Not engaged in affairs described in Article 30 of Company Act	- Not the Company's or its affiliate's Director, Supervisor, or employee or his or her spouse or second-degree relatives; - Number and proportion of Company shares (66,393 shares/0.01%) held by a non-employee, his or her spouse, and second-degree relatives (or in the name of others) ; - Not a Director, Supervisor, or employee of companies that have a certain relationship with the Company (referenced from subparagraph 5 to 8, paragraph 1, article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); - Remuneration for business, legal, financial, accounting and other services provided to the Company or its affiliates in the last two years accounts for 0.	
Independent Director	Yao-Ming Yang	- Five years or more of experience in commercial and corporate business—President of Ta-Yuan Cogen Co., Ltd. - Not engaged in affairs described in Article 30 of Company Act	- Not the Company's or its affiliate's Director, Supervisor, or employee or his or her spouse or second-degree relatives; - Number and proportion of Company shares (311 shares/0.00%) held by a non-employee, his or her spouse, and second-degree relatives (or in the name of others) ; - Not a Director, Supervisor, or employee of companies that have a certain relationship with the Company (referenced from subparagraph 5 to 8, paragraph 1, article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); - Remuneration for business, legal, financial, accounting and other services provided to the Company or its affiliates in the last two years accounts for 0.	
Independent Director	Fu-Hsing Chang	- Obtained CPA certificate - Obtained CPA qualification certificate - Ph.D. in Accounting, National Chengchi University - Associate Professor, National Yunlin University of Science and Technology - Serving as the specially appointed associate professor of Chihlee University of Technology for more than 5 years - Not engaged in affairs described in Article 30 of Company Act	- Not the Company's or its affiliate's Director, Supervisor, or employee or his or her spouse or second-degree relatives; 0 shares held by a non-employee, his or her spouse, and second-degree relatives (or in the name of others) ; - Not a Director, Supervisor, or employee of companies that have a certain relationship with the Company (referenced from subparagraph 5 to 8, paragraph 1, article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); - Remuneration for business, legal, financial, accounting and other services provided to the Company or its affiliates in the last two years accounts for 0.	3

(2) Operations of the Remuneration Committee

1. The Remuneration Committee consist of 3 members.
2. Term of the 4th committee members: From August 12, 2019 to June 12, 2022. In the year of 2021 and up to the date of publication of the annual report, the Remuneration Committee met 3 time times. (A)
3. The members of the Company's Remuneration Committee are appointed by the Board of Directors for the same term as that of the Board of Directors. On August 12, 2019, the Board of Directors approved the appointment of Yung-Chi Wang, Yao-Ming Yang, and Fu-Hsing Chang as the members of the fourth Remuneration Committee of the company.
4. The qualifications and attendance status are listed below:

Title	Name	Attend in Person (B)	Attend by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Yung-Chi Wang	3	-	100	
Committee member	Yao-Ming Yang	3	-	100	
Committee member	Fu-Hsing Chang	3	-	100	

Other statutory information:

1. Where the Board of Directors does not adopt or amend the Remuneration Committee's proposals, please specify the date and number of the Board meeting, the content of the proposals, the resolutions of the Board of Directors, and the method of handling the Remuneration Committee's opinions (e.g., if the salaries and remuneration approved by the Board of Directors are higher than the levels suggested by the Remuneration Committee, please specify the differences and reasons): None.
2. For the decisions made by the Remuneration Committee, if there is any opinion expressing dissent or reservations, and there is a record or written statement, please specify the date, meeting number, content of the proposal, all members' opinions, and the method of handling the members' opinions: None.

5. Discussion Topics and Resolution Results of the Remuneration Committee

Date of Meeting	Session	Content of Proposal	Resolution Result	Response to the Opinion of the Remuneration Committee
March 18, 2021	5 th meeting of 4 th committee meeting	1. Review and approve the year-end bonus for managers for 2020.	Approved by all members present.	-
		2. Plan and decide the remuneration of the managers for 2020.	Approved by all members present and submitted to the Board of Directors for discussion.	The resolution was submitted to and approved by the Board of Directors of the company.
December 23, 2021	6 th meeting of 4 th committee meeting	1. Review and approve the distribution of salaries for managers in 2020.	Approved by all members present.	-
		2. Plan and decide 2022 annual salaries for managers and employees.	Approved by all members present and submitted to the Board of Directors for discussion.	The resolution was submitted to and approved by the Board of Directors of the company.
		3. Plan and decide the year-end bonus for managers for 2021.		
		4. Plan and decide salary adjustments for employees and managers.		
March 15, 2022	7 th meeting of 4 th committee meeting	1. Review and approve the year-end bonus for managers for 2021.	Approved by all members present.	-
		2. Plan and decide the remuneration of the managers for 2021.	Approved by all members present and submitted to the Board of Directors for discussion.	The resolution was submitted to and approved by the Board of Directors of the company.

E. Performance in Promoting Sustainable Development and Deviations from Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
I. Does the Company establish governance structure and an exclusively (or part-time) dedicated unit for promoting Sustainable Development? Is the unit authorized by the Board of Directors to implement ESG activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		In order to promote the implementation of sustainable development, the Company has set up a Corporate Social Responsibility Committee in 2013 and changed its name to the Corporate Sustainability Committee (the ESG Committee) in 2021, which is responsible for formulating, implementing, reviewing, and improving policies and systems for sustainable development and for corporate sustainable operation and management, so as to strengthen the Company' ESG management and governance, environmental sustainability, and contribution to society. At the Committee, the Chairperson serves as an advisory committee member and the President chairs the committee. The Sustainability Department is designated as the dedicated unit, along with six task forces in charge of implementation. These six departments consist of "corporate governance," "environmental sustainability," "employee care," "supply chain management," "industrial services," and "social inclusion." The most senior executives of each relevant departments serve as the commissioner of each task force. Each task force discusses the implementation and the execution methods of material issues, to promote interdepartmental implementation. In addition to task force meetings held from time to time, the Committee holds at least two meetings each year for the formulation and review of strategic targets, The Company has set the mid- and long-term goals for the ESG performance. The Chairman will report on the ESG implementation results and performance to the Board of Directors quarterly. - Highlights of reports at the 2021 board meetings: (1) The 2050 net-zero emission target and pathway, (2) TCFD impacts on finances and countermeasures, (3) The revised ESG mid- and long-term targets, (4) ESG implementation results and performance. - In 2021, the ESG Committee held a total of 25 meetings, including two strategic goal meetings and 23 task force meetings.	The Company has a dedicated unit in charge of business related to sustainable development, in line with the relevant provisions of the Sustainable Development Best Practice Principles.
II. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	✓		In order to implement risk management, the various departments of the Company follow the risk management procedures to measure and analyze the impact of various risk factors on CLC, by identifying and managing internal and external risks. Through regular business management meetings, we discuss the Company's risk management priorities, risk assessments, and formulate response measures. Meanwhile, the Auditing Division formulates and executes relevant audit plans to track the effectiveness of risk management and carry out continuous improvement while reporting to the Board of Directors to ensure the Company's sound operation. To improve the risk management system, the Company has passed the "Risk Management Policy and Procedure" at the 10th session of the 17th Board of Directors on November 12, 2020. The Board of Directors was designated as the highest unit in	The Company has assessed all aspects of the risks to stakeholders in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.

Indicator	Implementation Status			Discrepancies/ reasons															
	Yes	No	Summary Description																
			charge of risk management, and the President was authorized to implement risk management decisions. All departments evaluated and analyzed the impact of environmental, social, and governance risk factors, such as operations, finances, and climate change by identifying and managing internal and external risks according to the risk management procedures. The Company's risk assessment boundaries are mainly limited to all the Company's operating sites in Taiwan (four paper mills, seven box plants, and the Headquarters). The critical risks and countermeasures are as follows: <table><tr><th>Main risks</th><th>Items</th><th>Control strategy and opportunity</th></tr><tr><td>Finances</td><td> • Financing </td><td> 1. The scope of risks covers financing, investment, liquidity management, dividend distribution, exchange rates, and interest rate hedging. The accounting division regularly confirms general ledger accounts and suppliers' and clients' credit files to ensure the stability and security of transactions. 2. Prudently evaluate material capital expenditures and profits and formulate countermeasures against potential risks. </td></tr><tr><td>Talents</td><td> • Labor shortage • Talent gap </td><td> 1. Examine the requirements for talents, enhance the training of inter-disciplinary talents in energy conservation and emission reduction, digital transformation, and international management in alignment with the Company's business strategy. 2. Engage in industry-academia collaboration and enhance the development of talents at home and abroad. </td></tr><tr><td>Raw materials</td><td> • Material unavailability </td><td> 1. Keep abreast of the raw material trends, build a collaborative procurement platform, optimize inventory management, and prevent the risk of material unavailability. 2. Establish and expand the multi-party supply of raw materials. </td></tr><tr><td>Operations</td><td> • Operations </td><td> 1. Expressly require that the selection and appointment of the management team shall not have a record of breach of trust, fraud, insider trading, or abnormal transfer of benefits, which may undermine shareholders' rights and interests. 2. Build a mobile information platform for sales, procurement, and production to keep abreast of operational information and manage abnormal events in real time. 3. Continuously improve technologies and develop products to satisfy clients' diverse needs, and deepen customer relationships through customer relationship management (CRM). </td></tr></table>	Main risks	Items	Control strategy and opportunity	Finances	• Financing	1. The scope of risks covers financing, investment, liquidity management, dividend distribution, exchange rates, and interest rate hedging. The accounting division regularly confirms general ledger accounts and suppliers' and clients' credit files to ensure the stability and security of transactions. 2. Prudently evaluate material capital expenditures and profits and formulate countermeasures against potential risks.	Talents	• Labor shortage • Talent gap	1. Examine the requirements for talents, enhance the training of inter-disciplinary talents in energy conservation and emission reduction, digital transformation, and international management in alignment with the Company's business strategy. 2. Engage in industry-academia collaboration and enhance the development of talents at home and abroad.	Raw materials	• Material unavailability	1. Keep abreast of the raw material trends, build a collaborative procurement platform, optimize inventory management, and prevent the risk of material unavailability. 2. Establish and expand the multi-party supply of raw materials.	Operations	• Operations	1. Expressly require that the selection and appointment of the management team shall not have a record of breach of trust, fraud, insider trading, or abnormal transfer of benefits, which may undermine shareholders' rights and interests. 2. Build a mobile information platform for sales, procurement, and production to keep abreast of operational information and manage abnormal events in real time. 3. Continuously improve technologies and develop products to satisfy clients' diverse needs, and deepen customer relationships through customer relationship management (CRM).	
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III. Environmental issues																
(I) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(I) In order to follow the trend of green products and consumption, the Company uses clean production technology to produce renewable paper, which is in line with the spirit of eco efficiency and sustainable use of resources. All paper mills and paper container plants of the Company have obtained the ISO 14001: Environmental Management System, the ISO 14064-1 greenhouse gas inventory, the ISO 50001 energy management system, and FSC Chain of Custody certification and continue to implement FSC™ Forest Management Certification.	(I) The Company strives to cultivate a friendly environment in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.												
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(II) The Company has striven to integrate energy resources to maximize the benefits of the 3Rs (reduce, reuse, and recycle) and reduce environmental impact, and actively promotes waste reduction and resource reuse, including such as recycle and reuse of recovered paper, waste food paper containers (including tailings from paper container factories), promoting	(II) The Company strives to cultivate a friendly environment in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.												

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(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	✓		sludge and residue reduction and reuse of solid recovered fuel (SRF), heat energy recycling, and waste disposal cost reduction as well as promotes green procurement, while setting long-term targets for continuous improvements. The implementation results as follows:	(III) The Company strives to cultivate a friendly environment in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.												
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			(III) In the face of the potential operational crises caused by extreme climate events and global temperature rise, the Company adopted TCFD framework in 2020 and officially became a TCFD supporter in 2021. Meanwhile, we commissioned the British Standards Institution (BSI) to validate the compliance with the TCFD framework, have actively managed climate change issues and taken action, and become the first paper company in Taiwan to pass the TCFD audit and obtained the highest rating. The Company has introduced a management framework based on the four aspects of governance, strategy, risk management, metrics, and targets in the TCFD Recommendations, and actively planned and taken actions to mitigate climate change. In addition, we have identified a total of six major transition risks, one physical risk, and six climate-related opportunities, put forth short-, medium-, and long-term countermeasures, and devised relevant corresponding indicators and goals. CLC's climate change management													
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			(IV) The Company has formulated environmental management policies, including “total participation, resources conservation, and environmental protection,” “improving the efficiency of waste water treatment and process water conservation,” and “expanding channels of converting waste to energy,” while conducting statistics on the environmental impact data in the past two years and inspecting greenhouse gas emissions every year, to review the reduction progress in line with the guiding principles of the National Master Plan on Energy Conservation and Carbon Reduction. Through the operation of the ISO 50001 energy management system, the Company continues to conserve energy and reduce carbon emissions, and has set the targets of reducing greenhouse gases by 30% (base year:2018), converting 96% of waste to energy, and saving 1% of water annually by 2030.																																
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IV. Social Issues																									
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) Regarding labor rights and interests, the Company complies with International Bill of Human Rights and formulates the Company's human rights policy, labor contract, work rules, and personnel regulations in accordance with the Labor Standards Act, the Act of Gender Equality in Employment, the Employment Service Act, and laws and regulations in relation to labor rights, and offers relevant education and training annually, to ensure that employees are treated and respected reasonably and fairly.	(I) The Company attaches great importance to labor human rights and strictly abides by the relevant laws and regulations, in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.																					
(II) Has the Company established and offered proper employee benefits (including remuneration, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	✓		(II) The Company holds meetings regularly to plan and review the employee welfare system and continue to develop diversified and complete employee care proposals to cater to the needs of employees. The employee benefits include medical allowances for employees and their family members, scholarships for their children, subsidies for travel and social activities, childbirth cash gift, and free health checkup; meanwhile, we maintain a young workforce and ensure diversity and equality in the workplace. In addition, in consideration of the price level and competitiveness of salary, salary is adjusted annually based on the operational performance. Salary adjustments have been conducted for 15 consecutive years, with an increase of about 1.5% to 3% per year and welfare expenditure per employee in 2021 was NT\$ 49,000 (YoY+ 19.5%).	(II) The Company reflects its business performance or results in the employee remuneration policy and benefits in an appropriate manner, in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.																					

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	Yes	No	Summary Description	
(III) Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	✓		(III) The Company has obtained and continued to implement the operation and verification of Occupational Health and Safety Assessment Series 18001 (OHSAS18001) and Taiwan Occupational Safety and Health Management System (TOSHMS). ISO 45001 transition educational training is also conducted to promote safety and health concepts. e safety and health concepts. All 10 plants in Taiwan have obtained ISO 45001 certification. In 2021, the average training hours for safety and health education per employee 2.15 hours per month (25.9 hours/year). In 2021, there were six cases of employees suffering from disabling injuries in CLC's plants, accounting for 0.16% of the total number of employees. The occupational injuries were mainly caused by clamps, and there was no case of occupational diseases on record. In response to the above occupational injuries, the Company has taken measures to strengthen education and training, amend safe operation regulations and change some parts of equipment to ensure that employees are aware of safe behavior during operations and to provide employees with a safe work environment.	(III) The Company attaches great importance to labor human rights and strictly abides by relevant laws and regulations, in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.
(IV) Does the Company provide its employees with career development and training sessions?	✓		(IV) For employees at different levels, a functional management-oriented training system has been established; the Company works to improve employees' professional management skills and knowledge through the systematic education and training process of PDDRO (plan-design-do-review-outcome). The total number of training hours in 2021 reached 222,973 and training hours per person was 36.5 hours (including overseas but excluding affiliated companies).	(IV) The Company has implemented a career development training program, in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.
(V) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	✓		(V) The Company's products are all in compliance with relevant national laws and regulations and international standards, including CNS standards, certification of an inspection and verification agency (SGS), and ISO 27001 information security management system certification to ensure consumers' rights. The Company's website contains information of the telephone hotline or e-mail address for each product category and for stakeholders to actively respond to the needs of customers and the general public. Each factory also has a dedicated line and a 0800 toll-free line.	(V) The Company shall ensure the transparency and security of information of products and services, in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.
(VI) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such issues?	✓		(VI) All CLC's new suppliers shall sign the "Supplier Social Responsibility Compliance." The Company evaluates the key suppliers' corporate sustainability indicator according to the CSR Information Disclosure policy. The implementation results in 2021 included: (1) supplier conferences were held to share CLC's ESG management policies and action plans, and a total of 15 excellent suppliers were selected and awarded for the first time; (2) on-site audits were conducted for 42 suppliers to strengthen supplier management performance; (3) 7 supplier environmental, safety, and health educational training sessions were held, with a total of 132 suppliers participating.	(VI) The Company has implemented and evaluated the impact of procurement activities on the environment and society of the supplying community, in compliance with the relevant provisions of the Sustainable Development Best Practice Principles.

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V. Does the Company, following internationally recognized standards or guidelines, prepare and publish reports such as its Sustainability report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?	✓		The 2021 CLC Sustainability Report was prepared with reference to the GRI Standards issued by the Global Reporting Initiative (GRI) in 2016, and the structure and content of the report were determined in accordance with the Core options and it was verified by the British Standards Institute (BSI) (In compliance with AA1000AS(v3)). In the future, an independent and impartial third party will continue to be commissioned for verification of the annual report so as to strengthen the credibility of the report.	The Company's sustainability report is prepared according to internationally recognized standards or guidelines with reference to the Sustainable Development Best Practice Principles. It will commission a third party to conduct verification to improve the reliability of information.
VI. If the Company has established its own Sustainable Development Best Practice Principles according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please provide detailed information on the discrepancies between its implementation and the prescribed best practices: The Company has disclosed its Sustainable Development Best Practice Principles on its website and the Market Observation Post System (MOPS), and there is no discrepancy between its implementation and the prescribed best practices.				
VII. Other key information useful for explaining status of corporate social responsibility practices: (I) Award recognitions ■ Corporate governance 1. Global Views Monthly's 2021 Corporate Social Responsibility Annual Survey - Traditional Industry Role Model Award 2. The four indicative awards of the TCSA launched by the Taiwan Institute for Sustainable Energy (TAISE): Taiwan's Top 50 Sustainable Enterprises, the Award for Circular Economy Leadership, and the SDG Action Award, the Platinum Award of the Corporate Sustainability Reporting Award 3. The Corporate Social Responsibility Award from the British Chamber of Commerce in Taipei (BCCT) - High Distinction Award 4. Ranked No. 34 in the large enterprise group of the Excellence in CSR launched by the CommonWealth magazine for the eighth time. 5. Ranked among the top 6%-20% of the 7th Corporate Governance Evaluation by the Taiwan Stock Exchange, one level higher than our performance in the 6th evaluation 6. Selected the TWSE Corporate Governance 100 Index; the TWSE RA Taiwan Employment Creation 99 Index for 11 consecutive years ■ Environmental performance 1. Environmental Protection Administration (EPA) 2021 Taiwan Circular Economy Excellent Enterprise (Circular Group) - Hsinchu Mill 2. 2021 Industrial Greenhouse Gas Reduction Excellent Business by Industrial Development Bureau, Ministry of Economic Affairs - Tayuan Mill 3. The Excellence Award in the Circular Economy Coal Reduction Evaluation by the Environmental Protection Bureau of Taichung City Government - Houli Mill 4. Nine plants was awarded the Excellent Entity for Green Procurement by the EPA 5. The 5 th PwC Taiwan CSR Impact Awards - Environmental Sustainability Impact Award ■ Social welfare 1. Won the Gold Award of the 1111 Job Bank Happy Enterprise Awards for the second time 2. Health Promotion Certification by the Ministry of Health and Welfare - Headquarters and Hsinchu Mill 3. Committed to the Health Corporate Citizenship (CHR) launched by the Common Health Magazine for three consecutive years (II) Secondary forest and social welfare 1. Spared no effort to increase production, launched ten major anti-pandemic care actions (a donation of NT\$10 million as an anti-pandemic fund, positive pressure testing booths, anti-pandemic paper partitions, etc.). 2. Paper Library: Established and maintained 21 paper libraries, benefiting more than 15,000 children. 3. Public welfare expenditure: In 2021, a total of nearly NT\$24.91 million was invested (including the Cheng Loong Corporation, Cheng Huo-Tian Charity Foundation and the Cheng Loong Children Care Foundation) in donations of supplies, child care scholarships, emergency relief, sponsorship of various public welfare activities, etc., of which the expenditure of scholarships amounted to NT\$3.17 million. 4. Volunteer participation: In 2021, we collaborated with a third party to jointly compile an educational manual, worked the paper library to hold camps for elementary school students, and continued to facilitate environmental education. There were 555 volunteers with a total of 1,626 hours of volunteering in 2021. 5. Factory tours: Educated the public and enlightened children on the concept of environmental protection, with more than 1,000 visitors throughout the year. (III) Supply chain upgrade guiding program 1. Recycler transformation and upgrade: Since 2018, CLC has promoted correct sorting for recycling to nearly 90 cooperating suppliers, and selected two key recyclers each year to optimize their sorting and recycling system so as to improve paper separation and reuse and to reduce waste.				

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
2. Caring for recycling workers: CLC visits the self-employed recycling workers quarterly to obtain the first-hand information on the frontline recycling workers' problems and opinions. (IV) Promotion of biodiversity 1. Maintenance of Cheng Loong Park: Since 2009, the Company has adopted an area of 2,000 pings in front of the Head Office to establish the Cheng Loong Park with nearly 20 kinds of native plants. 2. Adoption of public toilets: The Company has adopted as many as 100 public toilets in Taiwan and sponsored Dandelion eco-friendly toilet paper for the toilets, while encouraging the public to "protect the environment from a piece of toilet paper." 3. Established the Water Environment Patrol Team to patrol the Keya River on holidays to jointly maintain the environment of the Hsinchu Mill near the river.				

F. Implementation of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
I. Establishment of ethical corporate management policies and programs				
(I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	✓		(I) The Company has formulated the "Procedures for Ethical Management and Guidelines for Conduct", which were approved by the Board of Directors, and disclosed them on the Company's website to realize the commitment of the ethical management policy.	(I) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(II) The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct, the Response to Involvement in Unethical Conduct, and the Procurement Standard Operating Procedure, while formulating relevant plans to prevent unethical conduct; this has at least covered the preventive measures for each conduct stipulated in the second paragraph of Article 7 of the "Ethical Corporate Management Best Practice Principles" for TWSE/GTSM Listed Companies.	(II) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓		(III) The Company clearly stipulates relevant operating procedures and grievance system in the Procedures for Ethical Management and Guidelines for Conduct and the Response to Involvement in Unethical Conduct, which are disclosed on the Company's website, while timely reviewing the aforementioned regulations in accordance	(III) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
			with the amendments to the government's laws and regulations and practical needs, to prevent unethical conduct.	
II. Fulfillment of Ethical Corporate Management				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the transaction counterparties?	✓		(I) The company has established the Procedures for Ethical Management and Guidelines for Conduct to assess the ethical records of the transaction counterparties, and incorporated the terms of ethical management in the business contract.	(I) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) 1. The Company has set up the Ethical Management Promotion Team under the Board of Directors as a dedicated unit to promote ethical corporate management, which already reported to the Board of Directors on December 23, 2021. 2. The implementation situation of the Company's Ethical Management Promotion Team in 2021: A. After new employees arrive on the job, we will raise their awareness of anti-corruption and the Company's business philosophy of "sincerity and trustworthiness" through education and training and website announcements, while putting an emphasis on stable operations and compliance to prevent any dishonest and illegal behavior. All new employees agreed to comply with the Code of Ethical Conduct and promised to sign the Declaration of Ethics and Compliance; we received a total of 209 copies of the signed declaration. B. We held a total of six ethical management and anti-corruption education and training sessions, with a total of 162 participants. C. We raised all directors and senior management's awareness of "the insider trading case analysis and compliance", which lasted for 40 minutes, with a total of 18 participants. D. As of the end of November in 2021, the anti-corruption reporting channel had not received any corruption reports of the Company's personnel involved in unethical conduct.	(II) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Has the company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		(III) The Company has established the Code of Ethical Conduct for explicit regulation and has implemented the measures to prevent the occurrence of various types of conflicts of interests.	(III) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Has the company established an effective accounting system and an internal control system for the implementation of ethical corporate management? Does the company entrust the internal audit unit to formulate relevant audit plans based on the results of the assessment of	✓		(IV) In order to implement the ethical management, the Company has established the Code of Ethical Conduct and the Procedures for Ethical Management and Guidelines for Conduct, while setting up an accounting system and an internal control system effectively. CPAs have been entrusted to perform the audit of the financial and accounting information, and the Auditing Division performs internal audit.	(IV) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
the risk of unethical conduct, and check the compliance with the prevention program against unethical conduct? Or does the Company entrust certified public accounts (CPAs) to perform the audit? (V) Does the company regularly hold internal and external education and training sessions on ethical corporate management?	✓		(V) For the education and training on ethical management, in addition to Directors' and managerial offers' participation in external courses organized by relevant institutions, the Company's Legal Affairs Department will hold lectures at the Company to enable employees at all levels to be fully aware of the Company's determination in this regard and the outcome in case of a violation, to ensure top-down compliance.	(V) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
III. Status of enforcing whistle-blowing systems in the company (I) Has the company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party? (II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after investigation, and relevant confidentiality mechanisms? (III) Does the company provide protection to whistleblowers against receiving improper treatment?	✓ ✓ ✓		(I) The Company has established the Procedures for Ethical Management and Guidelines for Conduct and the Regulations for Rewarding Reports of Matters Harmful to Organizational Interests to explicitly regulate the reporting procedure, the dedicated unit in charge of acceptance of reports, and the reward system to curb the occurrence of illegal conduct. If there is a violation of the ethical management regulations, the relevant units will quickly convene a personnel assessment meeting to investigate the truth, and if the violation is proved to be true, a disciplinary action will be imposed immediately in accordance with the work rules. In addition, the Auditing Division's dedicated line and mailbox are provided to accept complaints of illegal acts. (II) The Company has clearly stipulated procedures for accepting reports of misconduct and relevant confidentiality and protection mechanisms in its Procedures for Ethical Management and Guidelines for Conduct and the Response to Involvement in Unethical Conduct (III) The Company has clearly stipulated procedures for accepting reports of misconduct and relevant confidentiality and protection mechanisms in its Procedures for Ethical Management and Guidelines for Conduct and the Response to Involvement in Unethical Conduct	(I) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. (II) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. (III) In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Enhancement of Information Disclosure Has the company disclosed on its website and the Market Observation Post System the content of its ethical corporate management best practice principles and the effectiveness of the implementation?	✓		The Company has disclosed its Procedures for Ethical Management and Guidelines for Conduct and the status of ethical corporate management implementation and the effectiveness of the implementation on the Company's website, while strengthening the collection of and disclosure channels of relevant information.	In compliance of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between its implementation and the prescribed best practices: The Company's Procedures for Ethical Management and Guidelines for Conduct have been disclosed on the Company's website, and its actual implementation shows no difference from the prescribed best practices.				

Indicator	Implementation Status			Discrepancies/ reasons
	Yes	No	Summary Description	
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g. review and amend its policies). In addition to implementing the Code of Ethical Conduct and the Procedures for Ethical Management and Guidelines for Conduct within the Company, when the Company signs a purchase contract with a business partner, it informs the partner of the prohibition of bribing its employees and states that improper behavior will cause the risk of loss to the partner, demonstrating the Company's determination to implement ethical corporate management. The Company has established the "Supply Chain CSR Information Disclosure" evaluation mechanism, requiring suppliers to sign CSR provisions to shape a trading mechanism of integrity, fairness, and reciprocity, while guiding business partners to implement sustainable development collectively with the Company's experience in ethical management.				

G. Should the governance best practice principles and related regulations be established, disclose their access:

The company's "Corporate Governance Best Practice Principles" and relevant important regulations have been disclosed in the "Major Regulations" under the "Corporate Governance Section" of the company's website and on the Market Observation Post System. Please visit <http://www.clc.com.tw/regulations> or <http://mops.twse.com.tw> for details.

H. Other material information that is helpful for understanding the status of implementation of corporate governance:

1. Related licenses and certificates issued by competent authorities to staff in relation to financial information transparency of this company

License/Certificate	Number of Staff
Certified Public Accountants	2
Certified Internal Auditor	1
Taiwan Academy of Banking and Finance: Proficiency Test for Financial Planning Personnel	2
Securities and Futures Institute: The Enterprise Internal Control Basic Ability	2
Securities and Futures Institute: Stock Service Personnel Proficiency Test	11
Securities and Futures Institute: Senior Securities Specialist Proficiency Test	2
Securities and Futures Institute: Futures Specialist Proficiency Test	2
Securities and Futures Institute: Securities Investment Trust and Consulting Proficiency Test	4
Securities and Futures Institute: Asset Securitization Basic Ability Test	1
Taiwan Academy of Banking and Finance: Basic Proficiency Test for Bank Lending Personnel	2
Taiwan Academy of Banking and Finance: Basic Proficiency Test for International Banking Personnel	2
Taiwan Academy of Banking and Finance: Certified Financial Specialist for Small and Medium Enterprises	1

2. Internal Material Information Processing SOP

We have established the Regulations for Processing Internal Material Information to remind directors, managers, and employees to exercise the due care and due faith of a prudent administrator to implement their work based on integrity and ethics. To ensure the confidentiality (non-disclosure) of material information, they are requested to sign confidentiality agreement (non-disclosure agreement, NDA) and shall not disclose to others the internal material information of this company. We have also established the “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethical Conduct” to govern employees shall not engage in insider trading with undisclosed information acknowledged from work.

Furthermore, we have established the internal control system to audit the transaction procedures in relation to internal control from time to time and propose an amendment to such procedures were necessary to ensure the system is continually and effectively implemented to achieve the internal management and operational goals. In addition to education, training, and awareness education, employees can access internal policies and regulations from the corporate intranet and get familiar with them to prevent breaking the law or insider trading.

I. Implementation status of the internal control system

1. Statement of Internal Control System

Cheng Loong Corp.

Statement of Internal Control System

Date: March 15, 2022

Based on the findings of a self-assessment, Cheng Loong Corp. (CLC) states the following with regard to its internal control system during the year 2021:

1. CLC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and CLC takes immediate remedial actions in response to any identified deficiencies.
3. CLC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. CLC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, CLC believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of CLC's Annual Report for the year 2021 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 15, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Cheng Loong Corp.

Chairperson



President



2. Auditor's internal control review report: None.

J. Legal penalties to the company or employees, and the company's punishment for the employee's violation, the major defects, and the improvements of the internal control system

Please refer to the information on environmental expenditures and protection for the bodily safety of employees for the legal penalties to employees, and the company's punishment for the employee's violation, the major defects, and the improvements of the internal control system. (P. 106~117 of the Annual Report)

K. Major Resolutions of Shareholders' Meeting and Board Meetings

(I) Major resolutions of the shareholders' meeting and Implementation Status:

2021 shareholders' meeting was held on July 30, 2021.

	Resolutions of Shareholders' Meeting	Implementation Status
1	Adoption of the FY2020 financial statements and business report.	Adoption of the FY2020 business report and financial statements: The relevant statements have been submitted to the competent authority and announced to the public in accordance with the Company Act and other relevant laws and regulations.
2	Adoption of the proposal for allocating the FY2020 distributable earnings as follows: Total distributable earnings were NT\$10,638.17 million. Appropriation of cash dividends to shareholders was NT\$1.8 per share.	The proposal for allocating FY2020 distributable earnings was adopted. August 23, 2021 was set as the ex-dividend date and September 17, 2021 was set as the cash dividends payment date. The cash dividend per share was NT\$1.8 and total allocation amount was NT\$1,994,894 thousand.
3	Approved the amendments to the provisions regarding the Company's "articles of Incorporation."	In accordance with the resolution of the shareholders' meeting, the Company amended some provisions of the Company's "articles of Incorporation."
4	Approved the amendments to the provisions regarding the Company's "Director Election Regulations."	In accordance with the resolution of the shareholders' meeting, the Company amended some provisions of the Company's "Director Election Regulations."
5	Abolishment was approved of the "non-compete clause" for the Company's directors.	The Company abolished the "non-compete clause" for directors in accordance with the resolution of the shareholders' meeting.

(II) Major resolutions of the Board Meeting

1. The 12th session of 17th Board meeting-time: March 18, 2021

Report 1 The Company's employee bonus allocation for 2020 was approved by all the Directors present at the meeting and reported to the AGM.

Report 2 The Company's 2020 individual financial statements, consolidated financial statements, and business reports were approved by all the Directors present and submitted to the AGM for recognition.

- Report 3 As of the end of December 2020, the endorsements/guarantees provided by the Company and their necessity and reasonableness, as well as the amounts of loans given to others, were approved by all the Directors present and reported to the AGM.
- Report 4 Managers' bonuses and year-end bonuses for 2020 were approved by all the Directors present.
- Report 5 For the needs of fund utilization, a proposal to apply for the short-term general credit limit from relevant financial institutions was approved by all the Directors present.
- Report 6 In order to meet the needs of the Company's reinvestment business in Mainland China, a proposal to provide endorsements/guarantees or letters of comfort to the affiliated companies that the Company would invest in was approved by all the Directors present.
- Report 7 In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to provide endorsements/guarantees to the affiliated companies that the Company would invest in was approved by all the Directors present.
- Report 8 A proposal for increasing capital of "Cheng Loong Bac Giang Company Limited" in Vietnam was approved by all the Directors present.
- Report 9 The Company's Statement of Internal Control System for 2020 has been completed in accordance with the regulations and was approved by all the Directors present.
- Report 10 The assessment of the independence of CPAs was approved by all the Directors present.
- Report 11 The appointment of CPAs and a resolution on their remuneration were approved by all the Directors present.
- Report 12 The Company's distribution of earnings for 2020 was approved by all the Directors present and submitted to the AGM for recognition.
- Report 13 A proposal to set the time, place, and purpose for convening the Company's 2021 AGM was approved by all the Directors present.
2. The 13th session of 17th Board meeting-time: May 12, 2021
- Report 1 The Company's consolidated financial report for the first quarter of 2021 was approved by all the Directors present.
- Report 2 As of the end of March 2021, the Company's endorsement and guarantees provided to and funds loaned to others were approved by all the Directors present.
- Report 3 A proposal for increasing capital of the Company's offshore holding subsidiary was approved by all the Directors present.
- Report 4 A proposal to dispose of the right-of-use assets in the Haishan section of the

Banqiao District, New Taipei City, except for Chairperson Su-Yun Cheng, Vice Chairperson Jen-Ming Cheng and Director Ching-Biao Chang who did not participate in this case due to a conflict of interest, was approved by all the Directors present.

Report 5 A proposal to amend the Company's "Rules for Internal Control System of Shareholder Services Units" in accordance with the laws and regulations announced by the competent authority was approved by all the Directors present.

3. The 14th session of 17th Board meeting-time: June 29, 2021

Report 1 A proposal for changing the transaction counter-party of selling the pre-sale property on Hangzhou South Road, Taipei City, to a related party, except for Chairperson Su-Yun Cheng and Vice Chairperson Jen-Ming Cheng who did not participate in this case due to a conflict of interest, was approved by all the Directors present.

Report 2 For the needs of fund utilization, a proposal to apply for the short-term general credit limit from relevant financial institutions was approved by all the Directors present.

Report 3 In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to provide endorsements/guarantees to the affiliated companies that the Company would invest in was approved by all the Directors present.

Report 4 A proposal to set the time and place for convening the Company's 2021 AGM was approved by all the Directors present.

4. The 15th session of 17th Board meeting-time: August 10, 2021

Report 1 The Company's consolidated financial report for the second quarter of 2021 was approved by all the Directors present.

Report 2 As of the end of June 2021, the Company's endorsement and guarantees provided to and funds loaned to others were approved by all the Directors present.

Report 3 The Company's subsidiary sold 100% of the equity of Loong Fu Paper (Kunsan) Co., Ltd. was approved by all the Directors present.

Report 4 A proposal to apply to the Taishin International Bank for a green financing project was approved by all the Directors present.

Report 5 For the needs of fund utilization, a proposal to apply for the short-term general credit limit from relevant financial institutions was approved by all the Directors present.

Report 6 Proposed to loan funds to Hong Kong Chung Hao Limited and Hong Kong Gwang Loong Limited was approved by all the Directors present.

Report 7 A proposal to sign a supplementary contract and confirm the consent

documents regarding the Company's provision of guarantee for a syndicated loan taken out by the subsidiary in Vietnam, Cheng Loong Binh Duong Paper Co., Ltd., in 2020, was approved by all the Directors present.

Report 8 In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to provide endorsements/guarantees to the affiliated companies that the Company would invest in was approved by all the Directors present.

Report 9 A proposal for increasing capital of " Cheng Loong Long An Container Co., Ltd." in Vietnam was approved by all the Directors present.

Report 10 A proposal to purchase property (land improvement) from related parties, except for Chairperson Su-Yun Cheng and Vice Chairperson Jen-Ming Cheng who did not participate in this case due to a conflict of interest, was approved by all the Directors present.

Report 11 A proposal for trading equity of Chung Loong Paper Holdings Limited., except for Chairperson Su-Yun Cheng, Vice Chairperson Jen-Ming Cheng, Director Tong-Ho Tsai and Director Ching-Huei Yu's who did not participate in this case due to a conflict of interest, was approved by all the Directors present.

Report 12 A proposal for the discharge and appointment of manager, except for Director Ching-Biao Chang who did not participate in this case due to a conflict of interest, was approved by all the Directors present.

Report 13 A proposal for the appointment of manager was approved by all the Directors present.

Extempore motions: A proposal to call on the corporate governance unit to actively respond to the COVID-19 pandemic and take precautions was approved by all the Directors present; then, the corporate governance unit took over the responsibility to actively respond.

5. The 16th session of 17th Board meeting-time: October 15, 2021

Report 1 A proposal to increase the investment amount of the Tayuan Mill's bleached pulp line equipment was approved by all the Directors present.

Report 2 A proposal to sign the commissioning contract on the construction of a bleached pulp line plant at Plant C of the Tayuan Mill, except for Chairperson Su-Yun Cheng and Vice Chairperson Jen-Ming Cheng who did not participate in this case due to a conflict of interest, was approved by all the Directors present.

Report 3 A proposal for removing the non-compete clause for the Company's managers was approved by all the Directors present.

6. The 17th session of 17th Board meeting-time: November 8, 2021

Report 1 The Company's consolidated financial report for the third quarter of 2021 was approved by all the Directors present.

- Report 2 As of the end of September 2021, the Company's endorsement and guarantees provided to and funds loaned to others were approved by all the Directors present.
- Report 3 A proposal for increasing capital of "Cheng Loong Binh Duong Paper Co., Ltd." in Vietnam was approved by all the Directors present.
- Report 4 For the needs of fund utilization, a proposal to apply for the short-term general credit limit and commercial paper facilities from relevant financial institutions was approved by all the Directors present.
- Report 5 In order to meet the needs of the Company's reinvestment business in Mainland China, a proposal to provide endorsements/guarantees or letters of comfort to the affiliated companies that the Company would invest in was approved by all the Directors present.
- Report 6 In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to provide endorsements/guarantees to the affiliated companies that the Company would invest in was approved by all the Directors present.
- Report 7 In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to become the joint guarantor of the bridge loan for the third phase of the factory construction of Cheng Loong Binh Duong Paper Co., Ltd., was approved by all the Directors present.
- Report 8 A proposal to apply for a guarantee loan for the third phase factory construction of Cheng Loong Binh Duong Paper Co., Ltd., was approved by all the Directors present.
- Report 9 A proposal for providing guarantee for a syndicated loan borrowed by Cheng Loong Binh Duong Paper Co., Ltd., a subsidiary in Vietnam in which the Company invests, was approved by all the Directors present.
- Report 10 A proposal to sell on-sale premises on Hangzhou South Road, Taipei City, to related parties, except for Chairperson Su-Yun Cheng, Vice Chairperson Jen-Ming Cheng and Director Ching-Huei Yu's who did not participate in this case due to a conflict of interest, was approved by all the Directors present.
- Report 11 A proposal to amend some of the provisions of the Company's "Corporate Governance Best Practice Principles" was approved by all the Directors present.
- Report 12 A proposal for the Company's 2022 audit plan was approved by all the Directors present.
- Report 13 A proposal for donating funds to the Cheng Huotien Charity Foundation was approved by all the Directors present.
7. The 18th session of 17th Board meeting-time: December 23, 2021
- Report 1 A proposal for managers' and employees' salaries for 2022 was approved by all

- the Directors present.
- Report 2 A proposal for the year-end bonus for managers in 2021 was approved by all the Directors present.
- Report 3 A proposal for the salary adjustment of employees and managers was approved by all the Directors present.
- Report 4 For the needs of fund utilization, a proposal to apply for the short-term general credit limit from relevant financial institutions was approved by all the Directors present.
- Report 5 A proposal for joint venture in the establishment of Cheng Tong Investment Co., Ltd. in Vietnam was approved by all the Directors present.
- Report 6 A proposal to amend some of the provisions of the Company's "Articles of Incorporation" was approved by all the Directors present and submitted to the AGM for discussion.
- Report 7 A proposal for the Company's 2022 policies and budgets were approved by all the Directors present.
8. The 19th session of 17th Board meeting-time: March 15, 2022
- Report 1 The Company's employee bonus allocation for 2021 was approved by all the Directors present at the meeting and reported to the AGM.
- Report 2 The Company's 2021 individual financial statements, consolidated financial statements, and business reports were approved by all the Directors present and submitted to the AGM for recognition.
- Report 3 As of the end of December 2021, the endorsements/guarantees provided by the Company and their necessity and reasonableness, as well as the amounts of loans given to others, were approved by all the Directors present and reported to the AGM.
- Report 4 In January 2022, the Company has undertaken two derivative financial instruments with a total principal amount of NT\$300 million, which was approved by all the Directors present.
- Report 5 Managers' bonuses and year-end bonuses for 2021 were approved by all the Directors present.
- Report 6 For the needs of fund utilization, a proposal to apply for the short-term general credit limit from relevant financial institutions was approved by all the Directors present.
- Report 7 To prevent potential interest risks, the Company proposed to apply for derivative financial instruments principal amount of USD500, 000 from First Commercial Bank, which was approved by all the Directors present.
- Report 8 In order to meet the needs of the Company's reinvestment business in Mainland China, a proposal to provide endorsements/guarantees or letters of comfort to the affiliated companies that the Company would invest in was

approved by all the Directors present.

- Report 9 In order to meet the needs of the Company's investment business in Southeast Asia, a proposal to provide endorsements/guarantees to the affiliated companies that the Company would invest in was approved by all the Directors present.
- Report 10 The Company's endorsement guarantee seal shall be kept by a designated official, which was approved by all the Directors present.
- Report 11 A proposal to amend some of the provisions of the Company's "Articles of Incorporation" was approved by all the Directors present and submitted to the AGM for discussion.
- Report 12 A proposal to amend some of the provisions of the Company's "Procedures for Assets Acquisition and Disposal" was approved by all the Directors present and submitted to the AGM for discussion.
- Report 13 A proposal to amend the provisions of the Company's "Rules of Procedure for Shareholders Meetings" was approved by all the Directors present and submitted to the AGM for discussion.
- Report 14 A proposal to amend title and some of the provisions of the Company's "Corporate Social Responsibility Best Practice Principles" was approved by all the Directors present.
- Report 15 The Company's Statement of Internal Control System for 2021 has been completed in accordance with the regulations and was approved by all the Directors present.
- Report 16 A proposal to change the CPAs and a resolution on their remuneration was approved by all the Directors present.
- Report 17 The assessment of the independence of CPAs was approved by all the Directors present.
- Report 18 The Company's distribution of earnings for 2021 was approved by all the Directors present and submitted to the AGM for recognition.
- Report 19 A proposal regarding the election of the 18th Directors (including Independent Directors) and nomination of candidates was approved by all the Directors present.
- Report 20 A proposal to request the shareholders' meeting for the removal of the non-competition clauses for the Company's new Directors and their representatives was approved by all the Directors present and submitted to the AGM for discussion.
- Report 21 A proposal to set the time, place, and purpose for convening the Company's 2022 AGM was approved by all the Directors present.

L. The content of any resolution of the board of directors which received any objections or reserved comments from a director or supervisor that are supported by appropriate records or written statements: None.

M. Resignation and dismissal of Company chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer and chief R&D officer during the current fiscal year and up to the date of publication of the annual report:

Title	Name	Appointment Date	Resignation Date	Reason
President	Tong-Ho Tsai	May 01, 1986	September 01, 2021	Personnel Adjustment

5. Information of CPA audit fee

Unit: NT\$1,000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
KPMG Taiwan	Mei-Pin Wu	January 1, 2021-December 31, 2021	5,270	2,337	7,607	
	Chi-Lung Yu	January 1, 2021-December 31, 2021				

* Others (Note): The tax compliance audit is NT\$1,200 thousand; tax consulting service fee for the country-by-country report and the group master file service is NT\$712 thousand; transfer pricing report for related parties is NT\$425 thousand.

6. Information on replacement of CPA

I. Information of former CPAs

Date of replacement	March 15, 2022		
Cause(s) and description of replacement	KPMG internal work adjustment, the financial statements managed by CPAs Mei-Pin Wu and Chi-Lung Yu were transferred to their successors, the CPAs Mei-Pin Wu and Hung-Wen Fu.		
Description of the termination or rejection of assignment by the client or a CPA	Party-concerned	CPA	Client
	Status		
	Voluntary termination of assignment	-	-
	No longer accept (continue) the assignment	V	-
Issues other than unqualified issues in the audit reports within the past two years	None		
Any disagreement with the client	Yes	-	Accounting principles or practices
		-	Disclosure of financial statements
		-	Scope and process of audit
		-	Others
	No	V	
	Description: NA		
Other items to be disclosed (Items 1-4 to 1-7 of Sub-paragraph 6, Article 10 of this Standard shall be disclosed)	NA		

II. Information of succeeding CPAs

Name of CPA firm	KPMG Taiwan
Name of CPA	Mei-Pin Wu / Hung-Wen Fu
Date of assignment	March 15, 2022
Enquiries and responses regarding the accounting method(s) or accounting principle(s) of specific transactions and the potential opinions expressed in the financial statements before assignment.	None
Written opinions for the items with different opinions of the succeeding CPAs.	None

III. Reply to Items 1 and 2-3 of Sub-paragraph 6, Article 10, of this Standard from the previous CPAs: NA

7. Corporation's Chairperson, President, Manager in Charge of Finance or Accounting Matters Who Has Held a Position at a Certified Public Accountant Accounting Firm or Other Related Corporation Within the Past Year: None.

8. Transfer or Pledge of Shares by Directors, Managers, and Shareholders with More Than 10% of the Company's Shares

Title	Name	2021		As of April 30, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairperson and CEO	Su-Yun Cheng	-	-	-	-
Vice Chairperson and Deputy CEO	Jen-Ming Cheng	87,000	-	-	-
Director	Yen-Hao Chen	-	-	-	-
Director	Shine Far Co., Ltd.	-	-	-	-
Director	Ming Foong Plastic Co., Ltd.	-	-	-	-
Director	Sun Favorite Co., Ltd.	9,000	-	-	-
Independent Director	Yung-Chi Wang	-	-	-	-
Independent Director	Yao-Ming Yang	-	-	-	-
Independent Director	Fu-Hsing Chang	-	-	-	-
President	Ching-Biao Chang	-	-	-	-
Vice President	Ching-Huei Yu	-	-	-	-
Head of Containerboard Division	Mu-Hsiang Peng	-	-	-	-
Head of Corrugated Container Division	Tseng-Fu Hou	-	-	-	-
Head of Household Products & Paperboard Division	Yi-Chin Chen	-	-	-	-
Head of Auditing Division	Feng-Chih Yeh	-	-	-	-
Head of R&D Division	Tsun-Hui Chuang	-	-	-	-
Head of Administration Division	Hsiang-Chu Lin	-	-	-	-
Head of Financial Division	Chung-Lin Chou	-	-	-	-
Head of Accounting Division	Tai-Lang Ho	-	-	-	-
Head of Management Information Division	Chen-Kuang Liu	-	-	-	-
Chief corporate governance officer	Chung-Lin Chou	-	-	-	-

Stock Trade with Related Party: None

Stock Pledge with Related Party: None

9. Relationship Information between Top 10 Shareholders in Terms of the Shareholding Ratio

Name	Current Shareholding		Shareholding by Spouse and Minors		Shareholding by Nominee Arrangement		Titles, Names and Relationships Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Sun Favorite Co., Ltd.	54,595,078	4.92	Not Applicable	-	-	-	Shine Far	1. Investee accounted for using equity method 2. The Chairperson and President of Shine Far is also the Chairperson of Sun Favorite	-
Rep.: Chen-Loong Cheng	11,416,627	1.03	6,814,569	0.61	-	-	Jen Yun Wen Gin Development	1. The same Chairperson 1. The same Chairperson	
Shine Far Construction Co., Ltd.	47,052,997	4.25	Not Applicable	-	-	-	Wen Gin Development	1. Director	-
Rep.: Lan-Hui Yu	29,630	-	7,962	-	-	-			
Wen Gin Development Co., Ltd.	43,328,491	3.91	Not Applicable	-	-	-	Jen Yun Shine Far	1. The same Chairperson 1. The Chairperson and President of Shine Far is also the Chairperson of Wen Gin Development	-
Rep.: Chen-Loong Cheng	11,416,627	1.03	6,814,569	0.61	-	-	Sun Favorite	1. The same Chairperson	
Fubon Life Insurance Co, Ltd.	41,865,000	3.78	Not Applicable	-	-	-	-	-	-
Rep.: Ming-Hsing Tsai	-	-	-	-	-	-			
Jen Yun Co., Ltd.	41,745,261	3.77	Not Applicable	-	-	-	Shine Far	1. Investee accounted for using equity method 2. The Chairperson and President of Shine Far is also the Chairperson of Jen Yun	-
Rep.: Chen-Loong Cheng	11,416,627	1.03	6,814,569	0.61	-	-	Wen Gin Development Sun Favorite	1. The same Chairperson 1. The same Chairperson	
CLC Employee Welfare Committee	34,454,885	3.11	Not Applicable	-	-	-	-	-	-
Chairperson Chun-Ho Lee	48,426	-	-	-	-	-			
Shan-Loong Investment Co., Ltd.	31,818,680	2.87	Not Applicable	-	-	-	-	-	-
Rep.: Jen- Hong Cheng	883,281	0.08	2,036,958	0.18	-	-			
CLC employee stock ownership trust in CTBC Bank	27,392,396	2.47	Not Applicable	-	-	-	-	-	-

Name	Current Shareholding		Shareholding by Spouse and Minors		Shareholding by Nominee Arrangement		Titles, Names and Relationships Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shine Far Co., Ltd.	27,236,182	2.46	Not Applicable	-	-	-	Wen Gin Development Jen Yun	1. The Chairperson of Wen Gin Development is also the Chairperson and President of Shine Far 1. Investee accounted for using equity method 2. The Chairperson of Jen Yun is also the Chairperson and President of Shine Far	-
Rep.: Chen-Loong Cheng	11,416,627	1.03	6,814,569	0.61	-	-	Sun Favorite	1. Investee accounted for using equity method 2. The Chairperson of Sun Favorite is also the Chairperson and President of Shine Far	
Chunghwa Post Co., Ltd.	22,603,000	2.04	Not Applicable	-	-	-	-	-	-
Rep.: Hong-Mo Wu	-	-	-	-	-	-	-	-	-

10. Consolidated Shareholding Ratio

December 31, 2021

Subsidiaries (Note)	CLC		Directors, Supervisors, Managers, and Direct/ Indirect Affiliates		Total Ownership	
	Shares	%	Shares	%	Shares	%
Omis International Holdings Ltd.	67,085,148	100.00	0	0.00	67,085,148	100.00
Cheng Loong Southeast Asia Holding Co., Ltd.	259,980,000	100.00	0	0.00	259,980,000	100.00
Vina Tawana Container Co., Ltd.	22,000,000	100.00	0	0.00	22,000,000	100.00
Gemtech Optoelectronic Corp.	11,167,000	59.13	427,000	2.26	11,594,000	61.39
Cheng Loong Investment Co., Ltd.	4,500,000	34.62	1,800,000	13.84	6,300,000	48.46
Shin Loong Lifecare Corp.	2,700,000	45.00	1,150,000	19.17	3,850,000	64.17
Ta-Yuan Cogen Co., Ltd.	50,201,180	41.06	81,900	0.07	50,283,080	41.13
Tzeng Long USA., Inc.	392,603	34.03	114,304	9.91	506,907	43.93

Note: Long-term investments accounted for using equity method.

Capital Overview

1. Status of Capital and Shares, Corporate Bonds, Preferred Stocks, Overseas Depository Receipts, Employee Stock Warrants, Restricted Employee Shares, Mergers and Acquisitions, or Assignment of Shares of Other Companies to Issue New Shares

(1) Source of Capital

Unit: NT\$1,000; 1,000 shares

Year Month	Par Value	Authorized Capital		Paid-in Capital Stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
2021.12	10	1,500,000	15,000,000	1,108,275	11,082,745	-	-	-
2022.04								

Unit: 1,000 shares

Shareholding type	Authorized share capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stock	1,108,275	391,725	1,500,000	Listed stocks

Shelf Registration: None.

(2) The Structure of Shareholders

April 12, 2022

Volume \ Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	6	63	409	243,586	233	244,297
Shareholding (shares)	563	142,560,657	382,778,324	494,261,977	88,673,001	1,108,274,522
Holding Percentage (%)	0.00%	12.86%	34.54%	44.60%	8.00%	100%

(3) Status of Shareholding Distributed

A. Common Shares

April 12, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	181,802	14,169,475	1.28%
1,000 ~ 5,000	49,894	94,474,118	8.52%
5,001 ~ 10,000	6,248	46,083,706	4.16%
10,001 ~ 15,000	2,250	27,632,635	2.49%
15,001 ~ 20,000	1,052	18,926,181	1.71%
20,001 ~ 30,000	1,029	25,699,928	2.32%
30,001 ~ 40,000	476	16,633,592	1.50%
40,001 ~ 50,000	338	15,454,182	1.39%
50,001 ~ 100,000	633	44,131,277	3.98%
100,001 ~ 200,000	306	42,448,288	3.83%
200,001 ~ 400,000	110	30,499,077	2.75%
400,001 ~ 600,000	43	20,885,467	1.88%
600,001 ~ 800,000	16	11,036,101	1.00%
800,001 ~ 1,000,000	16	14,393,374	1.30%
Over 1,000,001	84	685,807,121	61.89%
Total	244,297	1,108,274,522	100%

B. Preferred Shares: None.

(4) List of Major Shareholders

April 12, 2022

Names of major shareholders	Shares	Shareholding	Shareholding ratio
Sun Favorite Co., Ltd.		54,595,078	4.92%
Shine Far Construction Co., Ltd.		47,052,997	4.25%
Wen Gin Development Co., Ltd.		43,328,491	3.91%
Fubon Life Insurance Co., Ltd.		41,865,000	3.78%
Jen Yun Co., Ltd.		41,745,261	3.77%
CLC Employee Welfare Committee		34,454,885	3.11%
Shan-Loong Investment Co., Ltd.		31,818,680	2.87%
CLC employee stock ownership trust in CTBC Bank		27,392,396	2.47%
Shine Far Co., Ltd.		27,236,182	2.46%
Chunghwa Post Co., Ltd.		22,603,000	2.04%

(5) Share prices, net value, earnings, dividends, and other relevant information for the last two years

Item		Fiscal Year	2020	2021	As of March 31, 2022
Market value per share (Note 1)	Highest		36.00	51.50	36.65
	Lowest		17.55	28.20	33.55
	Average		26.97	40.33	35.11
Net Value per share (Note 2)	Before distribution		22.92	24.59	(Note 9)
	After distribution		-	-	-
EPS (Earning Per Share)	Weighted Average Shares (thousand shares)		1,108,275	1,108,275	1,108,275
	Earnings Per Share Undiluted (Note 3)		3.36	3.58	(Note 9)
	Earnings Per Share Diluted (Note 3)		-	-	-
Dividend per share	Cash Dividend (Note 4)		1.8	1.9	-
	Stock Dividend	-	-	-	-
		-	-	-	-
	Accumulated Undistributed Dividends (Note 5)		-	-	-
Analysis on ROI (Return on Investment)	Price / Earning Ratio (Note 6)		7.65	10.42	(Note 9)
	Price / Dividend Ratio (Note 7)		14.28	19.63	-
	Cash Dividend Yield Rate (Note 8)		7.00%	5.09%	-

Note 1: The figures of common shares show the highest and the lowest market price for each year, calculated for the average annual market value for the trading value of each year and the trading volume.

Note 2: Please use the number of share outstanding by the end of the year and filled out by the distribution of the resolutions made by the Shareholders' meeting the second year.

Note 3: If there are any bonus shares or other situation, and the tracking adjustment is required, each EPS shall be listed before and after adjustment.

Note 4: The distribution of earnings for year 2021 has not yet been adopted by the 2022 shareholders' meeting

Note 5: Conditions to issuance of equity securities, if there is any regulation for annual earnings issuers shall accumulate the current year's undistributed dividend, as of the current year's accumulated undistributed dividend shall be disclosed separately.

Note 6: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 7: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 8: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 9: As of the date of publication of the annual report, it has not been verified by CPA.

(6) Dividend Policy and Implementation Status

The industry environment where we do business is in the stage of growing gently. Thus, in order to sustain and develop our business steadily, our dividend policy is that, on the basis of distributable earnings of the current year, an appropriate amount is reserved for the needs of operation, and then after taking into consideration the needs for capital expenditures and financial planning, we retain partial earnings for the needs of funding, after which more than 50% of the remaining earnings is to be distributed as cash dividends and the remainder is to be distributed as stock dividends, provided, however, that the cash dividends will be accumulated for distribution next year in case their amount per share is less than NT\$0.1.

For 2021, we propose to distribute cash dividends at the amount of NT\$ 1.9 per share.

2020 earnings to be actually distributed in 2021 were as follows: NT\$90,000 thousand was distributed to our employees as compensation in cash, and NT\$1,994,894 thousand was distributed to our shareholders as cash dividends on September 17, 2021.

(7) The impact of stock dividends distribution proposed in this shareholders' meeting toward the company's business performance and EPS:

Not Applicable.

(8) Compensation for employees and directors

- (I) Percentage or range of rewards for employees and directors specified in the Articles of Incorporation of this Company.

According to Article 24 of the Company's Articles of Incorporation, If the Company posts a profit before taxes in a particular year prior to deduction of employee compensation, the Company shall distribute no less than one percent of its profit as employee compensation. However, if the Company still posts a cumulative loss, its profit shall first be used to make up the loss.

Employee compensation may be distributed in the form of shares or cash. Counterparty shall include employees of controlling or subordinate companies who meet certain criteria.

The method and ratio of employee compensation distribution shall be adopted by more than a half of attending directors in a Board of Directors' meeting attended by at least two-thirds of the directors, and shall be reported to the shareholders' meeting.

Where the method for distributing employee compensation in the form of shares is adopted by the Board of Directors as mentioned in the preceding paragraph, resolution may be adopted to issue new shares or buy back the Company's own shares in the same meeting.

- (II) The basis for estimating the amount of rewards for employees and directors; the basis for calculating the number of shares distributed as the reward for employees; and the accounting treatment of the difference between the actual and estimated amount of distribution:

1. Accounting treatment of the difference between the basis for estimating the reward for employees and the estimated amount of the year: The reward for employees is estimated based on the profit before tax of the year deducting the amount of the reward for employees and multiplying the percentage of reward distributed to employees as specified in the articles of incorporation. However, when the amount of distribution approved by BOD is different from the estimated amount, this difference will be considered as changes in accounting estimates and recognized as the profit/loss of the year of actual distribution.
2. The basis for estimating the reward for directors and the basis for calculating the stock dividend for directors: NA.

(III) Approval of reward distribution by BOD

1. The reward for employees and directors will be distributed in cash or in dividend. Should there be difference from the estimated amount recognized in the year, disclose the amount, cause(s), and treatment of the difference.

Information regarding the distribution of reward for employees and directors in 2021 approved by BOD:

Reward for employees: Cash NT\$90,000 thousand; reward for directors: NA.

There is no difference between the amount of reward for employees and directors approved by BOD and the estimated amount in the expense recognized of the year.

2. The proportion of the amount of rewards for employees distributed in stock in the net profit after tax this year and in the total amount of rewards for employees: NA.

(IV) Actual rewards distributed to employees and directors in the previous year:

In 2020, the amount of rewards for employees and directors approved by BOD was the same as the estimated amount. The reward was distributed on September 17, 2021, and related information is as follows:

Reward for employees: Cash NT\$90,000 thousand; reward for directors: NA.

(9) Buyback of Treasury Stock: None.

(10) Status of Corporate Bonds: None.

(11) Status of Preferred Shares: None.

(12) Status of Overseas Depository Receipts: None.

(13) Status of Employee Stock Warrants: None.

(14) Status of Restricted Employee Shares: None.

(15) Status of Mergers and Acquisitions, or Assignment of Shares of Other Companies to Issue New Shares: None.

2. Implementation of Capital Application of Funds: None.

Business Operations Overview

1. Business Activities

(1) Scope of business

A. Business items

1. C601010 Manufacture of Pulp
2. C601020 Paper Manufacturing (accounting for 35.79% of the 2021 revenue)
3. C601030 Paper Containers Manufacturing (accounting for 52.43% of the 2021 revenue)
4. C601040 Processed Paper Manufacturing
5. C601050 Manufacture of Domestic and Sanitary Paper Products (accounting for 8.75% of the 2021 revenue)
6. C702010 Plate Making Industry
7. D101050 Combined Heat and Power
8. E603050 Automatic Control Equipment Engineering
9. E701040 Simple Telecommunications Equipment Installation
10. F111090 Wholesale of Building Materials
11. F113010 Wholesale of Machinery
12. F113020 Wholesale of Electrical Appliances
13. F113050 Wholesale of Computers and Clerical Machinery Equipment
14. F113100 Wholesale of Pollution Controlling Equipments
15. F113110 Wholesale of Batteries
16. F118010 Wholesale of Computer Software
17. F301020 Supermarkets
18. G202010 Parking area Operators
19. H701010 Housing and Building Development and Rental
20. I301010 Information Software Services
21. I401010 General Advertisement Services
22. I501010 Product Designing
23. IF04010 Non-destructive Testing
24. J101030 Waste Disposing
25. J101040 Waste Treatment
26. D101060 Self-usage Power Generation Equipment Utilizing Renewable Energy Industry
27. F108031 Wholesale of Medical Devices
28. F208031 Retail Sale of Medical Apparatus
29. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Major product lineups

- Paperboards: Containerboards - linerboards, coated duplex boards, corrugating medium, white top liners, and core boards, etc.
- Corrugated containers: Corrugated sheetboards, corrugated containers, display containers, waterproof containers, and paper pallets, etc.
- (P/W and Tissue)Paper: Household products - tissue paper, facial tissue, paper towel, paper hand towels, diapers, and hand wash mousse, etc.
Office paper products - credit card receipts, 2-copy and 3-copy receipts, computer forms, paper voucher, paper invoice, medication bags, labels/tags and flexible packaging, etc.

(2) Industry overview

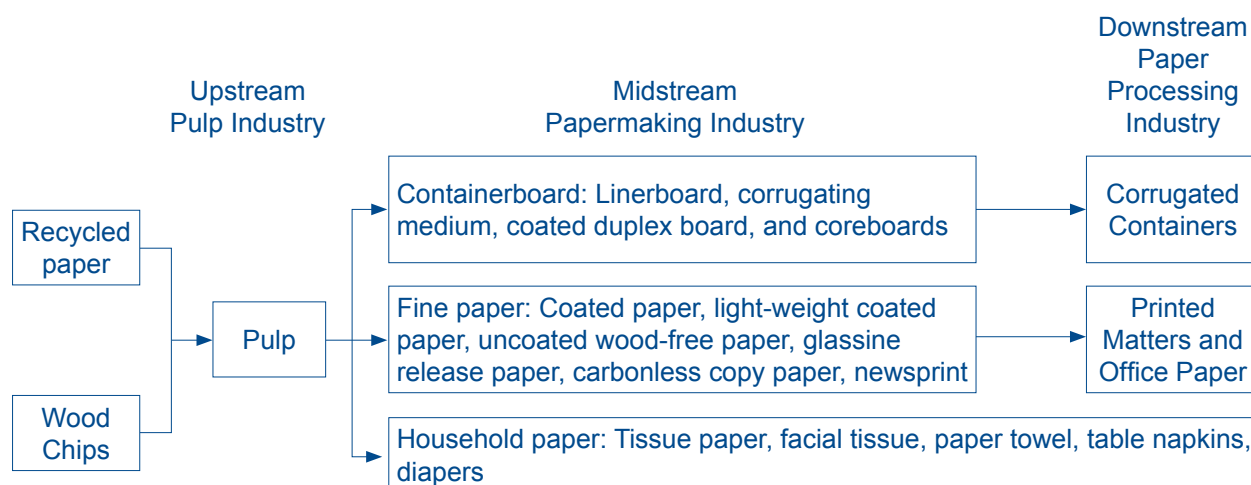
(I) Status and future development

The paper industry in industrialized countries across the world has matured following economic development. As China in development in Asia brings the main growth of the paper industry, paper manufacturers have been adjusting their business strategies due to the challenges from the slowing economic growth of China, changing environmental policies, regional economic integration, and global competitions. While the paper industry is a major basic industry closely interrelated to economic development, market potential is still out there in many developing countries. In addition, the paper packaging industry will steadily develop constantly, given the heat development of the global trade and e-commerce.

In response to the increasingly fierce competitions in the market and the rapid changes in the macro environment, the industry has accelerated its growth momentum and improved its business performance in recent years. It has done so by optimizing its product portfolio, improving its operating model, focusing on environmental sustainability issues, and actively expanding its global presence in overseas markets. Apart from implementing e-business and developing integrated services, we have committed to reduce cost and enhance production and resources utilization rate to improve competitive strengths. In recent years, apart from reducing GHG emissions through aggressive energy conservation and carbon reduction, we have devoted to resource recycling, biomass energy utilization, and green product development, in order to demonstrate that the paper industry is an eco-friendly green industry that fulfills CSR. From now on, the paper industry will make efforts to maintain environmental protection, conserve energy, reduce emissions, and cherish resources, in order to pursue sustainable development.

(II) Industry chain relationship

All sections of the paper industry have been well developed as diagrammed below.



(III) Product development trends and competitions

To raise market share and profit in the steadily growing paper market, manufacturers have actively adjusted their production-marketing strategies, embarked on lean management and accelerated global deployment, in order to expand the scale of operations.

In containerboard, even though the COVID-19 pandemic continued to rage in 2021, fortunately, the vaccination rate in various countries has increased and the global economy gradually recovered. However, the pandemic disrupted the cycle of the off-peak season in the paper industry; the shortage of shipping containers partly caused the obstruction in exports; and the Chinese government implemented a power rationing mechanism to control energy consumption and intensity. All of this have caused a great impact on the paper market. However, due to the effect of order transfer caused by the trade war and the pandemic, as well as the prosperity of the e-commerce market, the Asian market, particularly in Southeast Asia, will continue to grow in the future; thus, businesses in this industry will continue to develop in Asia. Furthermore, they are devoted to quality improvement, market cultivation and customer relationship management to enhance competitiveness. In corrugated containers, apart from focusing on package design innovation, we have imported automation equipment to develop differentiated niche products, improve integrated packaging service, enhance added value, meet customer requirements, and actively cultivate overseas market. In fine paper, in face of the progressive increase in imported paper, the increasing popularity of smart mobile devices, people's access to information is more convenient and timely, so the consumption of paper is gradually reduced, prompting the industry to transform or optimize the contents of products. In household paper, in response to the competition of foreign manufacturers and the promotion of the concept of circular economy and environmentally friendly recycled household paper, we will continue to develop products improving customer satisfaction, set reasonable product prices, enhance brand promotion and optimize distributor management based on a defined market positioning.

(3) Technology and RD

In lean management, apart from increasing profit and becoming a benchmark enterprise, we expand overseas development. In addition to strengthening RD and innovation in the last year, employees engaged in the planning and improvement of related processes, accelerated the introduction of high-performance and energy-efficient equipment, and improved existing processes and products to boost organizational competitiveness. The total RD expenditure in 2021 and in Q1 2022 was NT\$ 116,833 thousand and NT\$ 28,299 thousand.

To strengthen the competitiveness of the existing plants, Cheng Loong's expansion, renovation, and technology research and development programs at home and abroad in 2022 are as follows:

- a. Tayuan Mill's Plant C development project (UBC regenerated pulp board), Tayuan Mill's biogas power generation project, Tayuan Mill's SRF recycled fuel process optimization and renovation project; ChuPei Mill's project to install a denitrification system for the BFB boiler to purify fuel gas for compliance with the emission standards under the air pollution laws. Installation of a three-stage filtration system to filter clean water and effluents and increase the water treatment capacity of the clean water system by 6000CMD and the capacity of filtering effluents for reuse by 6000CMD. The ChuPei Mill's NB shared pipe carrier project to connect the pipelines to the ChuPei Mill's smoothly. Installation of the SCR equipment and a denitrification system for the ChuPei Mill's BFB boilers for compliance with the emission standards under the air pollution laws. The slag removal machine replacement project was completed and accepted in November. For the planning and construction of the simultaneous removal of multi pollutant system (SRS), cooling water tower, air compressors, and pipes for the NB project, the main unit of the boiler has been installed, and the pressure piping is in progress. It is expected that the installation of thermal insulation refractory mud and auxiliary equipment will begin after the hydrostatic test is completed in March 2022. The relevant peripheral public systems are being installed. The TM11 wall and head box replacement project was completed in July. The main purpose of the addition of the third base paper rack (including the replacement of the main drive system) to the TM15 rewinder is for the production of three-layer eco-friendly paper (for outsourcing and purchases). A steam pipeline was added to the laminating line to improve the pulping efficiency, increase the slurry processing capacity, and recycle 6,000 tons of effluents for treatment and reuse. Back-end water supply pumps and pipelines were installed in cooperation with the processing equipment to place clean water to reduce the consumption of the entire plant's clean water. Houli Mill's No. 7 machine main drive system and stock preparation DCS CIO upgrade and replacement project; Houli Mill's No. 8 machine rewinder main drive system upgrade and stock preparation DCS operation station integration and replacement project; roll handling automatic labeling project; Houli Mill's desulfurization equipment improvement project; Houli Mill's G3 heavy oil circulation improvement project and 45T/

H boiler bag filter ash hopper replacement project; Houli Mill's Wastewater Treatment Plant roots blowers replacement with turbo blowers project; the Yenchao Plant's new plant construction project; the Taichung Plant's replacement of the dry-end system of corrugator. As for the overseas projects, Cheng Loong Binh Duong Paper Co., Ltd.'s second-phase plant construction project and preliminary design and planning for the third-phase plant construction project in Vietnam; five-color printing and pasting machine in Cheng Loong Long An Container Co., Ltd., Vietnam.

- b. The Chemical Research Center assisted in (1) introduction of new cost-effective raw materials, mainly new amphoteric starch, defoaming agent, surface coating dyes, starch gelatinization aids, wet strength agent, surface sizing agent, and retention aids, saving an amount of up to NT\$77.103 million per year. (2) BM7&BM9 slightly sized core dry strength agent adaptation, BM5 paper tube raw starch reduction, BM8 high-strength paper tube spraying aid adaptation, BM13 clay coating adhesive point problem improvement, and adoption of the slight sizing process for BM2 core and quality improvement, saving the production cost in an amount of up to NT\$33.617 million per year. (3) Completion of the development of new products of BM8 CP600 high-quality paper tube, disposable medical protective clothing, colorful butterfly-printed toilet paper, Andante personal hygiene products (shampoo, body wash, or soap), boxed tissues containing facial cream, and Lover Toilet Tissues (three layers). (4) Continuous development of functional cartons (high waterproof, oil-proof, fresh-keeping, and antibacterial cartons), handbag paper, heat seal connectors, Dandelion eco-friendly household cleaners, sub-brand personal cleaners, and adult diapers, as well as replacement of plastic wrap with paper for packaging household paper products. (5) Application for patents for four projects, including the functional cartons (high waterproof and fresh-keeping), BM9 coating and dyeing technology, and slightly-sized core.
- c. In the face of the raging COVID-19 pandemic, the Packaging Design Section took the initiative to launch various paper-based anti-pandemic products, including partition boards and disinfection alcohol storage tables, to provide the public with eco-friendly choices other than acrylic products. In addition, it continued to adopt paper as the material to provide the Headquarters and each plant with paper art installations to improve the landscape, to protect the environment and reduce waste. To solve the problem of carton waste caused by online shopping, we re-designed the packaging to allow people to reuse the cartons as paper stools and thus obtained a national patent. The Creative Design Section assisted the Household Product Marketing and Planning Department in developing the packaging design of new products, including the household paper packaging designs for "Andante Two-color Butterfly-Printed Toilet Tissues", "Lover Toilet Tissues", "Hello Kitty Kitchen Towel, Printed Tissues, Boxed Tissues, and Mini Tissue Packs", "Andante National Palace Museum Boxed Tissues and Mini Tissue Packs", "Dandelion Eco-friendly Tissues"; and the household product packaging designs

for 18 items, including “Dandelion Eco-friendly Cleaner Series” and “Andante Shampoo and Body Wash Series”. All the products have been mass-produced gradually. We applied for trademark registration for 6 private brand designs of our household paper products in Vietnam, namely Gió Xuân (Andante), Xuân Phong (Andante), Balmy, Fluffy, Breeze, and Babi Jo; then, we also designed packaging for small toilet paper rolls under the brands of Andante, Xuân Phong, and Fluffy.

In the coming year, the R&D Division will assist the group in introducing new processes and equipment in a timely manner, increasing production capacity, and enhancing competitiveness to ensure the group’s competitive advantage, while assisting in building plants and developing new products to expand the market share at home and abroad. The expansion, renovation, and technology R&D projects planned at home and abroad, including the Tayuan Mill’s Plant C development project (UBC recycled pulp board), the Tayuan Mill’s high-efficiency turbo blower project, the Tayuan Mill’s paper machine horizontal basis weight automatic control system, the Tayuan Mill’s steam and energy conservation renovation system project, the Tayuan Mill’s smart manufacturing project, the Tayuan Mill’s high-efficiency water jet rolling direction change project, the Tayuan Mill’s carbon neutral improvement project, the Tayuan Mill’s water press energy-saving renovation project, and the Tayuan Mill’s ORC energy-saving renovation project for waste heat. The NB SRS project is expected to be completed in April 2022 in cooperation with the operation of boilers for gas supply. The equipment for the ChuPei Mill’s No. 1 wastewater mixing tank and pump replacement project is expected to be installed in the plant in May. The installation of the equipment for the NB cooling tower project was completed, and the equipment is expected to cooperate with the operation test of the gas turbine in 2022. The ChuPei Mill and the NB shared pipe carrier project is expected to be completed in the first quarter of 2022, along with pressure testing and pipe blowing. For the NB project, we aim to ignite the boiler in May 2022, start feeding in June, and put it into commercial operation in mid-July. SRF treatment equipment: At present, the residues in the plant are transported and disposed of by a commissioned third party, and after the Chu Pei Mill’s biomass thermal power system is in operation in 2022, the residues can be processed into SRF and used as fuel. The ChuPei Mill’s staff dormitory reconstruction project aimed to improve the quality of life for the employees and attract talents from other cities and counties. For the TM11 paper machine pulp tank reconstruction project, the damaged No. 17 tank made of bricks was replaced with an SUS bucket. The Houli Mill’s No. 5 machine main drive system and MCS upgrade and replacement project; the Houli Mill’s No. 7 machine water jet rolling direction change and storage and transportation automatic labeling project; the Houli Mill’s No. 9 machine QCS upgrade and replacement in the rolling section and shoe press project in the water press section; the Houli Mill’s No. 10 machine water jet rolling direction change project; the Houli Mill’s No. 10 machine anaerobic treatment system project for wastewater; the Houli Mill’s solar photovoltaic construction project. The Taichung Qingshui Mill construction project, the Tayuan Mill’s corrugator dry-end system replacement, the Yenchao Plant’s nine-foot printing and pasting

machine project; the Tayuan Mill's corrugator dry-end system replacement. As for the overseas projects, Cheng Loong Binh Duong Paper Co., Ltd.'s No. 2 paper machine and No. 2 combined heat and power system project and trial operation project; Cheng Loong Binh Duong Paper Co., Ltd.'s third-phase plant construction project; the Ben Cat Paper Mill construction project; Bac Giang Paper Mill's plant construction project.

To further develop Taiwan, we will raise capacity to increase market share, strengthen process improvement while continuing to save energy and reducing carbon emissions to respond to climate change, integrate resources, enhance circular economy and energy, recycle resources, and create a model of green economy. The RD team should demonstrate the organizational strengths and integrate efficiency to increase the value of innovation, practice ESH, fulfill corporate citizenship responsibilities, and pursue group-wide sustainable development.

(4) Long-term and short-term business development plans

(I) Short-term

1. Facilitate the digital transformation of the group, implement the smart production and sales system, and strengthen the overall competitiveness.
2. Develop the domestic market in-depth, focus on overseas markets and promote the globalization of business development.
3. Keep abreast of market trends, ensure high -quality sources of materials, strengthen green supply chain, and enhance the cost advantage.
4. Optimize inventory and assets, maintain stable cash flow, evaluate profit, and invest prudently.
5. Devise innovation & R&D product strategy to expand product market share and improve customer satisfaction.
6. Enhance talent management and revitalize the organization.
7. Implement clean production, deploy circular economy, and move toward the vision of zero carbon emissions.
8. Strengthen risk control, comply with laws and regulations, as well as prevent emergencies and crises from happening.

(II) Long-term

1. Constantly expanding markets at home and abroad and building a well-planned international logistics system: Through aggressive global deployment, we have set up corrugated containers and papermaking locations in China and Southeast Asia, including East China, South China; Dong Nai, Binh Duong, and Long An provinces in Vietnam. Vietnam: The second-phase expansion of Cheng Loong Binh Duong Paper Co., Ltd. and the Ben Cat Paper Mill are expected to be completed and put into production in the third quarter of 2022. The third-phase containerboard production line and the Bac Giang Paper Mill are also under planning. We are actively creating a one-stop papermaking site with a capacity of one million tons in Vietnam. China: Lean the production capacity

allocation of each plant, the maximum benefit of integration is leveraged to maintain the competitiveness. Taiwan: At the ChuPei Mill, a biomass thermoelectric system is added and is expected to be officially launched in mid-2022; a recycled bleached pulp line will be established at the Tayuan Mill and is expected to be put into commercial operation in the second half of 2022.

2. Acceleration of digital transformation, strengthening of information integration, and innovation of soft power culture: Through enterprise resources planning (ERP), we will implement the eSMART sales mobilization service through the benefit of real-time integration of the group's information, we promote intelligent digital management of production and sales, and adopt optimized systems, including smart manufacturing, sales CRM, and interactive business intelligence visual analysis systems, to improve the operational efficiency and quality of decision-making, in order to demonstrate the group synergy. In addition, we encourage the formation and inheritance of innovative culture and action through concept, environment, management, service and product to prepare for CLC's future growth.
3. Fulfilling CSR and pursuing sustainable development: Cheng Loong has adopted circular economy as one of the Company's focal points in development. Committed to the goal of reducing 30% carbon emissions by 2030 in alignment with the national zero-emission vision. In addition to assessing the financial impact of climate change, it has implemented projects to improve manufacturing processes, promote low-carbon and sustainable products, and implement corporate social responsibility (CSR) and environmental, social, governance (ESG) approaches. Meanwhile, it will continue to actively participate in charitable activities, care for the society, and strive to cultivate talents, while attaching importance to industrial symbiosis, implementing environmental protection, achieving technological innovations, promoting waste recycling, and pursuing sustainable business operations.

2. Markets and the Overview of Production and Sales

I. Market analysis

(I) Overview of the paper industry and the overall economy

The global economic recovery in 2021 was hampered by the COVID-19 pandemic, and its momentum has thus diminished. The disruption of the global supply chain was far more severe than expected. The shortage of raw materials and production investments, the rising energy prices, and the rapid rise in labor wages have led to high inflation in many countries. In addition, the Omicron variant, port congestion, US-China conflict, and other factors have posed risks to the economic outlook and complicated policy trade-offs. Global economic growth is expected to slow down in the second half of 2022. With the strong support of the U.S. economic policy, the economic output in developed countries is expected to exceed the forecast before the

pandemic. In comparison, the economy in emerging markets and developing countries is expected to remain sluggish due to lower vaccine availability and less policy support.

In 2021, Taiwan's paper industry was relatively stable. Due to the trade war and the pandemic, the effect of order transfer, as well as the booming stay-at-home economy and e-commerce market, the demand for containerboard and corrugated containers continued to thrive in the first half of the year. Therefore, supply barely met demand, and the performance of containerboard and cartons hit a 20-year high. As the cost of raw materials, freight, energy, and personnel continued to rise, the prices of containerboard and corrugated containers have been raised accordingly. In the third quarter, the market turned weak and the demand slowed down, while export sales increased; the fourth quarter was a traditional peak season, in which the paper industry continued to create excellent performance. However, the unpredictable pandemic situation around the world has made it difficult to predict the supply and demand of raw materials. Moreover, considering many factors, including port congestion, shortage of containers, and labor shortage have led to an increase in the cost. The paper industry should devise strategies to respond to market changes in real time.

(II) Market Share

◎Overview of production and sales in Taiwan's paper industry:

According to statistics published by the Taiwan Paper Industry Association and the Taiwan Paper Containers Industry Association, the production and sales of Taiwan's paper industry in 2021 are as follows:

Products	Total volume	Compared with 2020	Total sales	Compared with 2020
Paper and paperboard	4.48 million tons	+2.8%	Domestic sales: 3.03 million tons	+8.7%
			Exports: 1.39 million tons	-11.2%
Corrugated containers	-	-	2.39 billion square meters	+4.5%

◎The market share of domestic sales of Cheng Loong Corporation's main products:

Products	Market Share	Compared with 2020
Container boards	About 40%	+0.2%
Corrugated containers	About 30%	+0.5%
Household paper	About 20%	-0.2%

(III) The market supply, demand and development prospects of Cheng Loong Corporation's main products

※Containerboard:

◎Sales distributions: The main focus is on the domestic market as well as export markets including China and Southeast Asia.

- ◎Growth and competitive niches: The domestic market is stable, but the China market's uncertainties have increased. This has prompted various industries to shift their production bases to Southeast Asia, creating packaging demand prospects that are expected to be promising. In the future, with the increased capacity of Cheng Loong Binh Duong Paper Co., Ltd. in Vietnam, the Company can be based in Vietnam and expand into Southeast Asian markets, with its own quality and cost advantages, advanced technology management, and stable sourcing of upstream materials.
- ◎Favorable factors: A complete production and sales layout at home and abroad; market advantages of economic scale; and upstream and downstream integration of products.
- ◎Unfavorable factors: Raw materials such as wood pulp and partial recycled paper can only be obtained through imports, and domestic and international environmental protection regulations are becoming stricter. These factors lead to higher costs.
- ◎Solution: Maintaining the stability of key sources, complying with environmental regulations, optimizing the profit-making structure.

※Corrugated containers:

- ◎Sales distributions: Domestic sales were the focus of CLC Taiwan HQ; China and Vietnam subsidiaries for international companies and local enterprises.
- ◎Growth and competitive niches: The domestic market has become stable, and the foreign market has been driven by the development prospects of Southeast Asia as well as e-commerce demand. With vertical integration of consistent production, award-winning packaging design capabilities, and integration of global logistics, production, and sales, the Company is able to provide total packaging solutions for domestic and foreign markets.
- ◎Unfavorable factors: The domestic market is saturated, and the industrial environment in China's market is unstable.
- ◎Solution: Strengthening the development of high value-added products, adjusting the profit structure of China's market, and focusing on developing emerging markets such as Southeast Asia.

※Household paper:

- ◎Sales distributions: Focus on the domestic market, also we will cultivate the overseas market.
- ◎Growth and competitive niches: Domestic consumers' awareness of health and environmental protection has increased; thus, there is still room for the development of household paper and cleaning products demand. In addition, the acceptance of eco-friendly household paper is also increasing, and the reputations and acceptability of the Company's DANDELION and Pure Generation brands are great, thereby driving recognition of various products of the same brands.
- ◎Favorable factors: Superior production equipment and technology, excellent and stable quality, higher acceptance of eco-friendly products from customers, and flexible channel marketing strategy.

- ◎Unfavorable factors: The rapid launch of new products by competitors in the same industry, fierce price competition, impact from low fertility, and competitions from supermarket own-brand products.
- ◎Solution: Expand individual and household cleaning product lines, continuously promote eco-friendly products and develop differentiated products with high added value.

II. Important applications and production process of major products

Paperboards:

- ◎Main products: Testliner, coated duplex boards, corrugating medium, white top liners boards, and coreboards.
- ◎Important applications: Manufacture of corrugated containers, display containers, paper boxes, paper rolls, and paper pallets.
- ◎Production process: Pulp and recycled paper → pulping → cleaning → refining → mixing → forming → rewinding → finished products.

Corrugated containers:

- ◎Main products: Corrugated sheet boards, corrugated containers, display containers, waterproof containers, and paper pallets.
- ◎Important applications: Packaging for electronics, appliances, foods, chemicals, textiles, fruits, vegetables, and aquatic products for domestic and export sales.
- ◎Production process: Package design→raw paper→corrugating→corrugated sheetboards→printing and cutting→nailing and pasting→corrugated containers.

Paper:

- ◎Main products: Household paper.
- ◎Important applications:
 - * Household papers - tissue paper, facial tissue, paper towels, table napkins, diapers
 - * Office paper products -credit card receipts, 2-copy and 3-copy receipts, labels/tags, soft packages and special paper and packaging materials for office applications such as flexible packaging.
- ◎Production process:
 - * Household paper - pulp and recycled paper→pulping→cleaning→refining→mixing→forming→rewinding→cutting→packaging→finished products.
 - * Office paper products - raw materials→printing→processing→packaging→finished products.

III. Main ingredient supply

Recycled paper and pulp are the main ingredients of paperboards and paper. For the recycled paper supply, when the dual benefits of environmental protection and cost are considered, we not only fully recycle and use the local waste paper, but also import some from the USA, Japan, South Korea and Europe. For pulp, as Taiwan does not have much forest resources and in consideration of quality demand, we import pulp from South America, North America and Southeast Asia.

Both recycled paper and pulp are bulk commodities, it is necessary to fully capture the price changes at home and abroad and adjust the procurement strategy and diversify sources according to the production and sales conditions to timely procure recycled paper and pulp in suitable quantities and quality at suitable prices, in order to effectively avoid risks from price fluctuation in the market and to reduce pressure on capital from stocking.

IV. List of clients who purchased and sold at least 10% of total sales in one of last two years and corresponding amounts and percentages

A. Information concerning major suppliers in the last two years: None.

B. Information related to major merchandise customers in the last two years: None.

V. Production Volume and Value for the Past Two Years

Capacity & Volume: Corrugated containers—thousand M²; Paperboards, Paper—T Unit: NT\$1,000

Main products	Year Production Volume and Value	2021			2020		
		Capacity	Volume	Amount	Capacity	Volume	Amount
Paperboards		1,927,293	1,855,040	23,640,731	1,808,983	1,841,882	18,146,247
Corrugated containers		1,519,460	1,487,300	17,181,472	1,482,710	1,430,199	15,470,353
Paper		70,973	60,218	2,436,121	68,086	65,186	2,519,023
Total		-	-	43,258,324	-	-	36,135,623

VI. Sales Volume and Value for the Past Two Years

Volume: Corrugated containers—thousand M²; Paperboards, Paper—T Unit: NT\$1,000

Main products	Year Sales Volume and Value	2021				2020			
		Domestic		Export		Domestic		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Paperboards		753,889	12,240,634	229,429	3,418,929	735,446	9,757,897	301,009	3,543,767
Corrugated containers		1,197,975	19,381,141	261,917	4,204,128	1,112,255	15,610,632	280,767	4,522,396
Paper		70,607	4,377,056	-	-	74,489	4,626,483	-	-
Others		-	1,289,202	-	75,000	-	1,947,585	-	65,630
Total		-	37,288,033	-	7,698,057	-	31,942,597	-	8,131,793

3. Employee Information in the Last Two Fiscal Years and up to the Printing Date of this Annual Report

Taiwan

Year		2020	2021	As of April 30,2022
Number of Employees	Offices	1,346	1,345	1,336
	Technicians	2,412	2,400	2,389
	Total	3,758	3,745	3,725
Average of Age		41.8	42.2	42.3
Average Years of Service		13.8	14.1	14.2
Level of Education (%)	Ph. D.& MS / MA	5.7%	5.9%	5.8%
	College	31.2%	33.0%	33.2%
	Junior Colleges	18.7%	18.1%	18.0%
	High School	36.1%	35.3%	35.6%
	Others	8.3%	7.8%	7.4%

China

Year		2020	2021	As of April 30,2022
Number of Employees	Offices	221	254	242
	Technicians	1,019	882	911
	Total	1,240	1,136	1,153
Average of Age		38.0	39.1	39.3
Average Years of Service		5.9	6.0	6.8
Level of Education (%)	Ph. D.& MS / MA	0.0%	0.0%	0.0%
	College	2.5%	3.1%	4.9%
	Junior Colleges	13.6%	14.1%	12.4%
	High School	26.5%	28.7%	29.0%
	Others	57.4%	54.1%	53.8%

Vietnam

Year		2020	2021	As of April 30,2022
Number of Employees	Offices	410	481	497
	Technicians	1,211	1,074	1,189
	Total	1,621	1,555	1,686
Average of Age		30.0	30.7	31.6
Average Years of Service		3.6	4.0	4.0
Level of Education (%)	Ph. D.& MS / MA	0.3%	0.3%	0.4%
	College	11.6%	15.3%	16.0%
	Junior Colleges	18.9%	18.1%	16.8%
	High School	35.0%	33.2%	34.4%
	Others	34.3%	33.1%	32.4%

4. Environmental Protection Expenditures

I. Losses and fines due to pollution in recent years

In 2021 and at the time of publication report, we were fined NT\$ 160,000 and NT\$ 0, respectively, for violating environmental regulations, including the Air Pollution Control Act and the Waste Disposal Act. In our overseas investments, we were fined CN¥ 30,000 and CN¥ 0, respectively, in China and were not fined in Vietnam for violating any environmental regulations.

Details of losses arising from environmental pollution are set out below:

Date of disciplinary measure	Official letter number of disciplinary measure (Decision No.)	Violation of regulations	Content of regulations violated	Content of disciplinary measure (penalty amount)
January 22, 2021	20-110-010046	Paragraph 2, Article 23 of the Air Pollution Control Act as well as Article 16 and Paragraph 1, Article 18 of the Regulations for the Management of Continuous Automatic Monitoring Facilities for Air Pollutants from Fixed Pollution Sources	The opacity rate in the monitoring items of the discharge pipeline P002 was 79.9% during the effective monitoring hours in the first quarter of 2020, which failed to meet the requirement that the percentage during the effective monitoring hours shall reach 85% or more every quarter. The DASH system did not store the original data and proceed with calculations in accordance with the regulations.	NT\$100,000
November 11, 2021	Su-Huan-Xing-Fa (2021) 05 No. 069	Article 108 of the Atmospheric Pollution Prevention and Control Law of the People's Republic of China	Failed to turn on VOCs pollution control facilities as required.	CN¥30,000
November 29, 2021	40-110-110092	Paragraph 1, Article 36 of the Air Pollution Control Act	There had been no records of transportation and disposal of hazardous business waste produced [silver and silver compounds (limited to waste liquids other than those from photographic processing and waste developer from photographic platemaking) (waste code: C-0108)] from January 2020 to September 2021; the hazardous business waste had been stored for more than one year, and the waste had not been disposed of as required; the Company failed to apply for an extension of the waste storage period.	NT\$60,000

II. Solutions

(I) Improvement plan

In response to the increasingly stringent environmental regulations and to achieve sustainable development, apart from reducing ingredients and materials use through process improvement and energy and resource integration, we constantly invested in high-performance pollution control equipment and persistently enhanced the efficiency of energy and resources and prevent pollution, in order to achieve sustainable development goals. In 2021, we used 1.794 million tonnes of waste paper in Taiwan to create green products through the smart use of waste paper to ensure resource recycling, and also won the “2021 Excellent Entity for Green Procurement”, and the Hsinchu Mill in the containerboard division was recognized with the Taiwan Circular Economy Outstanding Enterprise Award (Circular Group).

In environmental management, we have implemented the ISO 14001 environmental management system ahead of our competitors. Our industrial paper mills, Household Product & Paperboard mills and Container Box plants in Taiwan have been certified by world-leading certification bodies. We also adopted the environmental accounting and environmental performance indicators to enhance environmental management effectiveness. In energy conservation and carbon reduction, in addition to constantly raising energy efficiency, we are committed to changing the energy structure to pro-actively use renewable clean energy to reduce fossil fuel consumption, and have implemented ISO 14064 GHG inventory and promoted GHG reduction. Furthermore, our paper mills and paper plants in Taiwan have implemented the ISO 50001 energy management system in 2013 and 2015, respectively, to enforce energy conservation and improvement. In 2021, a total of 42 energy conservation projects had been implemented, saving a total of 14,186,891 kWh of electricity. Since 2017 and onward, we were awarded the Excellence Award at the Low Carbon Product Awards by the EPA, winning the support and recognition from the central government of our efforts in promoting low carbon products and carbon reduction.

The enterprise-wide GHG emissions in 2021 were about 1,746,766.577 t-CO₂e, which were 4.04% higher than in 2020. (2021 unverified)

*Item	2021	2020	Unit
Direct GHG emissions (scope 1)	1,174,581.0889	1,140,522.3739	t-CO ₂ e
Energy indirect GHG emissions (scope 2)	291,234.2162	272,422.0157	
Other indirect GHG emissions (scope 3)	280,951.2716	265,918.3757	
Total GHG emissions	1,746,766.577	1,678,862.765	

* The GHG calculation includes carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride.

* The GHG inventory data in 2021 has not proceeded with third-party verification, the data is evaluated preliminarily by voluntary inventory results.

In the oversea investment, we will invest NT\$1,463.6 million to make continuous improvement of air pollution control and water pollution control to comply the environmental regulations in Vietnam in 2022.

In future ESH management, we will constantly promote the ISO 14001, ISO 14064, and ISO 50001 management systems to enhance green productivity, reinforce effective energy and resource uses, promote ecological efficiency and ensure ESH performance. In addition, by launching the “CLC Goes Green for a Better Earth” charitable activity, we promote the use of recycled products and encourage the public to practice green consumption, in order to contribute to the Earth’s sustainable development together.

(II) Estimated environmental expenditures in 2022

2022	Taiwan	Vietnam
Pollution control equipment to be procured or expenses	1. Incinerator operations and maintenance fees 2. Air pollution control fee and air pollution fee 3. Water pollution control fee and water pollution fee 4. Waste disposal fee 5. Expansion of pollution control equipment 6. Soil and groundwater treatment fee	1. Water pollution control fee and water pollution fee 2. Waste disposal fee 3. Air pollution control fee and air pollution fee 4. Incinerator operation and maintenance fees 5. Residue Crushing Costs
Estimated improvement	1. Proper treatment of air pollution 2. Proper treatment of water pollution 3. Proper waste disposal 4. Reduction of odorous pollutant emissions	1. Proper waste disposal 2. Reduction of air pollutant emissions and air pollution fee 3. Reduction of water pollutant emissions and water pollution fee 4. Reduction of noise pollution at the mill
Estimated amount	NT\$ 4,385,697 thousand	NT\$ 1,463,603 thousand

5. Labor Relations

I. Current employee welfare scheme and retirement scheme and their status, and labor-management agreements, and protection of employee rights and interests

Our efforts to promote labor-management harmony are as follows:

- (I) The working time, holidays, special leave, pension contribution, and other labor conditions for employees comply with the Labor Standards Act.
- (II) Benefits and protection for employees are as follows:
 1. Labor Insurance, National Health Insurance and group insurance (with medical, accident, occupational disaster, and life coverage).
 2. Free meals, snacks for overtime work and uniforms.
 3. Cash rewards or gifts on three major folk festivals.
 4. Domestic and international employee travels.

5. Annual physical and health examinations.
6. Employee share ownership trust (ESOT).
7. Birthday, wedding, funeral and birth allowances.
8. Medical allowances for employees and dependents, relief for disasters, financial aid for major illness and survivor condolence benefit for employees killed on duty.
9. Children education scholarships.
10. Pension scheme.
11. Foreign language training and club subsidization.

(III) Pension scheme:

We have established the “CLC Pension Implementation Regulations” as per the Labor Standards Act (LSA) and the Labor Pension Act (LPA). For employees qualified for the LSA scheme, we contribute an appropriate percentage of their total salary to the “Pension Reserve” account in the Bank of Taiwan every month per the LSA. For employees selecting or qualified for the LPA scheme, we contribute 6% of their salary to the Labor Pension Fund in their personal accounts at the Bureau of Labor Affairs every month.

(IV) Labor-management agreement: NA.

II. Further education and training of employees:

We offer an open and diversified learning environment for employees to challenge their extreme through internal and external training, on-the-job training, e-training (e-training system), and total productive maintenance (TPM) activities. With such well-planned training systems, we aim to fulfill the training needs of employees. In addition, through series/grade planning, job rotation, project assignment, and expatriation, we enable employees to combine life with career to enjoy the pleasure of intellectual growth and create a beautiful future.

Apart from establishing related management regulations, such as the “Talent Cultivation Implementation Regulations”, the “Internal Instructor Implementation Regulations”, and the “Foreign Language Training and Reward Regulations”, we plan related training courses and programs based on the competence and expertise needs to enrich the intelligence, improve the overall quality, and raise operational performance of employees. Statistics on Employee Training Hours by Region in 2021.

Region	Training Expense	Total Training Hours
CLC (including affiliates in Taiwan)	NT\$ 4,530,378	167,727 (including e-learning:18,123)
Affiliates - China	NT\$ 265,992	46,698
Affiliates - Vietnam	NT\$ 601,793	29,155

III. Handling of unethical conduct by personnel of the company

The company is engaged in business activities based on the principles of fairness, honesty, integrity, and transparency. To implement ethical business management, the company has also actively prevented unethical conduct and formulated the “Procedures for Ethical Management and Guidelines for Conduct of Cheng Loong Corporation” to regulate specific matters that the company’s personnel should pay attention to when performing their duties.

Insiders and outsiders who discover that the company’s personnel violates the Code of Ethical Conduct or the Procedures for Ethical Management and Guidelines for Conduct, or engages in unethical conduct, may file a whistleblowing report to the audit unit of the company in accordance with the procedure for handling unethical conduct.

When accepting and handling a whistleblowing case, the auditor shall deem the case confidential and may not disclose the whistleblower’s true identity in order to protect the whistleblower’s safety. If the whistleblower is an employee of the company, the company promises to protect the whistleblower from improper treatment due to whistleblowing.

If a case involves a director or senior executive director, a material violation, or the likelihood of material damage, the company shall submit a written report to independent directors. For unethical conduct that has already occurred, the relevant units shall review the relevant internal control system and operating procedures, and propose improvement measures to prevent the same conduct from happening again.

IV. Human Rights Policy of Cheng Loong

The company’s business bases in various places strictly abide by local labor regulations, are committed to protecting the basic human rights of all employees, and support and agree with the basic spirit of international conventions, including “United Nations Universal Declaration of Human Rights” “The United Nations Global Compact,” “International Labor Office’s Tripartite Declaration of Principles,” and “the OECD Guidelines for Multinational Enterprises” while formulating Cheng Loong’s human rights policy in accordance with their guiding principles, so that all relevant people can be treated fairly and with dignity.

Cheng Loong’s human rights policy also applies to the enterprises and organizations, including its subsidiaries and other institutions or legal persons with substantive control. The specific implementation guidelines are set out below:

Tolerance of diversity and anti-discrimination	The company is committed to creating a safe and diverse work environment based on the principles of the openness and fairness. In recruitment, appointment and development of employees, their work ability prevails and they will not be treated with a different language, attitude, and behavior based on their gender, race, socioeconomic status, age, marriage, family status, language, religion, party, nationality, appearance, facial features, or physical and mental disorders. To avoid any form of discrimination, an effective and appropriate grievance mechanism is provided, in which a dedicated unit accepts relevant cases and responds appropriately to prevent any violations of human rights.

Ban on child labor and prohibition of forced labor	In order to protect the physical and psychological development and growth opportunities of young people, the company clearly prohibits the employment of child workers under the age of 16 and requests verification of the identity documents of job seekers as stipulated in the “Implementation Measures for New Recruitment”, while further proceeding to plan and expand requirements for all suppliers to comply accordingly so as to jointly fulfill corporate social responsibility. All employees sign labor contracts and provide labor services based on their free will. It is strictly forbidden to force employees to perform compulsory labor or to undertake any other illegal compulsory labor behavior, such as compulsory measures.
Anti-corruption and ethical management	“Loyalty and honesty” is an important principle for Cheng Loong’s employees at work. Employees are strictly required to handle business in accordance with the principles of fairness, impartiality, and openness. They can never accept bribes from suppliers. If any employee is found to have violated relevant regulations, he/she will be punished severely without leniency if the case is verified to be true and the circumstances are significant. In order to enhance employees’ concept of ethical behavior and strengthen the effectiveness of governance, such implementation is ensured through the formulation of “Code of Ethical Conduct of Cheng Loong”, “Procedures for Ethical Management and Guidelines for Conduct”, and “Handling of Personnel’s Involvement of Unethical Behavior”.
Health and safety workplace and work Balance	Under the principle of “full participation, zero disaster, safety and health”, the company promotes various labor safety and health activities and education and training through safety and health management organizations and systems and continues to improve the work environment so as to build a healthy, safe, and friendly workplace. To assist employees in maintaining a balance between physical and psychological health as well as work and life, regular health checkups are conducted. The company also encourages employees to organize clubs or participate in health and leisure activities, while providing financial subsidies. At present, more than ten clubs in sports, leisure, and arts have been established.
Freedom of association and smooth communication channels	To protect employees’ rights to freedom of association, the company adopts an open stance toward employees’ establishment of unions. Currently, the employees at the Chupei Mill and Hsinchu Mill have established their own labor unions. When a labor union holds a meeting, all relevant senior executives participate in the meeting, communicate directly with employees and exchange opinions with them in the hope of establishing a mutual trust and reciprocal relationship with each other, to promote labor-management harmony. Through labor-management meetings, improvement proposals, Cheng Loong’s bimonthly, audit line and mailbox, and Chairperson’s mailbox, a smooth and diverse communication bridge is established between the management and employees, while announcing the company’s business goals and vision and commending outstanding employees openly for their performance at business outlook meetings and factory affairs meetings. If the company has major operational changes or matters related to labor rights and interests, it will also inform all employees immediately and in detail through bulletin boards and electronic announcements.

V. Protection Measures for Work Environment and Employees' Personal Safety

The Company's Safety, Health & Environment Department established in 1994 is responsible for integrating and promoting safety, health, and environmental protection business across the Company. With the full support and the expectations of the President, the Safety, Health & Environment Department adheres to the goal of sustainable operation and continues to promote safety and health management activities, with the aim of providing employees with a safe, healthy, and comfortable work environment, while implementing the safety and health policy of "Full participation- Zero accident- Safe and health," to ensure the personal safety of employees and shape the Company's safety culture.

(I) Losses and fines due to OHS in recent years

In 2021 and at the time of publication report, we were fined NT\$ 280,000 and NT\$ 0, respectively, for violations of the Occupational Safety and Health Act. In our overseas investments, we were fined CN¥ 181,800 and CN¥ 0, respectively, in China and were not fined in Vietnam for violating any Occupational Safety and Health regulations.

Losses arising from non-compliance with occupational safety and health regulations are set out below:

Date of disciplinary measure	Official letter number of disciplinary measure	Violation of regulations	Content of regulations violated	Content of disciplinary measure (penalty amount)
Taiwan				
March 25, 2021	Letter from the Ministry of Labor referenced Fu-Shou-Lao-Jian No. 1100069610	Paragraph 1, Article 6 of the Occupational Safety and Health Act	Failed to comply with regulations on necessary safety and health equipment and measures.	NT\$60,000
August 05, 2021	Letter from the Ministry of Labor referenced Lao-Zhi-Shou No. 1100204167	Subparagraph 14, Article 116 of the Occupational Safety and Health Facility Rules; Paragraph 1, Article 6 of the Occupational Safety and Health Act	When workers drove a forklift to move materials, they might be crushed once the forklift was overturned, and the workers who drove the forklifts failed to buckle up as required.	NT\$40,000
November 03, 2021	Letter from the Ministry of Labor referenced Lao-Zhi-Shou No.1100206299	Article 54, Paragraph 1, Article 224 and Paragraph 2, Article 224 of the Occupational Safety and Health Facility Rules; Subparagraph 1, 5, Paragraph 1, Article 6 of the Occupational Safety and Health Act	When the employer requested workers to operate the hydraulic torque wrench and it might pose a danger to the workers, the employer failed to use a fixed signal and designate personnel to provide instructions; Guardrails were not completely installed on the edge of a working platform at least two meters high, and no measures were taken to prevent workers from falling, such as safety belts.	NT\$120,000

Date of disciplinary measure	Official letter number of disciplinary measure	Violation of regulations	Content of regulations violated	Content of disciplinary measure (penalty amount)
November 29, 2021	Letter from the Ministry of Labor referenced Lao-Zhi-Shou No. 1100206138	Article 127, Article 153 of the Occupational Safety and Health Facility Rules; Subparagraph 5, Paragraph 1, Article 6 of the Occupational Safety and Health Act	In the case of the forklift operation: It was not prohibited to overload the machine based on the maximum loading volume, the cargo it carried was not kept in a stable condition, and the forklift was not prevented from tipping over. For the handling, stacking, or disposal of materials, the collapse and fall were not prevented, necessary facilities were not adopted such as rope bundling, fencing, blocking piles, height limit or change of pile volume, and personnel unrelated to the operation were not prohibited from entering the venue.	NT\$60,000
Oversea				
October 20, 2021	Su-Su-Gao Emergency Announcement [2021] Administrative Penalty Decision No. 229	Paragraph 1 of Article 30 of the Work Safety Law of the People's Republic of China	Special operators failed to receive special safe operation training and to acquire corresponding qualifications to operate as required.	CN¥ 12,000
October 21, 2021	Administrative Penalty Decision No. 1120210598	Article 35 of the Work Safety Law of the People's Republic of China	There was no safety warning sign posted on the electrical box in the base paper warehouse near the corrugator area, and the warning sign of the electrical box in the waste paper packing area failed to meet the national standards.	CN¥ 2,800
October 21, 2021	Administrative Penalty Decision No. 1120210601	Article 25, Paragraph 1, Subparagraph 5 of the Work Safety Law of the People's Republic of China	The sockets in the base paper warehouse near the corrugator were seriously damaged.	CN¥ 3,000
December 03, 2021	Su-Su-Gao Emergency Penalty [2021] Administrative Penalty Decision No. 262 (Individual)	Paragraph 2 of Article 42 of the Work Safety Law of the People's Republic of China	The exit of the production and operation site was locked.	CN¥ 5,000
December 03, 2021	Su-Su-Gao Emergency Penalty [2021] Administrative Penalty Decision No. 263 (Entity)	Paragraph 2 of Article 41 of the Work Safety Law of the People's Republic of China	Failed to truthfully record the investigation into and management of potential accident hazards.	CN¥ 20,000
		Paragraph 2 of Article 42 of the Work Safety Law of the People's Republic of China	The exit of the production and operation site was locked.	CN¥ 25,000

Date of disciplinary measure	Official letter number of disciplinary measure	Violation of regulations	Content of regulations violated	Content of disciplinary measure (penalty amount)
		Article 25 of the Work Safety Law of the People's Republic of China	No conspicuous safety warning signs were posted in the production and operation site (shredder area) with a relatively higher risk.	CN¥ 6,000
December 28, 2021	Su-Xin-Xiao Penalty Decision [2021] Administrative Penalty Decision No. 0442	Paragraph 2 of Article 17 of the Regulations of Jiangsu Province on Firefighting and Prevention	There was only one person on duty in the fire control room.	CN¥ 1,000
December 28, 2021	Su-Xin-Xiao Penalty Decision [2021] Administrative Penalty Decision No. 0443	Paragraph 2 of Article 17 of the Regulations of Jiangsu Province on Firefighting and Prevention	The fire control room's records of personnel on duty were incomplete.	CN¥ 2,000
December 28, 2021	Su-Xin-Xiao Penalty Decision [2021] Administrative Penalty Decision No. 0444	Article 16, Paragraph 1, Subparagraph 2 of the Fire Protection Law of the People's Republic of China	The location of a fire smoke detector in the fire control room was lost.	CN¥ 30,000
December 28, 2021	Su-Xin-Xiao Penalty Decision [2021] Administrative Penalty Decision No. 0445	Article 16, Paragraph 1, Subparagraph 2 of the Fire Protection Law of the People's Republic of China	One fire door was not grouted, and the configuration of fire protection facilities failed to meet the standards.	CN¥ 15,000
December 28, 2021	Su-Xin-Xiao Penalty Decision [2021] Administrative Penalty Decision No. 0446	Article 28 of the Fire Protection Law of the People's Republic of China	An exit was blocked by goods and locked.	CN¥ 30,000
December 28, 2021	Su-Xin-Xiao Penalty Decision [2021] Administrative Penalty Decision No. 0448	Article 28 of the Fire Protection Law of the People's Republic of China	Fire protection facilities were put out of service without permission.	CN¥ 30,000

In our solutions, apart from constantly investing in safety and health facilities to make the work environment safer and healthier, we have reinforced OHS education and training to enrich and enhance the employee's awareness of hazards in the work environment and requested employees to strictly follow all OHS protocols, in order to ensure OHS management activities are effectively implemented and thereby create a win-win and quality work environment for the company and employees.

(II) Occupational health and safety management system (OHSMS)

The Company fully changover the edition of the Occupational Safety and Health Management System in 2020 to the ISO/CSN 45001:2018 management system. Adhering to the spirit of the Company's safety and health policy, the safety and health management unit has planned for the operation of the safety and health management system, everyone and participate in the implementation of safety and health activities, allowing the concept to be deeply rooted in everyone's heart, and shaping the Company's safety culture through the spirit of self-care, mutual protection, supervision and protection of employees and supervisors, and implement proposals.

(III) A safety culture

- Setting safety mottos

We have set safety mottos for the president to communicate the safety concept within the company. These mottos include:

- a. All workplace injuries and diseases can be prevented.
- b. Safety is the first mission of all employees and safety management the responsibility of all officers.
- c. Eliminate exposure to occupational hazards through constant improvements.
- d. Train employees to exactly follow all safety protocols.
- e. Continuous audits to discover, immediately correct and prevent defects.
- f. Employees occupational safety is the prime target of the safety plan.

We have made publicity posters and posted them in offices, conference rooms, employee lounges and places where employees often pass by and gather, in order to strengthen the safety concept: "Safety is an employee' responsibility and safety management is an officer's responsibility through incessant publicity".

- Family ties for work safety

We promote the Work Safety Prayer activity to enhance the safety awareness and cooperation with safety management of employees through the power of family ties. With this activity, we also aimed to effectively raise safety awareness.

(IV) OHS Goes Live

We began implementing the OHS Goes Live activity in 2008 to enhance the organizational OHS performance. By making publicity materials on related themes, disaster prevention education and training, thematic hazard checks and improvements, inter-plant performance evaluation and demonstration, we strengthen the safety awareness, safe working skills and occupational safety performance of employees.

- Thematic publicity activities

To strengthen the safety awareness of employees, we have organized a series of thematic activities, including the Pinch Prevention, Vehicle Collision Prevention and Employee Safety Golden Verse Voting. The golden verse with the highest votes: "Work Safety for Employee

Safety and Family Peace” has been put on banners for the ESH week of the company for employees to participate in organizational OHS activities more actively and thereby form an OHS culture.

- Disaster prevention education and training

We have arranged appropriate disaster prevention education and training for employees who may cause significant environmental impacts or significant OHS hazards at work and employees representing each mill and plant. We also analyze and assess the effectiveness of such education and training. In addition, we communicate and publicize within the organization the requirements of the ESH policy and the significant environmental aspects and risks. Furthermore, we hire simultaneous interpreters to interpret contents in class to foreign workers and make videos as teaching materials for each mill and plant.

- Interplant OHS rating/thematic hazard factors check and improvement

In OHS promotions, the Safety and Health & Environmental Protection Department of Taiwan HQ actively establishes the internal audit system to rate and audit the OHS performance of mills and plants every year to constantly improve the work environment and check and eliminate safety hazard factors in workplaces, in order to minimize occupational injuries.

(V) Health promotion

- a. Annual physical special staff examinations are carried out for employees. The frequency and examination items are superior to those stipulated in the Labor Health Protection Rules.
- b. Promoted the Company's healthy workplace culture.
- c. Smoking is not allowed in all CLC offices, mills and plants. We have also arranged for education and training for tobacco hazards prevention from time to time.
- d. We value the food for employees and thus carefully selected catering service providers to prevent the 3H's (hypertension, hyperglycemia, and hyperlipemia) for employees.
- e. Established clubs and encouraged employees to attend and exercise for their physical and psychological wellbeing.
- f. Every year we hold staff travel.

(VI) Industrial safety partner alliance

In 2005 the Ministry of Labor and the Taiwan Papermaking Industry Association signed the Declaration of Safety and Health Alliance to officially establish an industry safety partnership to help promote OHS and enhance OHS performance; promote total participation in OHS activities through mutual exchange and demonstration; and shape a good safety culture.

VI. Losses caused by labor-management disputes in the previous year and by the date of report publication: NA

Estimated amount of loss at present and in the future caused by potential labor-management

disputes: NA.

Solutions for potential labor-management disputes at present and in the future: We have spared no efforts to promote labor-management harmony over the years and will continue this tradition in the future to prevent labor-management disputes.

6. Cyber Security Management

I. In respect of the formulation and implementation of the information and communication security policy, Cheng Loong has set up a dedicated department under the Information Technology Department, which is responsible for implementing, coordinating, and supervising tasks relevant to cyber security management, security policies, and standards for organization cyber security management. There is also an IT steering group formed by personnel from the Information Technology Department, the Human Resources Department, the General Affairs Department, and other necessary units to execute various cyber security policy.

Cheng Loong not only has set up a firewall system in headquarters and each plant to monitor risks and vulnerabilities in real time and prevent potential attacks and damage, but also budgeted more investment for establishment of cyber security software and hardware, and employed additional cyber security personnel. With the effective and appropriate establishment and implementation of a complete network and computer protection policy and framework, daily operation and interests of the stakeholders can therefore be ensured.

In terms of cyber security risk management, Cheng Loong supervises all colleagues to conduct appropriate cyber security knowledge by arranging online and offline education and training, such as social engineering drills. In addition, integral high availability (HA) and disaster recovery (DR) software and hardware architecture are built for our core information system, offering data confidentiality optimization and backup mechanism for our systems and files. Through arranging necessary data backup drills, Cheng Loong verified whether if contingency plan is effective and executable and established the emergency notification and handling procedures for cyber security incidents for headquarters and each plant and department, including necessary disclosure, financial loss/impact and response mechanisms. Cyber security affairs are also under supervision of The Auditing Division to ensure the shortest resolution time when the core system fails or is under attack, effective prevention and response to cyber security incidents, and therefore minimize the Company's loss caused by cyber security risks.

II. In the most recent year and up to the date of publication of the annual report, there has been no losses suffered due to material cyber security incidents.

7. Important Contracts

Cheng Loong Corporation

Type of Contract	Party-concerned	Contract Term	Description	Restrictions
Medium-term syndicated loan (loan and commercial paper)	Hua Nan Commercial Bank First Commercial Bank Taipei Fubon Commercial Bank Land Bank of Taiwan Taiwan Cooperative Bank E.SUN Bank O-Bank Chang Hwa Commercial Bank Far Eastern International Bank Taishin International Bank KGI Bank Agricultural Bank of Taiwan Yuanta Commercial Bank	October 23, 2018- October 22, 2023	This Company may use the medium-term revolving loan within the credit limit at NT\$7.2 billion during the contract term.	Financial ratio restrictions
Notes Issuance Facility	Crédit Agricole Corporate and Investment Bank China Bills Finance Corporation Mega Bills Finance Co., Ltd. International Bills Finance Corporation Grand Bills Finance Corporation Dah Chung Bills Finance Corp. Ta Ching Bills Finance Corporation Taiwan Cooperative Bills Finance Corporation Taiwan Finance Corporation	December 10, 2019- December 9, 2022	This Company may issue and use commercial papers repeatedly within the credit limit at NT\$2.6 billion during the contract term.	Financial ratio restrictions
Medium-term syndicated loan (loan and commercial paper)	First Commercial Bank Mizuho Bank Bank of Taiwan Taiwan Cooperative Bank Hua Nan Commercial Bank Chang Hwa Commercial Bank Taipei Fubon Commercial Bank Land Bank of Taiwan Agricultural Bank of Taiwan Bank of Kaohsiung	April 27, 2020- April 26, 2025	This Company may use the medium-term revolving loan within the credit limit at NT\$4.8 billion during the contract term.	Financial ratio restrictions

Type of Contract	Party-concerned	Contract Term	Description	Restrictions
Medium-term syndicated loan (loan and commercial paper)	Hua Nan Commercial Bank First Commercial Bank Taiwan Cooperative Bank Taipei Fubon Commercial Bank Taiwan Shin Kong Commercial Bank Bank of Taiwan KGI Bank Agricultural Bank of Taiwan Land Bank of Taiwan Taiwan Business Bank Far Eastern International Bank E.SUN Bank	December 22, 2020-December 21, 2025	This Company may use the medium-term revolving loan within the credit limit at NT\$8 billion during the contract term.	Financial ratio restrictions
Heti Section, Zhongzheng District (Roosevelt Road) Co-construction distribution	40 landlords including Xin-Lin Wang	From December 3, 2005 until proper handover.	The landlords offered land and this Company offered capital to jointly construct the project.	NA
Liyi Section, Zhongzheng District Co-construction distribution	32 landlords including Ling-chen Luo-Wu	From May 19, 2006 until proper handover.	The landlords offered land and this Company offered capital to jointly construct the project.	NA
Erchongpu Section, Sanchong City Co-construction distribution	27 landlords including Qing-Zhu Wang	From August 27, 2009 until proper handover.	The landlords offered land and this Company offered capital to jointly construct the project.	NA
Heti Section, Zhongzheng District (Nanchang Road) Co-construction distribution	55 landlords including Yi-Ren Huang	From July 30, 2011 until proper handover.	The landlords offered land and this Company offered capital to jointly construct the project.	NA
Linyi Section, Zhongzheng District Commissioning Contract for the Construction	Shine Far Construction Co., Ltd.	Starting from June 28, 2018, the total construction period is 1,200 calendar days.	The total contract price for the new construction contract for "Urban Renewal Residential Building on Hangzhou South Road" is NT\$2.585 billion (tax included).	NA

Type of Contract	Party-concerned	Contract Term	Description	Restrictions
Baoqing Section, Songshan District Additional Work Agreement for Commissioned Construction Project	Shine Far Construction Co., Ltd.	From July 1, 2020 to the date of project acceptance and when both parties settle their claims and debts	The total price of the Additional Work Agreement for the new construction project of a residential building on the Raohe Street in the name of urban renewal was NT\$44,614,500 (tax included).	NA
PV System Electricity Procurement Contract Contract No.: 07-PV-099-1006	Taichung Regional Office, Taiwan Power Company	December 31, 2010-December 31, 2031	PV system erected in Huoli Mill to purchase/sell electricity to the Taichung Regional Office, Taiwan Power Company.	NA

CHENG LOONG BINH DUONG PAPER CO., LTD.

Type of Contract	Party-concerned	Contract Term	Description	Restrictions
Medium capital credit for plant construction	Mega International Commercial Bank CTBC Bank Taipei Fubon Commercial Bank DBS Bank (Taiwan) The Shanghai Commercial & Savings Bank E.SUN Bank Cathay United Commercial Bank First Commercial Bank Hua Nan Commercial Bank United Overseas Bank	Item A: July 25, 2017- July 24, 2022 Item B: July 25, 2017- July 24, 2024	During the contract term, we may disburse Item A: VND equivalent to USD15 million Item B: USD150 million Totaling USD165 million. (no revolving use).	Financial ratio restrictions
Medium capital credit for plant construction	Mega International Commercial Bank CTBC Bank Taipei Fubon Commercial Bank DBS Bank (Taiwan) Hua Nan Commercial Bank The Shanghai Commercial & Savings Bank E.SUN Bank First Commercial Bank Cathy United Bank	August 17, 2021- August 16, 2026	During the contract term, we may disburse Item A: VND 759 billion Item B: VND 161 billion Item C: USD 90 million. (no revolving use).	Financial ratio restrictions
Medium capital credit for plant construction	Mega International Commercial Bank CTBC Bank Taipei Fubon Commercial Bank DBS Bank (Taiwan) First Commercial Bank United Overseas Bank E.SUN Bank Hua Nan Commercial Bank The Shanghai Commercial & Savings Bank Cathy United Bank	December 22, 2021- December 21, 2026	During the contract term, we may disburse Item A: VND 897 billion Item B: VND 690 billion Item C: USD 161 million. (no revolving use).	Financial ratio restrictions

Financial Summary

1. Condensed Balance Sheet and Income Statement, as well as Name and Audit Opinions of CPAs in the Five Most Recent Years

(1) Condensed balance sheets and statements of comprehensive income - IFRSs - Consolidated

Condensed balance sheet - IFRSs - Consolidated

Unit: NT\$1,000

Item \ Year		Financial data of the past five years (Note 1)					As of March 31, 2022 (Note 2)
		2021	2020	2019	2018	2017	
Current assets		25,886,481	24,173,556	24,370,198	24,759,650	23,201,924	Not Applicable.
Property, plant and equipment		33,871,492	30,099,345	28,653,569	30,000,264	31,529,498	
Intangible assets		-	-	-	-	-	
Other assets		6,682,352	6,732,919	6,313,114	5,279,029	5,428,549	
Total assets		66,440,325	61,005,820	59,336,881	60,038,943	60,159,971	
Current liabilities	Before distribution	17,916,038	16,519,904	15,079,816	17,243,965	19,742,899	
	After distribution	-	18,514,798	16,409,745	18,463,067	20,518,691	
Non-current liabilities		20,124,082	17,699,360	18,698,038	18,626,103	18,117,756	
Total liabilities	Before distribution	38,040,120	34,219,264	33,777,854	35,870,068	37,860,655	
	After distribution	-	36,214,158	35,107,783	37,089,170	38,636,447	
Stockholders' equity attributable to parent		27,254,192	25,403,801	23,724,687	22,465,667	19,934,820	
Capital		11,082,745	11,082,745	11,082,745	11,082,745	11,082,745	
Capital surplus		1,157,532	1,132,062	1,130,653	1,129,357	1,288,181	
Retained earnings	Before distribution	16,650,197	14,778,976	12,525,289	11,322,017	8,542,715	
	After distribution	-	12,784,082	11,195,360	10,102,915	7,766,923	
Other equity Interests		(1,636,282)	(1,589,982)	(1,014,000)	(1,068,452)	(978,821)	
Treasury stock		-	-	-	-	-	
Non-controlling Interests		1,146,013	1,382,755	1,834,340	1,703,208	2,364,496	
Total equity	Before distribution	28,400,205	26,786,556	25,559,027	24,168,875	22,299,316	
	After distribution	-	24,791,662	24,229,098	22,949,773	21,523,524	

Note 1: The summarized financial have been certified by CPA.

Note 2: Financial statements from Q1 2022 to the printing date of this report have not been audited by a CPA.

Condensed Statements of Comprehensive Income - IFRSs - Consolidated

Unit: NT\$1,000

Item \ Year	Financial data of the past five years (Note 1)					As of March 31, 2022 (Note 2)
	2021	2020	2019	2018	2017	
Operating revenue	44,986,090	40,074,390	40,387,576	41,181,509	39,585,658	Not Applicable.
Gross profit from operations	10,202,692	10,615,765	9,224,250	8,523,985	7,120,528	
Operating income	4,574,407	5,017,578	3,513,276	2,859,194	2,126,803	
Non-operating income and Expenses	413,168	(245,386)	(527,462)	2,137,147	(307,852)	
Net Income Before Tax (Loss)	4,987,575	4,772,192	2,985,814	4,996,341	1,818,951	
Net Income from Continuing Operations (Loss)	4,011,488	3,743,869	2,347,102	4,072,210	1,400,035	
Net Income from discontinued department	-	-	-	17,976	12,601	
Net Income (Loss)	4,011,488	3,743,869	2,347,102	4,090,186	1,412,636	
Other Comprehensive Income (Loss) (After-Tax)	(130,225)	(916,725)	260,856	(244,963)	(645,599)	
Total Comprehensive Income (Losses)	3,881,263	2,827,144	2,607,958	3,845,223	767,037	
Net Income Attributable to the Parent	3,963,422	3,727,746	2,303,904	3,741,569	1,435,152	
Net Income Attributable to Non-Controlling Interests	48,066	16,123	43,198	348,617	(22,516)	
Total Comprehensive Income Attributable to the Parent	3,819,815	3,007,634	2,476,826	3,443,676	921,076	
Total Comprehensive Income Attributable to Non-Controlling Interests	61,448	(180,490)	131,132	401,547	(154,039)	
Earnings per Share (NT\$)	3.58	3.36	2.08	3.38	1.29	

Note 1: The summarized financial have been certified by CPA.

Note 2: Financial statements from Q1 2022 to the printing date of this report have not been audited by a CPA.

Condensed balance sheets - IFRSs - Parent-Company-Only

Unit: NT\$1,000

Item \ Year		Financial data of the past five years (Note 1)					As of March 31, 2022 (Note 2)
		2021	2020	2019	2018	2017	
Current assets		15,244,518	15,699,041	15,612,089	14,950,034	13,576,815	Not Applicable.
Property, plant and equipment		23,050,768	20,343,403	18,957,265	18,867,106	19,146,402	
Intangible assets		-	-	-	-	-	
Other assets		16,694,721	14,890,222	15,312,726	14,357,801	13,540,006	
Total assets		54,990,007	50,932,666	49,882,080	48,174,941	46,263,223	
Current liabilities	Before distribution	10,687,959	10,368,908	10,909,155	10,678,321	10,738,057	
	After distribution	-	12,363,802	12,239,084	11,897,423	11,513,849	
Non-current Liabilities		17,047,856	15,159,957	15,248,238	15,030,953	15,590,346	
Total liabilities	Before distribution	27,735,815	25,528,865	26,157,393	25,709,274	26,328,403	
	After distribution	-	27,523,759	27,487,322	26,928,376	27,104,195	
Stockholders' equity attributable to parent		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Capital		11,082,745	11,082,745	11,082,745	11,082,745	11,082,745	
Capital surplus		1,157,532	1,132,062	1,130,653	1,129,357	1,288,181	
Retained earnings	Before distribution	16,650,197	14,778,976	12,525,289	11,322,017	8,542,715	
	After distribution	-	12,784,082	11,195,360	10,102,915	7,766,923	
Other equity Interests		(1,636,282)	(1,589,982)	(1,014,000)	(1,068,452)	(978,821)	
Treasury stock		-	-	-	-	-	
Non-controlling Interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Total equity	Before distribution	27,254,192	25,403,801	23,724,687	22,465,667	19,934,820	
	After distribution	-	23,408,907	22,394,758	21,246,565	19,159,028	

Note 1: The summarized financial have been certified by CPA.

Note 2: The company doesn't prepare the Q1 2022 Financial statements.

Condensed Statements of Comprehensive Income - IFRSs - Parent-Company-Only

Unit: NT\$1,000

Item \ Year	Financial data of the past five years (Note 1)					As of March 31, 2022 (Note 2)
	2021	2020	2019	2018	2017	
Operating revenue	34,294,239	30,410,502	30,755,718	31,809,296	30,130,535	Not Applicable.
Gross profit from operations	8,149,591	8,133,705	7,161,604	6,775,943	5,180,057	
Operating income	4,352,123	4,257,947	3,484,250	3,370,775	2,071,577	
Non-operating income and Expenses	415,451	373,198	(487,229)	1,043,273	(323,219)	
Net Income Before Tax (Loss)	4,767,574	4,631,145	2,997,021	4,414,048	1,748,358	
Net Income from Continuing Operations (Loss)	3,963,422	3,727,746	2,303,904	3,741,569	1,435,152	
Net Income from discontinued department	-	-	-	-	-	
Net Income (Loss)	3,963,422	3,727,746	2,303,904	3,741,569	1,435,152	
Other Comprehensive Income (Loss) (After-Tax)	(143,607)	(720,112)	172,922	(297,893)	(514,076)	
Total Comprehensive Income (Losses)	3,819,815	3,007,634	2,476,826	3,443,676	921,076	
Net Income Attributable to the Parent	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Net Income Attributable to Non-Controlling Interests	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Total Comprehensive Income Attributable to the Parent	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Total Comprehensive Income Attributable to Non-Controlling Interests	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	
Earnings per Share (NT\$)	3.58	3.36	2.08	3.38	1.29	

Note 1: The summarized financial have been certified by CPA.

Note 2: The company doesn't prepare the Q1 2022 Financial statements.

(2) Name and Audit Opinions of CPAs

Year	2021	2020	2019	2018	2017
CPA name	Mei-Pin Wu	Mei-Pin Wu	Mei-Pin Wu	Mei-Pin Wu	Mei-Pin Wu
	Chi-Lung Yu	Chi-Lung Yu	Chi-Lung Yu	Chi-Lung Yu	Yong-Hua Huang
Audit opinions	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

2. Financial Analyses for the Five Most Recent Years

(1) Financial analysis - IFRSs - Consolidated

Analysis item		Year	Financial analysis of the past five years					As of March 31, 2022 (Note)
		2021	2020	2019	2018	2017		
Financial Structure (%)	Debt-asset ratio	57	56	57	60	63	Not Applicable.	
	Ratio of long-term capital to property, plant and equipment	143	148	154	143	128		
Solvency (%)	Current ratio	144	146	162	144	118		
	Quick ratio	81	85	93	70	66		
	Interest coverage ratio	14	11	5	8	5		
Operating Ability	Receivables turnover rate (times)	6.48	6.38	6.22	5.56	4.67		
	Average collection days for receivables	56	57	59	66	78		
	Inventory turnover rate (times)	4.30	3.89	3.66	3.63	4.30		
	Payable turnover rate (times)	5.81	5.5	6.05	6.18	5.67		
	Average days for sale	85	94	100	100	85		
	Property, plant and equipment turnover rate (times)	1.41	1.36	1.38	1.34	1.27		
	Total asset turnover rate (times)	0.71	0.67	0.68	0.69	0.67		
Profitability	Return on assets (%)	7	7	5	7	3		
	Return on equity (%)	15	14	9	18	6		
	Ratio of income before tax to paid-in capital	45	43	27	45	16		
	Profit margin (%)	9	9	6	10	4		
	Earnings per share (NT\$)	3.58	3.36	2.08	3.38	1.29		
Cash Flow	Cash flow ratio (%)	21	46	49	33	6		
	Cash flow adequacy ratio (%)	76	94	84	68	72		
	Cash flow reinvestment ratio (%)	2	8	8	6	1		
Leveraging	Operating leverage	1.82	1.78	2.14	2.41	2.56		
	Financial leverage	1.07	1.1	1.20	1.17	1.22		
Please specify the reasons for the changes of each financial ratio in the past two years (can be omitted for changes below 20%):								
The increase in interest coverage ratio is mainly driven by an increase in the net income and a decrease in finance costs in the current year compared with the previous year.								
For the cash flow ratio, net cash flow adequacy ratio and cash flow reinvestment ratio, please refer to the cash flow analyses on Page 303.								

Note: Not applicable because they have not been approved by BOD or audited by CPAs by the date of report publication.

1. Financial Structure

- (1) Debt-asset ratio = total liabilities / total assets
- (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
- (3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection days for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sales / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days of sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total assets

4. Profitability

- (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Profit margin = net income / net sales
- (4) Earnings per share = (profit or loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

6. Leveraging

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income / interest expenses)

(2) Financial analysis - IFRSs - Parent-Company-Only

Analysis item (Note 1)		Year	Financial analysis of the past five years					As of March 31, 2022 (Note 2)
			2021	2020	2019	2018	2017	
Financial Structure (%)	Debt-asset ratio		50	50	52	53	57	Not Applicable.
	Ratio of long-term capital to property, plant and equipment		192	199	206	199	186	
Solvency (%)	Current ratio		143	151	143	140	126	
	Quick ratio		70	77	71	67	61	
	Interest coverage ratio		26	21	12	16	7	
Operating Ability	Receivables turnover rate (times)		6.84	6.38	6.27	6.17	5.84	
	Average collection days for receivables		53	57	58	59	62	
	Inventory turnover rate (times)		4.37	3.73	3.56	3.72	4.59	
	Payable turnover rate (times)		5.59	5.15	5.79	6.71	7.12	
	Average days for sale		83	98	102	98	80	
	Property, plant and equipment turnover rate (times)		1.58	1.55	1.63	1.67	1.56	
	Total asset turnover rate (times)		0.65	0.6	0.63	0.67	0.67	
Profitability	Return on assets (%)		8	8	5	8	4	
	Return on equity (%)		15	15	10	18	7	
	Ratio of income before tax to paid-in capital		43	42	27	40	16	
	Profit margin (%)		12	12	7	12	5	
	Earnings per share (NT\$)		3.58	3.36	2.08	3.38	1.29	
Cash Flow	Cash flow ratio (%)		38	51	53	45	3	
	Cash flow adequacy ratio (%)		79	81	75	64	56	
	Cash flow reinvestment ratio (%)		3	6	7	6	0	
Leveraging	Operating leverage		1.59	1.64	1.73	1.69	2.00	
	Financial leverage		1.03	1.05	1.08	1.08	1.14	

Please specify the reasons for the changes of each financial ratio in the past two years (can be omitted for changes below 20%):

The increase in interest coverage ratio is mainly driven by an increase in the net income and decrease in finance costs in the current year compared with the previous year.

The decreases in cash flow ratio compared with the previous year is driven mainly by a decrease in net cash flow from operating activities in the current year.

The decreases in cash flow reinvestment ratio compared with the previous year are driven mainly by a decrease in net cash flow from operating activities and increase in cash dividends in the current year.

Note1: Please refer to P. 128 for the calculation equation.

Note2: Not applicable because we did not produce the individual financial statement in Q1.

3. Audit Committee's Review Report for the Financial Report in the Most Recent Year

Cheng Loong Corporation Audit Committee's Review Report

The final accounting documents, including the business report, individual financial statements, consolidated financial statements and profit distribution proposal of 2021 produced and submitted by the Board of Directors have been reviewed by this Committee. This Audit Committee found no nonconformity in such documents. Furthermore, both the individual financial statements and consolidated financial statements have been audited and certified by CPAs Mei-Pin Wu and Chi-Lung Yu. This Committee thus presented this report to the AGM for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Cheng Loong Corporation

Audit Committee Convener: Yung-Chi Wang



Date: March 15, 2022

4. Financial Report for the Most Recent Year

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, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 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, 2021 and 2020, the assets of those subsidiaries constituted 4.69% and 4.44%, respectively, of the consolidated total assets; the operating revenue of those subsidiaries constituted 6.25% and 5.89%, respectively, of the consolidated operating revenue; the investments accounted for using equity method constituted 2.08% and 2.10%, respectively, of the consolidated total assets; and the share of profit of associates accounted for using equity method constituted 3.05% and 2.29%, 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, 2021 and 2020, on which we have issued an unmodified opinion with other matter paragraph.

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 "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 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, note 6(d) “Other receivables”, and note 12(b) “Other” 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.

How the matter was addressed in our 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.

KPMG

Taipei, Taiwan (Republic of China)

March 15, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (note 6(a))	\$ 7,075,052	11	7,744,060	13
1170	Notes and accounts receivable, net (notes 6(c) and (u))	6,774,820	10	5,676,252	9
1180	Notes and accounts receivable—related parties, net (notes 6(c), (u) and 7)	723,106	1	702,588	1
1206	Other receivables (notes 6(d), 7 and 12)	987,041	1	988,247	2
1310	Inventories, net (note 6(e))	5,931,287	9	4,343,470	7
1320	Construction in progress and building for sale (note 6(f))	2,710,756	4	3,176,651	5
1479	Other current assets	1,684,419	3	1,542,288	3
		<u>25,886,481</u>	<u>39</u>	<u>24,173,556</u>	<u>40</u>
Non-current assets:					
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(b))	658,046	1	535,452	1
1550	Investments accounted for using equity method (notes 6(g) and 7)	1,365,176	2	1,262,630	2
1600	Property, plant and equipment (notes 6(k), 7 and 8)	33,871,492	51	30,099,345	49
1755	Right-of-use assets (notes 6(l), 7 and 8)	2,298,780	3	2,286,791	4
1760	Investment property, net (notes 6(m), 7 and 8)	1,313,226	2	1,414,601	2
1840	Deferred tax assets (note 6(r))	637,549	1	677,621	1
1990	Other non-current assets (note 7)	409,575	1	555,824	1
		<u>40,553,844</u>	<u>61</u>	<u>36,832,264</u>	<u>60</u>
Total assets		<u>\$ 66,440,325</u>	<u>100</u>	<u>61,005,820</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

		December 31, 2021		December 31, 2020	
Liabilities and equity		Amount	%	Amount	%
Current liabilities:					
2100	Short-term borrowings (notes 6(n) and (aa))	\$ 5,092,443	7	5,123,445	8
2170	Notes and accounts payable	5,846,371	9	5,354,149	9
2180	Notes and accounts payable—related parties (note 7)	389,620	1	376,467	1
2280	Current lease liabilities (notes 6(o), (aa) and 7)	65,704	-	59,880	-
2320	Current portion of long-term borrowings (notes 6(n) and (aa))	2,026,641	3	780,699	1
2399	Other current liabilities (notes 6(b), (f), (u) and 7)	4,495,259	7	4,825,264	8
		<u>17,916,038</u>	<u>27</u>	<u>16,519,904</u>	<u>27</u>
Non-Current liabilities:					
2540	Long-term borrowings (notes 6(n) and (aa))	16,655,389	25	13,889,659	23
2570	Deferred tax liabilities (note 6(r))	1,441,250	2	1,346,244	2
2580	Non-current lease liabilities (notes 6(o), (aa) and 7)	753,046	1	775,854	1
2640	Net defined benefit liability (note 6(q))	758,989	1	1,201,789	2
2670	Other non-current liabilities	515,408	1	485,814	1
		<u>20,124,082</u>	<u>30</u>	<u>17,699,360</u>	<u>29</u>
	Total liabilities	<u>38,040,120</u>	<u>57</u>	<u>34,219,264</u>	<u>56</u>
Equity attributable to owners of parent:					
3100	Capital stock (note 6(s))	11,082,745	17	11,082,745	18
3200	Capital surplus (notes 6(h) and (s))	1,157,532	2	1,132,062	2
3310	Legal reserve (note 6(s))	3,485,170	5	3,126,808	5
3320	Special reserve (note 6(s))	1,589,982	2	1,014,000	2
3350	Unappropriated retained earnings (note 6 (s))	11,575,045	17	10,638,168	17
3410	Exchange differences on translation of foreign financial statements	(2,095,698)	(3)	(1,935,455)	(3)
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	459,416	1	345,473	1
	Total equity attributable to owners of parent	<u>27,254,192</u>	<u>41</u>	<u>25,403,801</u>	<u>42</u>
36XX	Non-controlling interests (notes 6(h) and (j))	<u>1,146,013</u>	<u>2</u>	<u>1,382,755</u>	<u>2</u>
	Total equity	<u>28,400,205</u>	<u>43</u>	<u>26,786,556</u>	<u>44</u>
	Total liabilities and equity	<u>\$ 66,440,325</u>	<u>100</u>	<u>61,005,820</u>	<u>100</u>

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, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(p), (u) and 7)	\$ 44,986,090	100	40,074,390	100
5000	Operating costs (notes 6(e), (q), (v), 7 and 12)	34,783,398	77	29,458,625	74
	Gross profit from operations	10,202,692	23	10,615,765	26
	Operating expenses (notes 6(c), (o), (q), (v), 7 and 12):				
6100	Selling expenses	2,954,187	7	2,915,113	7
6200	Administrative expenses	2,523,759	6	2,580,436	6
6300	Research and development expenses	116,833	-	103,518	-
6450	Expected credit losses (reversal of expected credit losses)	33,506	-	(880)	-
		5,628,285	13	5,598,187	13
	Net operating income	4,574,407	10	5,017,578	13
	Non-operating income and expenses:				
7010	Other income (notes 6(w) and 7)	201,280	1	194,093	-
7020	Other gains and losses, net (notes 6(w) and 7)	146,719	-	(95,002)	-
7050	Finance costs (notes 6(f), (k), (o), (w) and 7)	(299,627)	(1)	(453,707)	(1)
7060	Share of profit of associates accounted for using equity method (note 6(g))	151,923	-	109,230	-
7225	Gains on disposal of investments (note 6(i))	212,873	1	-	-
		413,168	1	(245,386)	(1)
	Profit before income tax	4,987,575	11	4,772,192	12
7950	Less: Income tax expenses (note 6(r))	976,087	2	1,028,323	3
	Profit	4,011,488	9	3,743,869	9
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 after income tax (notes 6(q) and (r))	(140,452)	-	(144,955)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	122,594	-	20,071	-
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	(8,651)	-	109,162	-
	Items that may not be reclassified subsequently to profit or loss	(26,509)	-	(15,722)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(173,332)	-	(1,055,135)	(2)
8370	Share of other comprehensive income of associates accounted for using equity method	29,555	-	(22,171)	-
8399	Income tax related to items that may be reclassified to profit or loss (note 6(r))	40,061	-	176,303	-
	Items that may be reclassified subsequently to profit or loss	(103,716)	-	(901,003)	(2)
8300	Other comprehensive income (loss)	(130,225)	-	(916,725)	(2)
	Comprehensive income	\$ 3,881,263	9	2,827,144	7
	Profit (loss), attributable to:				
8610	Owners of parent	\$ 3,963,422	9	3,727,746	9
8620	Non-controlling interests	48,066	-	16,123	-
		\$ 4,011,488	9	3,743,869	9
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 3,819,815	9	3,007,634	8
8720	Non-controlling interests	61,448	-	(180,490)	(1)
		\$ 3,881,263	9	2,827,144	7
	Earnings per share (note 6(t))				
9750	Basic earnings per share (NT dollars)	\$ 3.58		3.36	
9850	Diluted earnings per share (NT dollars)	\$ 3.57		3.35	

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Retained earnings					Total other equity interest		Total equity attributable to owners of parent	Non-controlling interests	Total equity
						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
Balance on January 1, 2020	\$ 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
Profit	-	-	-	-	3,727,746	-	-	3,727,746	16,123	3,743,869
Other comprehensive income	-	-	-	-	(144,130)	(705,215)	129,233	(720,112)	(196,613)	(916,725)
Total comprehensive income	-	-	-	-	3,583,616	(705,215)	129,233	3,007,634	(180,490)	2,827,144
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	242,237	-	(242,237)	-	-	-	-	-
Reversal of special reserve	-	-	-	(54,452)	54,452	-	-	-	-	-
Cash dividends	-	-	-	-	(1,329,929)	-	-	(1,329,929)	-	(1,329,929)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,409	-	-	-	-	-	1,409	-	1,409
Capital reduction from subsidiaries	-	-	-	-	-	-	-	-	(271,095)	(271,095)
Balance on December 31, 2020	11,082,745	1,132,062	3,126,808	1,014,000	10,638,168	(1,935,455)	345,473	25,403,801	1,382,755	26,786,556
Profit	-	-	-	-	3,963,422	-	-	3,963,422	48,066	4,011,488
Other comprehensive income	-	-	-	-	(97,307)	(160,243)	113,943	(143,607)	13,382	(130,225)
Total comprehensive income	-	-	-	-	3,866,115	(160,243)	113,943	3,819,815	61,448	3,881,263
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	358,362	-	(358,362)	-	-	-	-	-
Special reserve	-	-	-	575,982	(575,982)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,994,894)	-	-	(1,994,894)	-	(1,994,894)
Difference between consideration and carrying amount of subsidiaries acquired	-	25,470	-	-	-	-	-	25,470	(298,190)	(272,720)
Balance on December 31, 2021	<u>\$ 11,082,745</u>	<u>1,157,532</u>	<u>3,485,170</u>	<u>1,589,982</u>	<u>11,575,045</u>	<u>(2,095,698)</u>	<u>459,416</u>	<u>27,254,192</u>	<u>1,146,013</u>	<u>28,400,205</u>

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 4,987,575	4,772,192
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	2,776,377	2,688,938
Expected credit losses (reversal of expected credit losses)	33,506	(880)
Net gains on financial liabilities at fair value through profit or loss	(6,570)	(1,410)
Interest expense	299,627	453,707
Interest income	(33,957)	(49,588)
Dividend income	(30,423)	(27,431)
Share of profit of associates accounted for using equity method	(151,923)	(109,230)
Loss (gain) on disposal of property, plant and equipment	1,438	(89,812)
Impairment loss on property, plant and equipment	33,110	-
Gain on disposal of investment properties	-	(18,755)
Gain on disposal of right-of-use assets	(113,388)	-
Gain on disposal of investments	(212,873)	-
Total adjustments to reconcile profit (loss)	2,594,924	2,845,539
Changes in operating assets and liabilities:		
Notes and accounts receivable	(1,135,129)	(251,179)
Notes and accounts receivable – related parties	(20,518)	57,233
Other receivables	17,672	56,362
Inventories	(1,587,817)	(493,151)
Construction in progress and building for sale	462,308	575,513
Other current assets	(258,583)	103,947
Notes and accounts payable	492,222	808,524
Notes and accounts payable – related parties	13,153	(67,430)
Other current liabilities	(389,121)	891,053
Net defined benefit liability and other non-current liabilities	(589,205)	(698,270)
Total adjustments	(400,094)	3,828,141
Cash inflow generated from operations	4,587,481	8,600,333
Interest received	33,951	56,686
Cash dividends received	100,705	82,652
Interest paid	(294,876)	(476,438)
Income taxes paid	(740,165)	(744,547)
Net cash flows from operating activities	3,687,096	7,518,686
Cash flows from (used in) investing activities:		
Proceeds from disposal of right-of-use assets	118,703	-
Acquisition of property, plant and equipment	(6,874,833)	(4,093,351)
Proceeds from disposal of property, plant and equipment	42,342	208,032
Proceeds from disposal of investment properties	-	57,851
Decrease (increase) in other non-current assets	132,984	(242,936)
Proceeds from disposal of subsidiaries (subsidiaries' cash deducted)	339,633	-
Net cash flows used in investing activities	(6,241,171)	(4,070,404)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(31,002)	(384,828)
Increase (decrease) in long-term borrowings	4,011,672	(612,099)
Cash dividends paid	(1,994,894)	(1,329,929)
Subsidiaries' capital reduction to non-controlling interests	-	(271,095)
Payment of lease liabilities	(73,145)	(60,988)
Non-controlling interests acquired	(272,720)	-
Net cash flows from (used in) financing activities	1,639,911	(2,658,939)
Effect of exchange rate changes on cash and cash equivalents	245,156	(913,680)
Net decrease in cash and cash equivalents	(669,008)	(124,337)
Cash and cash equivalents at beginning of year	7,744,060	7,868,397
Cash and cash equivalents at end of year	\$ 7,075,052	7,744,060

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, 2021 and 2020

(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, 2021, 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 15, 2022.

(3) New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Corporation’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(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.

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		Description
			December 31, 2021	December 31, 2020	
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	84.18%	79.71%	(Note 1)
Chung Loong Holdings	1. Winvantage Corporation (Winvantage)	Investment	100.00%	100.00%	
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%	
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 and Suzhou Cheng Loong	Shanghai Chung Hao Paper Co., Ltd. (Shanghai Chung Hao)	Paper Containers, Household Papers and Core Papers	100.00%	100.00%	

Name of investor	Name of subsidiary	Principal activity	Percentage of shareholding		Description
			December 31, 2021	December 31, 2020	
H.K. 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%	
H.K. 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%	
H.K. 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%	
Chung Loong Holdings	3. 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	4. 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%	
Chung Loong Holdings	5. 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 and Suzhou Cheng Loong	Cheng Loong (Gwangtung) Paper Co., Ltd. (Cheng Loong (Gwangtung))	Cardboard	100.00%	100.00%	
Cheng Loong (Gwangtung)	Dongguan 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%	
Chung Loong Holdings	6. Cheng Loong (Hangzhou) Investment Co., Ltd. (Cheng Loong (Hangzhou))	Investment	100.00%	100.00%	
Chung Loong Holdings	7. 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%	(Note 2)
Chung Loong Holdings	8. 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%	

Name of investor	Name of subsidiary	Principal activity	Percentage of shareholding		Description
			December 31, 2021	December 31, 2020	
Cheng Loong (Vietnam)	(3) Cheng Loong Bac Giang Company Limited (Bac Giang)	Manufacture of Advanced Packaging for Electronic Products and Tissue, Carton, Wrapping paper, Pallets for Export, Separator, Other Paper Products, Lithographic and Flexographic packaging	100.00%	100.00%	
Cheng Loong (Vietnam)	(4) Cheng Loong Ben Cat Company Limited (Ben Cat)	Corrugated Medium, Corrugated Paper, Paper and Cardboard Packaging	100.00%	-%	(Note 3)
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 from other investors including TYC International Company Limited, a subsidiary of Ta-Yuan Cogeneration, in October 2021. Please refer to note 6(h).

Note 2: The Group sold all shares of Loong Fu Kunsan in the third quarter of 2021. Please refer to note 6(i).

Note 3: Ben Cat was invested in the second quarter of 2021 and the registration process was completed.

(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 or joint venture 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.

(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, etc.).

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 months 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.

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 91 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.

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.

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

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.

(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.

(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) Rental assets: 15~50 years

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

(l) Leases

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.

(i) As a lessee

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.

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:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) 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:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) 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
- 4) there is a change of its assessment on whether it will exercise a extension or termination option; or
- 5) 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.

If an arrangement contains lease and non-lease components, 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.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and other equipment 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.

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

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.

(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 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) temporary 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 reverse, 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 simultaneously, 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.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Judgment regarding control of subsidiaries

- (a) The Group holds 41.06% of the outstanding voting shares of Ta-Yuan Cogeneration Co., Ltd. (Ta-Yuan Cogeneration) and its representative has been selected as a director in the Board. The second largest shareholder, Taiwan Co-generation Co., Ltd., holds 29.31% of the outstanding voting shares and its representatives have been selected as two of directors (including the chairman) in the Board. The Group cannot obtain more than half of the total number of Ta-Yuan Cogeneration's directors and it has no absolute right and influence on Ta-Yuan Cogeneration's main operational activities. Therefore, it is determined that the Group has significant influence on Ta-Yuan Cogeneration.
- (b) The Group holds 34.03% of the outstanding voting shares of Tzeng Long USA Inc. (Tzeng Long USA) and is the single largest shareholder of the investee. Although the remaining 65.97% of Tzeng Long USA's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Tzeng Long USA's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Tzeng Long USA.
- (c) The Group holds 45.00% of the outstanding voting shares of Shin Loong Lifecare Corp. (Shin Loong Lifecare) and is the single largest shareholder of the investee. Although the remaining 55.00% of Shin Loong Lifecare's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Shin Loong Lifecare's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Shin Loong Lifecare.
- (d) The Group holds 34.62% of the outstanding voting shares of Cheng Loong Investment Co., Ltd. (Cheng Loong Investment) and is the single largest shareholder of the investee.

Although the remaining 65.38% of Cheng Loong Investment's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Cheng Loong Investment's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Cheng Loong Investment company.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(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 valuation of inventories.

(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(b) 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(x).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$ 3,062	2,589
Demand deposits	3,840,194	4,203,888
Checking deposits	543,223	665,005
Time deposits	2,456,807	2,265,835
Commercial paper	231,766	606,743
	\$ 7,075,052	7,744,060

(b) Financial assets and liabilities at FVTPL/FVOCI

	December 31, 2021	December 31, 2020
Financial liabilities at FVTPL		
Interest rate swaps	\$ 2,402	8,972
Financial assets at FVOCI		
Stocks listed in domestic market	\$ 546,332	480,015
Stocks unlisted in domestic market	111,714	55,437
	\$ 658,046	535,452

- (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, 2021 and 2020, 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. For related financial activities, please refer to note 6(n). The Group held the following derivative instruments that did not qualify for hedge accounting, presented as held-for-trading financial liabilities:

December 31, 2021				
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, 2020

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%

- (iv) As of December 31, 2021 and 2020, the Group did not provide any of the aforementioned financial assets as collateral.

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

	December 31, 2021	December 31, 2020
Notes receivable	\$ 790,748	519,902
Accounts receivable	6,084,295	5,226,529
Accounts receivable – related parties	723,106	702,588
Less: Loss allowance	(100,223)	(70,179)
	\$ 7,497,926	6,378,840

- (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, 2021		
	Carrying amount of notes and accounts receivable	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 7,052,991	0.35%	24,509
Overdue 1 to 30 days	498,841	8.16%	40,705
Overdue 31 to 90 days	9,956	16.44%	1,637
Overdue 91 to 180 days	5,040	40.69%	2,051
Overdue more than 181 days	31,321	100.00%	31,321
	\$ 7,598,149		100,223

	December 31, 2020		
	Carrying amount of notes and accounts receivable	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 6,195,462	0.36%	22,088
Overdue 1 to 30 days	217,515	8.84%	19,222
Overdue 31 to 90 days	8,135	15.77%	1,283
Overdue 91 to 180 days	627	48.80%	306
Overdue more than 181 days	27,280	100.00%	27,280
	\$ 6,449,019		70,179

- (ii) The movement in the allowance for notes and accounts receivable for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Balance on January 1	\$ 70,179	71,678
Impairment losses recognized (reversed)	33,506	(880)
Amounts written off	(690)	(212)
Effect of exchange rate changes	(2,772)	(407)
Balance on December 31	\$ 100,223	70,179

- (iii) As of December 31, 2021 and 2020, the Group did not provide any notes and accounts receivable as collateral.

(d) Other Receivables

	December 31, 2021	December 31, 2020
Other receivable – Winvantage sold subsidiaries	\$ 1,164,994	1,182,703
Others	61,264	48,398
Less: Loss allowance	(239,217)	(242,854)
	\$ 987,041	988,247

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

	2021	2020
Balance on January 1	\$ 242,854	259,304
Effect of exchange rate changes	(3,637)	(16,450)
Balance on December 31	\$ 239,217	242,854

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials in transit	\$ 756,143	707,620
Raw materials	2,438,475	1,869,898
Semi-finished goods and work in process	1,823,044	1,108,586
Finished goods	913,625	657,366
	\$ 5,931,287	4,343,470

- (i) For the years ended December 31, 2021 and 2020, inventory costs of the Group recognized as cost of sales amounted to \$33,926,408 thousand and \$28,190,471 thousand, respectively. For the years ended December 31, 2021 and 2020, the write-down of inventories amounted to \$13,769 thousand and the reversal of write-downs amounted to \$50,527 thousand, respectively. The write-downs and reversals are included in cost of sales.
- (ii) As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

(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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cheng Loong Tien Dee – building for sale	\$ 27,245	27,245	-	-
Beitou Lee Tse – building for sale	49,304	50,378	-	-
Cheng Loong Jing Zuan – building for sale	-	3,588	-	-
Roosevelt Road – building for sale	380,941	806,254	175,480	497,630
Raohe Street – building for sale	35,647	384,668	-	285,528
Hang Jhou South Road – construction in progress	2,102,945	1,793,341	599,889	403,320
Sanchong – construction in progress	18,647	18,066	-	-
Nanchang Road – construction in progress	95,747	92,831	-	-
Chengde Road – construction in progress	280	280	-	-
	\$ 2,710,756	3,176,651	775,369	1,186,478

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

	2021	2020
Capitalized interest	\$ 15,091	14,903
Capitalized interest rate	1.02%~1.06%	1.14%~1.49%

(g) Investments accounted for using equity method

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

	December 31, 2021	December 31, 2020
Associates	\$ 1,381,201	1,278,655
Less: allowance for impairment losses	(16,025)	(16,025)
	\$ 1,365,176	1,262,630

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

The name of the associate	Principle activity	Main operating location / Registered country of the Company	Percentage of shareholding and voting rights	
			December 31, 2021	December 31, 2020
Ta-Yuan Cogeneration	Engaged in the management of cogeneration	Taiwan	41.06%	41.06%
Tzeng Long USA	Paper trading	U.S.A.	34.03%	34.03%

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

	December 31, 2021	December 31, 2020
Ta-Yuan Cogeneration	<u><u>\$ 1,596,398</u></u>	<u><u>1,566,277</u></u>

- (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 Cogeneration:

	December 31, 2021	December 31, 2020
Current assets	\$ 1,148,317	1,034,798
Non-current assets	3,267,568	3,301,155
Current liabilities	(388,410)	(1,813,129)
Non-current liabilities	(1,983,531)	(533,049)
Net assets	<u><u>\$ 2,043,944</u></u>	<u><u>1,989,775</u></u>
Net assets attributable to owners of parent	<u><u>\$ 2,043,944</u></u>	<u><u>1,989,775</u></u>
	2021	2020
Operating revenues	<u><u>\$ 1,997,736</u></u>	<u><u>1,842,558</u></u>
Profit	\$ 170,371	182,213
Other comprehensive income	54,968	120,369
Comprehensive income	<u><u>\$ 225,339</u></u>	<u><u>302,582</u></u>
Comprehensive income attributable to owners of parent	<u><u>\$ 225,339</u></u>	<u><u>302,582</u></u>
	2021	2020
Beginning balance of the Group's share of net assets	\$ 817,001	747,982
Group's share of other comprehensive income	92,524	124,240
Dividends received from the associate	(70,282)	(55,221)
Ending balance of the Group's share of net assets	839,243	817,001
Elimination of deferred unrealized gain on downstream sales of land	(89,345)	(89,345)
Investment in associate on December 31	<u><u>\$ 749,898</u></u>	<u><u>727,656</u></u>

2) Tzeng Long USA:

	December 31, 2021	December 31, 2020
Current assets	\$ 1,187,198	969,427
Non-current assets	169,766	163,667
Current liabilities	(203,547)	(137,659)
Non-current liabilities	(12,499)	(25,286)
Net assets	\$ 1,140,918	970,149
Net assets attributable to owners of parent	\$ 1,140,918	970,149
	2021	2020
Operating revenues	\$ 2,330,229	1,315,360
Profit	\$ 209,546	73,369
Other comprehensive	(38,777)	(67,010)
Comprehensive income	\$ 170,769	6,359
Comprehensive income attributable to owners of parent	\$ 170,769	6,359
	2021	2020
Beginning balance of the Group's share of net assets	\$ 330,142	326,569
Group's share of other comprehensive income	58,113	2,164
Net worth differences of buyback treasury stocks	-	1,409
Ending balance of the Group's share of net assets	\$ 388,255	330,142
Investment in associate on December 31	\$ 388,255	330,142

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, 2021	December 31, 2020
Carrying amount in aggregate for all individually immaterial associates	\$ 227,023	204,832

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

	2021	2020
Profit	\$ 10,656	9,445
Other comprehensive income	11,535	60,372
Comprehensive income	\$ 22,191	69,817

- (iv) As of December 31, 2021 and 2020, 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

Based on the Group's operational consideration, the board of directors resolved to acquire 2,996 thousand shares of Chung Loong Holdings from other investors including TYC International Limited, a subsidiary of Ta Yuan Cogeneration, in August 2021. The price per share was USD3.26 and the total consideration was USD9,768 thousand (NTD272,720 thousand). The transaction price was determined by both parties and the Group engaged another Certified Public Accountant to provide an opinion regarding its reasonableness. The amendment of registration of this equity transaction had been completed, and the Group's percentage of ownership in Chung Loong Holdings had increased from 79.71% to 84.18% as a result of the above transaction.

The change in the Group's shares of Chung Loong Holdings has impacted the parent company's equity as follows:

Carrying amount of non-controlling interests on acquisition	\$	298,190
Consideration paid to non-controlling interests		(272,720)
Capital surplus – differences between the consideration and the carrying amounts of subsidiaries acquired	\$	25,470

For related related-party transactions, please refer to note 7(b).

(i) Loss control of subsidiaries

In July 2021, the board of directors of H.K. Loong Fu and Shanghai Chung Hao, both subsidiaries of the Group, resolved to sell 85% and 15% of their shares, respectively, in Loong Fu Kunsan to Kunshan Suyu Paper Products Co., Ltd., at the consideration amounts of CNY68,000 thousand and CNY12,000 thousand, respectively, totaling CNY80,000 thousand. The amendment of registration was completed in the third quarter of 2021. The gain on disposal amounting to \$212,873 thousand, recorded as gain on disposal of investment, was calculated based on the proceeds deducted from the book value and the cumulative translation adjustments. As of December 31, 2021, the receivables for the transaction were fully received. The carrying amounts of assets and liabilities of Loong Fu Kunsan on August 6, 2021 (equity delivery date) were as follows:

Cash and cash equivalents	\$	2,820
Other current assets		291
Property, plant and equipment		91,569
Right-of-use assets		12,789
Other current liabilities		(326)
Net assets of former subsidiary	\$	107,143

(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, 2021	December 31, 2020
Chung Loong Holdings	Cayman Islands	15.82%	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, 2021	December 31, 2020
Current assets	\$ 7,686,283	7,464,757
Non-current assets	2,894,702	3,386,118
Current liabilities	(3,697,924)	(4,289,306)
Non-current liabilities	(173,809)	(182,298)
Net assets	\$ 6,709,252	6,379,271
Non-controlling interests	\$ 1,003,864	1,248,736
	2021	2020
Operating revenues	\$ 6,716,345	6,266,476
Profit	\$ 255,340	136,109
Other comprehensive income (loss)	74,641	(724,940)
Comprehensive income (loss)	\$ 329,981	(588,831)
Profit attributable to non-controlling interests	\$ 39,543	17,871
Comprehensive income (loss) attributable to non-controlling interests	\$ 53,318	(178,560)
Cash flows from (used in) operating activities	\$ (567,526)	1,423,197
Cash flows from investing activities	391,489	57,045
Cash flows used in financing activities	(283,856)	(1,418,703)
Effect of exchange rate changes	67,177	(729,226)
Net decrease in cash and cash equivalents	\$ (392,716)	(667,687)
Capital reduction to non-controlling interests	\$ -	271,095

(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 and testing equipment	Total
Cost:							
Balance on January 1, 2021	\$ 5,223,392	12,473,180	40,356,783	3,640,291	468,099	4,895,637	67,057,382
Additions	1,130,084	78,449	18,811	123,108	-	5,542,202	6,892,654
Disposals	-	-	(279,321)	(169,940)	-	-	(449,261)
Reclassification	125,270	988,274	1,947,445	116,006	-	(3,060,987)	116,008
Reclassification to investment property	(1,672)	(50,319)	-	-	-	-	(51,991)
Disposal of subsidiaries	-	(252,416)	(23,278)	(1,440)	-	-	(277,134)
Effect of exchange rate changes	(122)	18,960	17,252	2,732	-	(636,598)	(597,776)
Balance on December 31, 2021	\$ 6,476,952	13,256,128	42,037,692	3,710,757	468,099	6,740,254	72,689,882
Balance on January 1, 2020	\$ 5,191,983	12,398,492	39,954,032	3,657,644	468,099	2,317,222	63,987,472
Additions	33,337	11,075	24,970	74,421	-	4,070,240	4,214,043
Disposals	(1,465)	(78,139)	(582,094)	(182,021)	-	-	(843,719)
Reclassification	88	132,579	952,760	92,156	-	(1,153,716)	23,867
Effect of exchange rate changes	(551)	9,173	7,115	(1,909)	-	(338,109)	(324,281)
Balance on December 31, 2020	\$ 5,223,392	12,473,180	40,356,783	3,640,291	468,099	4,895,637	67,057,382
Accumulated depreciation and impairment:							
Balance on January 1, 2021	\$ -	6,684,289	27,199,139	2,899,131	175,478	-	36,958,037
Depreciation	-	506,142	1,777,745	296,315	10,089	-	2,590,291
Disposals	-	-	(241,643)	(163,838)	-	-	(405,481)
Reclassification	-	-	3	(162)	-	-	(159)
Impairment loss	-	-	33,110	-	-	-	33,110
Reclassification to investment property	-	(21,495)	-	-	-	-	(21,495)
Disposal of subsidiaries	-	(168,375)	(15,750)	(1,440)	-	-	(185,565)
Effect of exchange rate changes	-	(19,298)	(108,858)	(22,192)	-	-	(150,348)
Balance on December 31, 2021	\$ -	6,981,263	28,643,746	3,007,814	185,567	-	38,818,390
Balance on January 1, 2020	\$ -	6,226,196	26,146,806	2,795,513	165,388	-	35,333,903
Depreciation	-	499,817	1,697,501	303,697	10,090	-	2,511,105
Disposals	-	(16,736)	(535,139)	(173,624)	-	-	(725,499)
Effect of exchange rate changes	-	(24,988)	(110,029)	(26,455)	-	-	(161,472)
Balance on December 31, 2020	\$ -	6,684,289	27,199,139	2,899,131	175,478	-	36,958,037
Carrying amount:							
Balance on December 31, 2021	\$ 6,476,952	6,274,865	13,393,946	702,943	282,532	6,740,254	33,871,492
Balance on December 31, 2020	\$ 5,223,392	5,788,891	13,157,644	741,160	292,621	4,895,637	30,099,345
Balance on January 1, 2020	\$ 5,191,983	6,172,296	13,807,226	862,131	302,711	2,317,222	28,653,569

- (i) Because the Group adjusts its production lines to improve product competitiveness, some of the machines are idle. Based on the Group's assessments, the Group had evaluated their impairment amounting to \$33,110 thousand for the year ended December 31, 2021.

- (ii) As of December 31, 2021 and 2020, property, plant and equipment of the Group were pledged as collateral for bank loans; please refer to note 8.
- (iii) As of December 31, 2021 and 2020, the book values of agricultural land bought by the Group for operational use amounted to \$1,084,068 thousand and \$1,087,016 thousand, respectively. 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) Property, plant and equipment under construction

As of December 31, 2021 and 2020, the construction in progress amounted to \$6,548,295 thousand and \$4,239,252 thousand, respectively, including the capitalized borrowing costs.

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

	2021	2020
Capitalized interest	\$ 70,244	15,781
Capitalized interest rate	1.02%~4.60%	1.14%~1.49%

(I) Right-of-use assets

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

	Land	Buildings	Machinery	Transportation	Total
Cost:					
Balance on January 1, 2021	\$ 2,327,240	157,780	6,535	3,737	2,495,292
Additions	8,312	57,886	-	-	66,198
Lease modification	(2,112)	(872)	-	-	(2,984)
Disposal	(7,313)	(3,334)	(5,640)	(2,067)	(18,354)
Reclassification from investment property	99,875	-	-	-	99,875
Disposal of subsidiaries	(13,742)	-	-	-	(13,742)
Effect of exchange rate changes	2,835	235	-	-	3,070
Balance on December 31, 2021	\$ 2,415,095	211,695	895	1,670	2,629,355
Balance on January 1, 2020	\$ 2,284,951	145,286	6,535	3,737	2,440,509
Additions	7,055	11,736	-	-	18,791
Lease modification	(7,556)	811	-	-	(6,745)
Reclassification	41,240	-	-	-	41,240
Effect of exchange rate changes	1,550	(53)	-	-	1,497
Balance on December 31, 2020	\$ 2,327,240	157,780	6,535	3,737	2,495,292

	Land	Buildings	Machinery	Transportation	Total
Accumulated depreciation:					
Balance on January 1, 2021	\$ 137,778	66,473	2,305	1,945	208,501
Depreciation	78,450	37,940	671	884	117,945
Disposal	(1,185)	(1,429)	(2,081)	(1,435)	(6,130)
Reclassification from investment property	17,050	-	-	-	17,050
Disposal of subsidiaries	(953)	-	-	-	(953)
Effect of exchange rate changes	(5,904)	66	-	-	(5,838)
Balance on December 31, 2021	\$ 225,236	103,050	895	1,394	330,575
Balance on January 1, 2020	\$ 65,462	31,991	1,177	799	99,429
Depreciation	73,719	34,419	1,128	1,146	110,412
Reclassification	4,634	-	-	-	4,634
Effect of exchange rate changes	(6,037)	63	-	-	(5,974)
Balance on December 31, 2020	\$ 137,778	66,473	2,305	1,945	208,501
Carrying amount:					
Balance on December 31, 2021	\$ 2,189,859	108,645	-	276	2,298,780
Balance on December 31, 2020	\$ 2,189,462	91,307	4,230	1,792	2,286,791
Balance on January 1, 2020	\$ 2,219,489	113,295	5,358	2,938	2,341,080

Right-of-use assets of the Group were pledged as collateral for bank loans; please refer to note 8.

(m) Investment property

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

	Land	Buildings	Right-of-use assets-land	Total
Cost:				
Balance on January 1, 2021	\$ 135,464	1,885,316	99,875	2,120,655
Reclassification from building for sale and property, plant and equipment	2,090	53,488	-	55,578
Reclassification to right-of-use assets	-	-	(99,875)	(99,875)
Effect of exchange rate changes	392	2,399	-	2,791
Balance on December 31, 2021	\$ 137,946	1,941,203	-	2,079,149
Balance on January 1, 2020	\$ 134,253	1,921,408	142,589	2,198,250
Reclassification from building for sale	1,191	11,977	-	13,168
Reclassification to right-of-use assets	-	-	(41,240)	(41,240)
Lease modification	-	-	(1,474)	(1,474)
Disposal	(175)	(49,256)	-	(49,431)
Effect of exchange rate changes	195	1,187	-	1,382
Balance on December 31, 2020	\$ 135,464	1,885,316	99,875	2,120,655

	Land	Buildings	Right-of-use assets-land	Total
Accumulated depreciation and impairment:				
Balance on January 1, 2021	\$ 4,865	688,374	12,815	706,054
Depreciation	-	48,704	4,235	52,939
Amortization	1,635	-	-	1,635
Reclassification to right-of-use assets	-	-	(17,050)	(17,050)
Reclassification from property, plant and equipment	-	21,495	-	21,495
Effect of exchange rate changes	23	827	-	850
Balance on December 31, 2021	\$ 6,523	759,400	-	765,923
Balance on January 1, 2020	\$ 3,234	649,321	9,054	661,609
Depreciation	-	49,040	8,395	57,435
Amortization	1,612	-	-	1,612
Reclassification to right-of-use assets	-	-	(4,634)	(4,634)
Disposal	-	(10,336)	-	(10,336)
Effect of exchange rate changes	19	349	-	368
Balance on December 31, 2020	\$ 4,865	688,374	12,815	706,054
Carrying amount:				
Balance on December 31, 2021	\$ 131,423	1,181,803	-	1,313,226
Balance on December 31, 2020	\$ 130,599	1,196,942	87,060	1,414,601
Balance on January 1, 2020	\$ 131,019	1,272,087	133,535	1,536,641
Fair value:				
Balance on December 31, 2021				\$ 5,428,684
Balance on December 31, 2020				\$ 5,490,613

- (i) The Group early terminated its lease contract of sub-leasing the leased land of Port of Taichung to a related party in August 2021 and reclassified its right-of-use assets of land and related accumulated depreciation from investment properties to right-of-use assets. Please refer to note 6(l).
- (ii) 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(p).
- (iii) 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.
- (iv) 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.

- (v) As of December 31, 2021 and 2020, investment property of the Group was pledged as collateral for bank loans; please refer to note 8.

(n) Long-term and short-term borrowings

The details, terms and conditions were as follows:

	Currency	Interest rate	Maturity year	December 31, 2021	December 31, 2020
Secured bank loans	RMB	-%	2021	\$ -	477,124
Secured bank loans	USD	1.20%~2.64%	2022~2028	4,816,656	3,641,602
Secured bank loans	NTD	0.75%	2025	1,130,000	640,000
Secured bank loans	VND	3.41%~4.60%	2022~2028	720,173	297,468
Unsecured bank loans	RMB	3.70%~3.95%	2022	396,912	-
Unsecured bank loans	USD	1.16%~1.80%	2022	1,167,938	1,035,488
Unsecured bank loans	NTD	0.91%~1.79%	2023~2025	3,667,734	2,281,214
Unsecured bank loans	VND	2.40%~4.00%	2022	941,037	1,011,637
Letters of credit	USD	0.71%~0.80%	2022	24,248	250,219
Letters of credit	EUR	0.80%~0.85%	2022	1,538	6,403
Letters of credit	JPY	0.70%~0.84%	2022	34,511	75,601
Letters of credit	SEK	3.90%	2022	359	661
Commercial paper payable	NTD	0.86%~1.07%	2022~2025	10,873,367	10,076,386
Total				\$ 23,774,473	19,793,803
Current – short-term borrowings				\$ 5,092,443	5,123,445
Current – current portion of long-term borrowings				2,026,641	780,699
Non-current – long-term borrowings				16,655,389	13,889,659
Total				\$ 23,774,473	19,793,803

- (i) The total line of credit for the Group's syndicated loan with 13 banks, including Hua Nan Commercial Bank, was \$7,200,000 thousand (comprising \$4,320,000 thousand of revolving long-term commercial paper payable). 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.
- (ii) 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.

- (iii) The total line of credit for the Group's syndicated loan with 10 banks, including Mega International Commercial Bank, was USD165,000 thousand. The contract period is from July 25, 2017 to July 24, 2022, a total of five years.
- (iv) 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.
- (v) The total line of credit for the Group's syndicated loan with 10 banks, including First Commercial Bank, was \$4,800,000 thousand (comprising \$3,840,000 thousand of revolving long-term commercial paper payable). The contract period is from April 27, 2020 to April 26, 2025, 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.
- (vi) The loan with Mega International Commercial Bank based on "Loans for Returning Overseas Taiwanese Businesses" amounted to \$1,400,000 thousand, with the contract period beginning from March 30, 2020 to December 15, 2025. The line of credit is not revolving in nature; hence, the loan will be repaid on the 15th of every month after two years.
- (vii) The total lines of credit for the Group's syndicated loan with 9 banks, including Mega International Commercial Bank, were USD90,000 thousand and VND920,000,000 thousand. The contract period is five years from the initial drawdown date within twelve months from August 17, 2020. However, if there is no initial drawdown within twelve months, the contract period will be from August 17, 2021 to August 16, 2026, a total five years.
- (viii) The total line of credit for the Group's syndicated loan with 10 banks, including Hua Nan Commercial Bank, was \$8,000,000 thousand (comprising \$6,800,000 thousand of revolving long-term commercial paper payable). The contract period is from December 22, 2020 to December 21, 2025, 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.
- (ix) The total lines of credit for the Group's syndicated loan with 10 banks, including Mega International Commercial Bank, were USD161,000 thousand and VND1,587,000,000 thousand. The contract period is five years from the initial drawdown date within twelve months from December 22, 2021. However, if there is no initial drawdown within twelve months, the contract period will be from December 22, 2022 to December 21, 2027, a total of five years.
- (x) To obtain the above loans, except for the loan with Mega International Commercial Bank based on "Loans for Returning Overseas Taiwanese Businesses", 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.

(xi) As of December 31, 2021, the Group had not violated the covenants of the loans above.

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

(o) Lease liabilities

Lease liabilities of the Group were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 65,704</u>	<u>59,880</u>
Non-current	<u>\$ 753,046</u>	<u>775,854</u>

For the maturities analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 14,366</u>	<u>15,242</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 24,019</u>	<u>36,664</u>
COVID-19-related rent concessions (recognized as deduction of rent expenses)	<u>\$ 143</u>	<u>1,505</u>

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

	2021	2020
Rental paid in operating activities	\$ 24,019	36,664
Interest on lease liabilities paid in operating activities	14,366	15,242
Payment made on lease liabilities in financing activities	73,145	60,988
Total cash outflow for leases	<u>\$ 111,530</u>	<u>112,894</u>

(p) Operating leases

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, 2021	December 31, 2020
Less than one year	\$ 87,357	127,765
One to two years	60,229	98,342
Two to three years	45,612	75,270
Three to four years	33,305	62,512
Four to five years	12,482	50,168
More than five years	1,627	57,785
	\$ 240,612	471,842

For the years ended December 31, 2021 and 2020, the rental revenue with respect to property leases amounted to \$116,059 thousand and \$136,581 thousand, respectively, and was recorded as operating revenues.

(q) 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, 2021	December 31, 2020
Present value of defined benefit obligations	\$ (3,476,001)	(3,420,368)
Fair value of plan assets	2,717,012	2,218,579
Net defined benefit liability	\$ (758,989)	(1,201,789)

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 \$2,717,012 thousand as of December 31, 2021. 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, 2021 and 2020, were as follows:

	2021	2020
Defined benefit obligations on January 1	\$ (3,420,368)	(3,153,483)
Adjustment on January 1	-	(100)
Benefits paid by the plan	206,097	173,924
Remeasurement of net defined benefit liability (assets) – actuarial gains (losses) arising from changes in financial assumptions	(197,575)	(364,064)
Current service cost and interest expense	(64,155)	(76,645)
Defined benefit obligations on December 31	\$ (3,476,001)	(3,420,368)

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, 2021 and 2020, were as follows:

	2021	2020
Fair value of plan assets on January 1	\$ 2,218,579	1,525,104
Adjustment on January 1	-	100
Expected return on plan assets	13,837	15,462
Remeasurement of net defined benefit liability (assets) – return on plan assets (excluding interest expense)	22,251	45,807
Contribution made	624,420	790,957
Benefits paid by the plan	(162,075)	(158,851)
Fair value of plan assets on December 31	\$ 2,717,012	2,218,579

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Service cost	\$ 41,398	43,825
Net interest on net defined benefit liability	8,920	17,358
	\$ 50,318	61,183
Operating costs	\$ 29,591	37,561
Selling expenses	5,604	5,724
Administrative expenses	14,013	16,487
Research and development expenses	1,110	1,411
	\$ 50,318	61,183

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:

	2021	2020
Cumulative amount on January 1	\$ 869,096	550,839
Recognized during the period	175,324	318,257
Cumulative amount on December 31	\$ 1,044,420	869,096

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2021	2020
Discount rate	0.625%~0.750%	0.350%~0.650%
Future salary increase rate	2.000%~3.000%	2.000%~3.000%

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 \$169,970 thousand. The weighted-average duration of the defined benefit plans is 9~11.29 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, 2021 and 2020, would have been as follows:

	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount rate	(78,743)	81,522
Future salary increase rate	79,326	(77,017)
December 31, 2020		
Discount rate	(80,697)	83,633
Future salary increase rate	81,364	(78,912)

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 the years ended December 31, 2021 and 2020.

(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 recognized pension costs under the defined contribution method amounting to \$141,474 thousand and \$97,645 thousand for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(r) Income tax

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

	2021	2020
Current tax expenses	\$ 766,077	839,972
Deferred tax expenses	210,010	188,351
Income tax expenses	\$ 976,087	1,028,323

(ii) Tax benefits under other comprehensive income or loss were as follows:

	2021	2020
Items that may not be reclassified subsequently to profit or loss:		
Losses on remeasurements of defined benefit plans	\$ (34,871)	(173,302)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (37,422)	(171,743)
Shares of other comprehensive income of associates accounted for using equity method	(2,639)	(4,560)
	\$ (40,061)	(176,303)

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

	2021	2020
Profit before income tax	\$ 4,987,575	4,772,192
Income tax using the Corporation's domestic tax rate	997,515	954,438
Effect of tax rate differential in foreign jurisdictions	45,025	47,248
Additional tax on undistributed earnings	-	31,726
Gains on sale of land exempt from income tax	(17,955)	(27,306)
Prior year's income tax adjustment	(14,127)	4,261
Recognition of previously unrecognized tax losses	30,851	18,432
Reversal of prior year's capital gains tax on disposal of subsidiaries	(20,565)	-
Changes in unrecognized temporary differences	872	(5,979)
Land value incremental tax	10,005	31,363
Investment tax credits accrued	(50,000)	(55,292)
Others	(5,534)	29,432
	\$ 976,087	1,028,323

(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, 2021	December 31, 2020
Deductible temporary differences:		
Unallocated pension expenses	\$ (2,272)	(1,952)
Others	(13,163)	(12,611)
	(15,435)	(14,563)
Tax losses	(655,671)	(624,820)
	\$ (671,106)	(639,383)

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.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 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	Exchange differences on translation of foreign financial statements	Others	Total
Balance on January 1, 2021	\$ (34,219)	(33,936)	(27,451)	(19,655)	(452,174)	(110,186)	(677,621)
Recognized in profit or loss	64,545	(971)	15,036	2,164	-	34,230	115,004
Recognized in other comprehensive income	(34,871)	-	-	-	(40,061)	-	(74,932)
Balance on December 31, 2021	\$ (4,545)	(34,907)	(12,415)	(17,491)	(492,235)	(75,956)	(637,549)
Balance on January 1, 2020	\$ (7,418)	(33,994)	(22,159)	(16,382)	(275,871)	(122,242)	(478,066)
Recognized in profit or loss	3,513	58	(5,292)	(3,273)	-	12,056	7,062
Recognized in other comprehensive income	(30,314)	-	-	-	(176,303)	-	(206,617)
Balance on December 31, 2020	\$ (34,219)	(33,936)	(27,451)	(19,655)	(452,174)	(110,186)	(677,621)

Deferred tax liabilities:

	Overseas investment income recognized under the equity method	Land value increment tax	Temporary differences from depreciation of machinery	Others	Total
Balance on January 1, 2021	\$ 257,288	195,480	891,016	2,460	1,346,244
Recognized in profit or loss	25,141	-	72,325	(2,460)	95,006
Balance on December 31, 2021	\$ 282,429	195,480	963,341	-	1,441,250
Balance on January 1, 2020	\$ 190,895	195,757	778,303	-	1,164,955
Recognized in profit or loss	66,393	(277)	112,713	2,460	181,289
Balance on December 31, 2020	\$ 257,288	195,480	891,016	2,460	1,346,244

(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	2019
Gem Tech	2019
Chung Ming Taiwan (branch of Chung Ming)	2019

(s) Capital and other equity

(i) Capital

As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
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	439,684	414,214
Others	2,835	2,835
	\$ 1,157,532	1,132,062

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.

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

According to the FSC regulations, 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

On July 30, 2021, and June 12, 2020, based on a resolution approved by the stockholders' meetings, the information on dividends appropriated from the distributable retained earnings of 2020 and 2019 was as follows:

	2020	2019
Stockholders' dividends – cash, \$1.8 (dollars) and \$1.2 (dollars) per share, respectively	\$ 1,994,894	1,329,929

Information about the distribution of dividends can be accessed at the Market Observation Post System Website.

(t) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share of years 2021 and 2020 based on the profit attributable to ordinary stockholders of the Corporation and the weighted-average number of common shares outstanding was as follows:

	2021	2020
Profit of the Corporation for the year	\$ 3,963,422	3,727,746
Weighted-average number of common shares (Basic / thousand shares)	1,108,275	1,108,275
Basic earnings per share (dollars)	\$ 3.58	3.36

(ii) Diluted earnings per share

The calculation of diluted earnings per share of years 2021 and 2020 based on the profit attributable to ordinary 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:

	2021	2020
Profit of the Corporation for the year	\$ 3,963,422	3,727,746
Weighted-average number of common shares (Diluted / thousand shares)	1,111,524	1,111,634
Diluted earnings per share (dollars)	\$ 3.57	3.35

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

	2021	2020
Weighted-average number of common shares (basic)	1,108,275	1,108,275
Effect of employee stock remuneration	3,249	3,359
Weighted-average number of common shares (diluted)	1,111,524	1,111,634

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets		
Taiwan	\$ 31,408,811	27,922,193
Mainland China	6,716,345	6,266,253
Southeast Asia	6,860,934	5,885,944
	\$ 44,986,090	40,074,390
Major products / services lines		
Sale of goods	\$ 43,887,916	38,293,428
Sales of building	944,393	1,588,247
Rental revenue	116,059	136,362
Cogeneration revenue	37,722	56,353
	\$ 44,986,090	40,074,390

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable (including related parties)	\$ 7,598,149	6,449,019	6,252,886
Less: Loss allowance	(100,223)	(70,179)	(71,678)
	<u>\$ 7,497,926</u>	<u>6,378,840</u>	<u>6,181,208</u>
Contract liabilities – advance receive on real estate	<u>\$ 775,369</u>	<u>1,186,478</u>	<u>1,097,333</u>

- 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, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$783,158 thousand and \$874,066 thousand, respectively.
- 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.

(v) Employee remuneration

Based on the Corporation's articles, if the Corporation incurred earnings for the year, the earnings shall first be used 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.

For the years ended December 31, 2021 and 2020, the Corporation estimated its employee remuneration both amounting to \$90,000 thousand. 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 2021 and 2020. 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 2022. The actual amounts appropriated and the estimated amounts in the financial statements were the same in 2020.

(w) Non-operating income and expenses

(i) Other income

The Group's other income was as follows:

	2021	2020
Interest income	\$ 33,957	49,588
Dividend income	30,423	27,431
Rental revenue	39,334	48,515
Subsidize revenue from waste disposal	97,566	68,559
	\$ 201,280	194,093

(ii) Other gains and losses, net

The Group's other gains and losses was as follows:

	2021	2020
Net gain (loss) on disposal of property, plant and equipment	\$ (1,438)	89,812
Gain on disposal of investment property	-	18,755
Net gain (loss) on foreign exchanges	44,624	(228,531)
Impairment loss on property, plant and equipment	(33,110)	-
Net gain on financial liabilities at fair value through profit or loss	6,570	1,410
Gain on disposal of right-of-use assets	113,388	-
Others	16,685	23,552
	\$ 146,719	(95,002)

(iii) Finance costs

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

	2021	2020
Interest expense	\$ 285,261	438,465
Interest on lease liabilities	14,366	15,242
	\$ 299,627	453,707

For details of capitalized interest, please refer to notes 6(f) and (k).

(x) 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, 2021 and 2020, the maximum exposure to credit risk amounted to \$15,892,705 thousand and \$15,511,805 thousand, respectively.

(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, 2021					
Non-derivative financial liabilities:					
Long-term and short-term borrowings	\$ 23,774,473	24,085,799	7,212,308	15,305,694	1,567,797
Notes and accounts payable (including related parties)	6,235,991	6,235,991	6,235,991	-	-
Lease liabilities	818,750	1,046,732	79,123	211,239	756,370
Other payables	2,804,786	2,804,786	2,804,786	-	-
Derivative financial liabilities:					
Interest rate swaps	2,402	2,402	2,402	-	-
	\$ 33,636,402	34,175,710	16,334,610	15,516,933	2,324,167
December 31, 2020					
Non-derivative financial liabilities:					
Long-term and short-term borrowings	\$ 19,793,803	20,236,374	6,036,156	8,968,753	5,231,465
Notes and accounts payable (including related parties)	5,730,616	5,730,616	5,730,616	-	-
Lease liabilities	835,734	1,076,923	73,980	207,723	795,220
Other payables	2,693,434	2,693,434	2,693,434	-	-
Derivative financial liabilities:					
Interest rate swaps	8,972	8,972	8,972	-	-
	\$ 29,062,559	29,746,319	14,543,158	9,176,476	6,026,685

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, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	\$ 249,651	27.6300	6,897,857	272,627	28.0500	7,647,188
JPY	71,512	0.2383	17,041	70,687	0.2705	19,121
EUR	484	31.1170	15,061	1,181	34.3620	40,582
Non-monetary items						
USD	13,966	27.8000	388,255	11,420	28.9100	330,142
Financial liabilities						
Monetary item						
USD	\$ 339,349	27.7300	9,410,148	337,555	28.1500	9,502,173
JPY	431,754	0.2423	104,614	532,806	0.2745	146,256

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 \$25,848 thousand and \$19,415 thousand for the years ended December 31, 2021 and 2020, 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 2021 and 2020, the foreign exchange gain or loss, including both realized and unrealized, amounted to gains \$44,624 thousand and losses \$228,531 thousand, respectively.

(iv) Interest rate risk

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

	Carrying amount	
	December 31, 2021	December 31, 2020
Fixed-rate instruments:		
Financial assets	\$ 2,456,807	2,265,835
Variable-rate instruments:		
Financial assets	\$ 4,071,960	4,810,631
Financial liabilities	(23,774,473)	(19,793,803)
	\$ (19,702,513)	(14,983,172)

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 \$49,256 thousand and \$37,458 thousand for the years ended 2021 and 2020, respectively, with all other variable factors remaining constant. This mainly resulted from borrowings with variable interest rates.

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:

	2021	2020
Price of securities at the reporting date	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ 54,633	48,002
Decreasing 10%	\$ (54,633)	(48,002)

(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, 2021					
	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	\$ 546,332	546,332	-	-	546,332
Stocks unlisted in domestic market	111,714	-	-	111,714	111,714
	\$ 658,046	546,332	-	111,714	658,046
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 7,075,052				
Notes and accounts receivable (including related parties)	7,497,926				
Other receivables	987,041				
Other financial assets – current	135,982				
Other financial assets – non- current	199,766				
	\$15,895,767				
Financial liabilities at fair value through profit or loss					
Interest rate swaps	\$ 2,402	-	-	2,402	2,402
Financial liabilities at amortized cost					
Borrowings	\$23,774,473				
Notes and accounts payable (including related parties)	6,235,991				
Other payables	2,804,786				
Guarantee deposits	487,699				
Lease liabilities	818,750				
	\$34,121,699				

December 31, 2020					
	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	\$ 480,015	480,015	-	-	480,015
Stocks unlisted in domestic market	55,437	-	-	55,437	55,437
	\$ 535,452	480,015	-	55,437	535,452
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 7,744,060				
Notes and accounts receivable (including related parties)	6,378,840				
Other receivables	988,247				
Other financial assets – current	202,520				
Other financial assets – non-current	200,727				
	\$15,514,394				
Financial liabilities at fair value through profit or loss					
Interest rate swaps	\$ 8,972	-	-	8,972	8,972
Financial liabilities at amortized cost					
Borrowings	\$19,793,803				
Notes and accounts payable (including related parties)	5,730,616				
Other payables	2,693,434				
Guarantee deposits	458,379				
Lease liabilities	835,734				
	\$29,511,966				

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 1 and Level 2

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

5) Changes in Level 3

	Financial liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Balance on January 1, 2021	\$ (8,972)	55,437
Recognized in profit or loss	6,570	-
Recognized in other comprehensive income	-	56,277
Balance on December 31, 2021	\$ (2,402)	111,714
Balance on January 1, 2020	\$ (10,382)	55,437
Recognized in profit or loss	1,410	-
Balance on December 31, 2020	\$ (8,972)	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, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total gains or losses		
In profit or loss (recognized in “other gains and losses”)	\$ (2,402)	(8,972)

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, 2021 and 2020 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, 2021			
Financial assets at fair value through other comprehensive income – equity investments in inactive markets	Discount for lack of marketability	±10%	
			\$ (4,788) 4,788

December 31, 2020		
Financial assets at fair value through other comprehensive income – equity investments in inactive markets	Discount for lack of marketability ±10%	
		\$ (2,693) 2,693

(y) 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(x).

- (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.

(z) 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, 2021 and 2020, the debt ratios were 57% and 56%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2021.

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
Short-term borrowings	\$ 5,123,445	(31,002)	-	5,092,443
Long-term borrowings	14,670,358	4,011,672	-	18,682,030
Lease liabilities	835,734	(73,145)	56,161	818,750
Total liabilities from financing activities	\$ 20,629,537	3,907,525	56,161	24,593,223

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Short-term borrowings	\$ 5,508,273	(384,828)	-	5,123,445
Long-term borrowings	15,282,457	(612,099)	-	14,670,358
Lease liabilities	887,655	(60,988)	9,067	835,734
Total liabilities from financing activities	\$ 21,678,385	(1,057,915)	9,067	20,629,537

(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 Cogeneration Co., Ltd. (Ta-Yuan Cogeneration)	An associate of the Group
Cheng Loong Investment Co., Ltd. (Cheng Loong Investment)	An associate of the Group
TYC International Company Limited (TYC)	A subsidiary of the Group's associate
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
Yi Yuan Investment Co., Ltd. (Yi Yuan Investment)	The entity's chairman is the second immediate family of the chairman of the Corporation

Name of related party	Relationship with the Group
Shan Loong Transportation Co., Ltd. (Shan Loong Transportation)	Original as substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
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
Dongguan Ming Foong Plastic Co., Ltd. (Dongguan Ming Foong)	A subsidiary of the institutional director of the Corporation.
Shan Loong International & Customs Broker Co., Ltd. (Shan Loong International)	Original as a subsidiary of the substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
Shanghai Shan Tong Logistic Co., Ltd. (Shanghai Shan Tong)	Original as a subsidiary of the substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
Shanloong Logistic Company Limited (Vietnam Shanloong)	Original as a subsidiary of the substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
Shan Loong Motor Co., Ltd. (Shan Loong Motor)	Original as a subsidiary of the substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
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
Employees' Welfare Committee of Cheng Loong Corporation	A substantial related party
Key management personnel	Key management personnel of the Group
Liu, Ke-Ya	The second immediate family of the chairman of the Corporation

Name of related party	Relationship with the Group
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
Cheng, Jen- Hong	The second immediate family of the chairman of the Corporation
Cheng, Chen-Loong	The second immediate family of the chairman of the Corporation

(b) Significant related-party transactions

(i) Sale of goods to related parties

	Sales	
	2021	2020
Associates	\$ 62,010	53,769
Other related parties	2,594,386	2,566,988
	\$ 2,656,396	2,620,757

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

As of December 31, 2021 and 2020, the Group's unearned sales revenue, due to sales of goods to other related parties, amounted to \$8,951 thousand and \$8,219 thousand, respectively.

The contract amount of the Group selling its real estate and parking spaces (including for-sale and pre-sale) to the related parties were as follows:

Nature of related party	Year of sale	Contract amount
Other related parties	2019	\$ 768,132
Other related parties	2021	150,450

As of December 31, 2021 and 2020, the related advance payment received by the Group amounted to \$232,816 thousand and \$50,884 thousand, respectively.

(ii) Purchase of goods from related parties

	Purchases	
	2021	2020
Associates	\$ 770,889	330,144
Other related parties	1,824,751	973,333
	\$ 2,595,640	1,303,477

There were no significant differences in the purchasing prices 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) 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, 2021 and 2020, such gain was recorded as a subtraction from investments accounted for using equity method.
- 2) For the years ended December 31, 2021 and 2020, the Group paid the amounts of \$411,653 thousand and \$634,422 thousand, respectively, recorded as property, plant, and equipment, to other related parties for the construction of its plants and installation of its equipment, where the payables of \$68,612 thousand and \$82,871 thousand, respectively, were recorded as other current liabilities.
- 3) In August 2020, the board of directors resolved to sell the Corporation's land and buildings to Shan Loong Transportation at the amount of \$169,189 thousand, which was negotiated and determined based on the appraisal report. As of December 31, 2020, the statutory registration process has completed and the receivables for the transaction were fully received. The gain on disposal amounted to \$69,039 thousand.
- 4) In August 2020, the board of directors resolved to purchase the land and buildings from Sun Favorite at the amount of \$1,252,662 thousand, which was negotiated and determined based on the appraisal report. As of December 31, 2021, the payables for the transaction were fully paid, and the related real estates were recorded as property, plant, and equipment. All statutory registration procedures had since been completed. On the other hand, the prepayment for the land and buildings of \$125,172 thousand was recorded as other non current assets as of December 31, 2020.
- 5) The Group early terminated its lease contract of sub-leasing the leased land of Port of Taichung to Shan Loong Transportation in August 2021. Besides, the board of directors resolved to purchase the land improvements related to the leased land from Shan Loong Transportation at the amount of \$76,281 thousand, which was negotiated and determined based on market conditions. As of December 31, 2021, the payables for the transaction were fully paid, and the land improvements was recorded as property, plant, and equipment.
- 6) In January 2021, the Group sold its machinery to an associate. The price and gain on disposal both amounted to \$1,530 thousand. As of December 31, 2021, the receivables for the transaction were fully received.
- 7) For the year ended December 31, 2021, the Group purchased the machinery from other related parties amounting to \$19,705 thousand, which was negotiated and determined based on market conditions. The payment term was on a monthly basis, which was the Group's general payment terms of acquiring the machinery. As

of December 31, 2021, the payables for the transaction were fully paid.

(iv) Lease

1) Lessee

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

	Depreciation and Rental expense	
	2021	2020
Other related parties	\$ 12,292	12,537

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

For the years ended December 31, 2021 and 2020, the Group recognized the amount of \$914 thousand and \$1,178 thousand as interest expense related to the lease liabilities, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to \$39,078 thousand and \$52,170 thousand, respectively.

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	
	2021	2020
Associates	\$ 2,162	2,162
Other related parties:		
Shan Loong Transportation	36,136	46,896
Shine Far Property	11,875	11,954
Others	20,398	18,265
	\$ 70,571	79,277

In August 2021, the Group reached an agreement with Shan Loong Transportation for the early termination of the lease contract of the leased land regarding the Port of Taichung, resulting in the reclassification of the leased land from investment properties to right-of-use assets. Please refer to notes 6(l) and (m).

As of December 31, 2021 and 2020, receivables for the rental revenue amounted to \$2,258 thousand and \$1,895 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	2021	2020
Associates	Co-generation expenses, technical service and others	\$ 513,728	692,235
Other related parties	Delivery expense	1,401,303	1,194,979
Other related parties	Maintenance expense, technical service, and construction of residential and commercial premises	356,141	646,591
Other related parties	Customs declaration expenses	292,651	155,869
Other related parties	Others	162,537	142,416
		\$ 2,726,360	2,832,090

As of December 31, 2021, the payables for other transactions amounted to \$3,757 thousand, recorded as other current liabilities. For details on the remaining payables on transactions, please refer to note 7(b) (vi).

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

	Item	2021	2020
Associates	Others	\$ 2,635	972
Other related parties	Payments for the salary of technical support personnel	5,266	4,319
Other related parties	Others	4,250	4,977
		\$ 12,151	10,268

(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, 2021	December 31, 2020
Associates	\$ 8,020	5,316
Other related parties	715,086	697,272
	\$ 723,106	702,588

	Notes and accounts payable	
	December 31, 2021	December 31, 2020
Associates	\$ 46,480	44,012
Other related parties	343,140	332,455
	\$ 389,620	376,467

(vii) Acquisition of the share of the subsidiary

The transaction amounts in which the Group acquired the shares of its subsidiary from its related parties were as follows:

	2021	2020
Associates:		
TYC	\$ 253,163	-
Other related parties:		
Key management personnel	13,556	-
	\$ 266,719	-

As of December 31, 2021, the payables for the transaction were fully paid. For details on the share transaction, please refer to note 6(h).

(c) Key management personnel compensation

	2021	2020
Short-term employee benefits	\$ 68,819	60,623
Post-employment benefits	456	354
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	\$ 69,275	60,977

The Group provides vehicles for directors, supervisors, and upper management. As of December 31, 2021, the cost of acquisition was \$52,230 thousand.

(8) Pledged assets

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

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
Property, plant and equipment:			
Land	Bank long-term borrowings	\$ 1,263,038	1,263,038
Buildings	"	870,857	927,939
Machinery	"	6,126,241	6,573,818
Transportation and other equipment	"	55,276	78,374
Righth-of-use assets:			
Land	Bank long-term borrowings	534,064	548,968
Investment property:			
Land	Bank long-term borrowings	1,694	1,694
Buildings	"	28,766	29,709
Total		\$ 8,879,936	9,423,540

(9) Commitments and contingencies

- (a) As of December 31, 2021 and 2020, the Group had outstanding letters of credit amounting to \$383,556 thousand and \$513,387 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, 2021 and 2020, the related undue disbursements amounted to \$990,529 thousand and \$1,294,850 thousand, respectively.
- (c) As of December 31, 2021 and 2020, the significant construction contracts and the undue fixed asset purchase contracts of the Group amounted to \$2,855,927 thousand and \$3,227,910 thousand, respectively.
- (d) As of December 31, 2021 and 2020, the pre-sale contracts of real estate signed with clients both amounted to \$2,584,689 thousand.

(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 as follows:

By item \ By function	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	3,155,387	1,584,843	4,740,230	2,851,390	1,662,041	4,513,431
Labor and health insurance	238,371	119,366	357,737	202,664	116,540	319,204
Pension	126,563	65,229	191,792	101,313	57,515	158,828
Others	43,195	150,950	194,145	38,357	135,906	174,263
Depreciation	2,237,977	523,198	2,761,175	2,139,333	539,619	2,678,952
Amortization	4,148	11,054	15,202	2,869	7,117	9,986

- (b) 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 on September 18, 2019, 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. Due to the impact of COVID-19 pandemic, the Buyer had repeatedly requested for extensions in providing the essential documents to the arbitration tribunal. After the repeated approvals of extensions, both the Group and the Buyer were able to provide all the essential documents before the deadline. The hearing of the arbitration tribunal had been completed on June 25, 2021; however, the result has yet to be announced as of the reporting date. The Group will continue to monitor the process of the arbitration in defense of its right.

As of December 31, 2021, the receivable amounted to \$1,164,994 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.

(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 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
0	Cheng Loong Corporation	Hong Kong Gwang Loong Limited	Other receivables	Yes	427,200	414,450	138,150	1.50%	Short-term borrowings	-	Operating capital	-	-	-	5,450,838	10,901,677
0	Cheng Loong Corporation	Hong Kong Chung Hao Limited	Other receivables	Yes	1,056,400	690,750	511,155	1.50%	Short-term borrowings	-	Operating capital	-	-	-	5,450,838	10,901,677
1	Hong Kong Chung Hao Limited	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	83,400	82,890	82,890	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	85,440	-	-	- %	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Cheng Loong Vietnam Paper Investment Co., Ltd.	Other receivables	Yes	42,720	41,445	41,445	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690

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 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
1	Hong Kong Chung Hao Limited	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	113,920	110,520	110,520	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Winvantage Corporation	Other receivables	Yes	279,100	276,300	276,300	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
2	Hong Kong Gwang Loong Limited	Cheng Loong (Hangzhou) Investment Co., Ltd.	Other receivables	Yes	28,480	27,630	27,630	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
2	Hong Kong Gwang Loong Limited	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	83,400	82,890	82,890	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
2	Hong Kong Gwang Loong Limited	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	131,008	44,208	44,208	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
2	Hong Kong Gwang Loong Limited	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	194,600	82,890	82,890	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
3	Shanghai Chung Hao Paper Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	282,989	281,944	281,944	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
3	Shanghai Chung Hao Paper Co., Ltd.	Henan Cheng Loong Packing Products Co., Ltd.	Other receivables	Yes	134,385	129,570	129,570	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
3	Shanghai Chung Hao Paper Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	86,700	86,380	86,380	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
3	Shanghai Chung Hao Paper Co., Ltd.	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	29,486	29,486	29,486	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
4	Suzhou Cheng Loong Paper Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	42,804	-	-	0.46%	Short-term borrowings	-	Operating capital	-	-	-	289,693	289,693
5	Henan Cheng Loong Packing Products Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	2,354	1	1	0.46%	Short-term borrowings	-	Operating capital	-	-	-	68,206	68,206
6	Shan Fu Paper (Kunsan) Co., Ltd.	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	69,360	47,509	47,509	3.85%	Short-term borrowings	-	Operating capital	-	-	-	714,851	714,851
6	Shan Fu Paper (Kunsan) Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	110,543	110,135	110,135	3.85%	Short-term borrowings	-	Operating capital	-	-	-	714,851	714,851
6	Shan Fu Paper (Kunsan) Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	193,154	171,202	171,202	0.46%	Short-term borrowings	-	Operating capital	-	-	-	714,851	714,851
7	Loong Fu Paper (Kunsan) Co., Ltd. (Note 2)	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	110,543	-	-	- %	Short-term borrowings	-	Operating capital	-	-	-	-	-
7	Loong Fu Paper (Kunsan) Co., Ltd. (Note 2)	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	108,375	-	-	- %	Short-term borrowings	-	Operating capital	-	-	-	-	-

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 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
8	Dongguan Ming Loong Paper Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	13,684	12,685	12,685	3.85%	Short-term borrowings	-	Operating capital	-	-	-	198,503	198,503
9	Cheng Loong (Gwangtung) Paper Co., Ltd.	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	34,792	31,930	31,930	3.85%	Short-term borrowings	-	Operating capital	-	-	-	920,576	920,576
9	Cheng Loong (Gwangtung) Paper Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	151,725	151,165	151,165	3.85%	Short-term borrowings	-	Operating capital	-	-	-	920,576	920,576
10	Chengdu Cheng Loong Packing Products Co., Ltd.	Qingdao Cheng Loong Paper Co., Ltd.	Other receivables	Yes	46,385	41,894	41,894	3.85%	Short-term borrowings	-	Operating capital	-	-	-	308,843	308,843
10	Chengdu Cheng Loong Packing Products Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	92,328	92,328	92,328	3.85%	Short-term borrowings	-	Operating capital	-	-	-	308,843	308,843
10	Chengdu Cheng Loong Packing Products Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	30,345	30,233	30,233	3.85%	Short-term borrowings	-	Operating capital	-	-	-	308,843	308,843

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: All shares of Loong Fu Paper (Kunsan) Co., Ltd. were sold in the third quarter of 2021; therefore, only the maximum financing limit to other related parties during the period was disclosed.

Note 3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		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
		Name	Relationship with the Company										
0	The Corporation	Cheng Loong Long An Container Co., Ltd.	2	27,254,192	1,384,020	1,109,200	538,958	-	4.07%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Binh Duong Container Co., Ltd.	2	27,254,192	306,515	249,570	203,505	-	0.92%	49,057,546	Y	N	N
0	The Corporation	Vina Tawana Container Co., Ltd.	2	27,254,192	228,640	166,380	-	-	0.61%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Binh Duong Paper Co., Ltd.	2	27,254,192	19,917,561	19,850,833	8,024,494	-	72.84%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Bac Giang Company Limited	2	27,254,192	728,260	720,980	8,994	-	2.65%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Ben Cat Company Limited	2	27,254,192	584,745	582,330	-	-	2.14%	49,057,546	Y	N	N

No.	Name of guarantor	Counter-party of guarantee and endorsement		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
		Name	Relationship with the Company										
0	The Corporation	Hong Kong Shan Fu Limited	2	27,254,192	139,500	138,650	138,650	-	0.51%	49,057,546	Y	N	N
0	The Corporation	Hong Kong Gwang Loong Limited	2	27,254,192	285,800	277,300	83,190	-	1.02%	49,057,546	Y	N	N
0	The Corporation	Chung Loong Paper Holdings Limited (Note 2)	2	27,254,192	400,120	388,220	-	-	1.42%	49,057,546	Y	N	N
0	The Corporation	Chung Ming International Limited (Note 2)	2	27,254,192	-	-	-	-	- %	49,057,546	Y	N	N
0	The Corporation	Chung Ming Taiwan (Note 2)	2	27,254,192	-	-	-	-	- %	49,057,546	Y	N	N
0	The Corporation	Dongguan Ming Loong Paper Co., Ltd.	2	27,254,192	514,180	483,801	177,054	-	1.78%	49,057,546	Y	N	Y
0	The Corporation	Shan Fu Paper (Kunsan) Co., Ltd.	2	27,254,192	57,160	-	-	-	- %	49,057,546	Y	N	Y
0	The Corporation	Zhangzhou Cheng Loong Paper Co., Ltd.	2	27,254,192	244,550	55,460	-	-	0.20%	49,057,546	Y	N	Y
0	The Corporation	Cheng Loong (Gwangtung) Paper Co., Ltd.	2	27,254,192	1,021,710	1,017,714	476,915	-	3.73%	49,057,546	Y	N	Y
0	The Corporation	Suzhou Cheng Loong Paper Co., Ltd.	2	27,254,192	859,020	752,900	205,696	-	2.76%	49,057,546	Y	N	Y

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 \$388,220 thousand is shared with Chung Ming International Limited and Chung Ming Taiwan.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures associates):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Corporation	Stocks:		Financial assets measured at FVOCI						
	Long Chen Paper Co., Ltd.	-		3	69	-	69	-	
"	Shan Loong Transportation Co., Ltd.	The entity's chairman is the second immediate family of the chairman of the Corporation	"	12,690	463,185	9.24	463,185	9.24	
"	O-Bank Co., Ltd	-	"	10,385	83,078	0.34	83,078	0.34	
"	Linkou International Golf & Country Club	-	"	9 (shares)	10,349	0.90	10,349	0.90	
"	Ko Loong Industry Co., Ltd.	The entity's chairman is the second immediate family of the chairman of the Corporation	"	1,320	52,323	12.94	52,323	12.94	
"	Ming Foong Plastic Co., Ltd.	The institutional directors of the Corporation	"	878	47,353	8.14	47,353	8.14	
"	Hsin Tung Yang Co., Ltd.	-	"	26	1,689	0.03	1,689	0.03	
					658,046				

- (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
The Corporation	Stock: Cheng Loong Southeast Asia Holding Co., Ltd.	Investments accounted for using equity method	Initial offerings	Subsidiary	209,980	4,219,766	50,000	1,397,040	-	-	(269,873) (Note 1)	-	259,980	5,346,933
Cheng Loong Southeast Asia Holding Co., Ltd.	Cheng Loong Vietnam Investment Co., Ltd.	"	"	"	50,870	1,335,341	20,000	557,200	-	-	(14,861) (Note 1)	-	70,870	1,877,680
"	Cheng Loong Vietnam Paper Investment Co., Ltd.	"	"	"	160,000	2,883,091	30,000	832,740	-	-	(247,481) (Note 1)	-	190,000	3,468,350
Cheng Loong Vietnam Investment Co., Ltd.	Cheng Loong Ben Cat Company Limited	"	"	"	-	-	(Note 2)	334,320	-	-	(61,036) (Note 1)	-	(Note 2)	273,284
Cheng Loong Vietnam Paper Investment Co., Ltd.	Cheng Loong Binh Duong Paper Co., Ltd.	"	"	"	(Note 2)	2,921,170	(Note 2)	879,450	-	-	(293,851) (Note 1)	-	(Note 2)	3,506,769

Note 1: Adjustments based on equity methods.

Note 2: Limited liability company does not have shares.

Note 3: The above NTD amounts were translated based on the USD exchange rate at the reporting date, which was 27.6300.

Note 4: 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:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Corporation	Plant construction project at the Tayuan Mill	October 15, 2021	566,108 (tax included)	141,527 (tax included)	Shine Far Construction Co., Ltd.	Related parties	-	-	-	-	Price negotiation	Producing recycled pulp to yield sufficient materials for production.	-

- (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	770,889	4%	T/T	The same as general trading	The same as general trading	-	- %	
"	Shan Loong Transportation	The entity's chairman is the second immediate family of the chairman of the Corporation	Purchase	288,070	1%	50 days from the following month	"	"	(250,302)	(5)%	
"	Shine Far	The institutional director of the Corporation	Sale	(192,772)	(1)%	90 days from the following month	"	"	29,946	1%	
"	Yamahatsu Nihon	The entity's chairman is the second immediate family of the chairman of the Corporation	Purchase	1,170,104	6%	T/T	"	"	(19,275)	- %	
"	Sun Favorite	The institutional director of the Corporation	Sale	(2,361,654)	(7)%	90 days from the following month	"	"	677,211	13%	
"	Chung Ming Taiwan	Subsidiary's branch	Sale	(2,723,406)	(8)%	90 days from the following month	"	"	414,965	8%	(Note)
"	Shanghai Chung Hao	A subsidiary of the Corporation	Sale	(102,905)	- %	120 days from the following month	"	"	102,905	2%	(Note)
"	Suzhou Cheng Loong	A subsidiary of the Corporation	Sale	(177,028)	(1)%	60 days from the following month	"	"	177,028	3%	(Note)
Chung Ming	Cheng Loong (Gwantung)	From the same parent company	Purchase	146,550	47%	90 days from the following month	"	"	-	- %	(Note)
"	Dongguan Ming Loong Paper	From the same parent company	Purchase	126,213	40%	90 days from the following month	"	"	(31,768)	(99)%	(Note)
Chung Ming Taiwan	The Corporation	Ultimate controlling party	Purchase	2,723,406	47%	90 days from the following month	"	"	(414,965)	(50)%	(Note)
"	Cheng Loong (Gwantung)	From the same parent company	Sale	(194,624)	(3)%	90 days from the following month	"	"	32,756	2%	(Note)
"	Cheng Loong (Gwantung)	From the same parent company	Purchase	249,371	4%	90 days from the following month	"	"	(75,088)	(9)%	(Note)
"	Zhangzhou Cheng Loong	From the same parent company	Sale	(107,989)	(2)%	90 days from the following month	"	"	409	- %	(Note)
"	Hong Kong Shan Fu	From the same parent company	Sale	(825,378)	(13)%	180 days from the following month	"	"	268,382	18%	(Note)
"	Hong Kong Shan Fu	From the same parent company	Purchase	1,149,121	20%	60 days from the following month	"	"	(94,141)	(11)%	(Note)
"	Hong Kong Gwang Loong	From the same parent company	Sale	(743,543)	(12)%	90 days from the following month	"	"	178,126	12%	(Note)
"	Hong Kong Gwang Loong	From the same parent company	Purchase	1,353,845	24%	180 days from the following month	"	"	(231,938)	(28)%	(Note)
"	Shan Fu Kunsan	From the same parent company	Sale	(211,819)	(3)%	120 days from the following month	"	"	73,387	5%	(Note)
"	Dongguan Ming Loong Paper	From the same parent company	Sale	(180,794)	(3)%	90 days from the following month	"	"	16,558	1%	(Note)

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	Suzhou Cheng Loong	From the same parent company	Sale	(308,554)	(5)%	60 days from the following month	The same as general trading	The same as general trading	80,684	5%	(Note)
"	Shanghai Chung Hao	From the same parent company	Sale	(226,017)	(4)%	90 days from the following month	"	"	19,099	1%	(Note)
Shanghai Chung Hao	The Corporation	Ultimate controlling party	Purchase	102,905	19%	120 days from the following month	"	"	(102,905)	(43)%	(Note)
"	Chung Ming Taiwan	From the same parent company	Purchase	226,017	41%	90 days from the following month	"	"	(19,099)	(8)%	(Note)
Shan Fu Kunsan	Chung Ming Taiwan	From the same parent company	Purchase	211,819	74%	120 days from the following month	"	"	(73,387)	(77)%	(Note)
Suzhou Cheng Loong	The Corporation	Ultimate controlling party	Purchase	177,028	25%	60 days from the following month	"	"	(177,028)	(62)%	(Note)
"	Chung Ming Taiwan	From the same parent company	Purchase	308,554	43%	90 days from the following month	"	"	(80,684)	(28)%	(Note)
Cheng Loong (Gwantung)	Chung Ming	From the same parent company	Sale	(146,550)	(16)%	90 days from the following month	"	"	-	- %	(Note)
"	Hong Kong Gwang Loong	From the same parent company	Sale	(430,114)	(47)%	90 days from the following month	"	"	32,002	18%	(Note)
"	Chung Ming Taiwan	From the same parent company	Sale	(249,371)	(27)%	90 days from the following month	"	"	75,088	42%	(Note)
"	Chung Ming Taiwan	From the same parent company	Purchase	194,624	46%	90 days from the following month	"	"	(32,756)	(28)%	(Note)
Dongguan Ming Loong Paper	Chung Ming Taiwan	From the same parent company	Purchase	180,794	26%	90 days from the following month	"	"	(16,558)	(8)%	(Note)
"	Chung Ming	From the same parent company	Sale	(126,213)	(15)%	90 days from the following month	"	"	31,768	12%	(Note)
Zhangzhou Cheng Loong	Chung Ming Taiwan	From the same parent company	Purchase	107,989	54%	90 days from the following month	"	"	(409)	(1)%	(Note)
Hong Kong Shan Fu	Chung Ming Taiwan	From the same parent company	Sale	(1,149,121)	(100)%	90 days from the following month	"	"	94,141	44%	(Note)
"	Chung Ming Taiwan	From the same parent company	Purchase	825,378	47%	90 days from the following month	"	"	(268,382)	(75)%	(Note)
"	Cheng Loong (Binh Duong)	From the same parent company	Purchase	226,819	13%	90 days from the following month	"	"	(41,650)	(12)%	(Note)
Hong Kong Gwang Loong	Chung Ming Taiwan	From the same parent company	Sale	(1,353,845)	(96)%	90 days from the following month	"	"	231,938	53%	(Note)
"	Chung Ming Taiwan	From the same parent company	Purchase	743,543	42%	90 days from the following month	"	"	(178,126)	(69)%	(Note)
"	Cheng Loong (Gwantung)	From the same parent company	Purchase	430,114	24%	90 days from the following month	"	"	(32,002)	(12)%	(Note)
Vina	Cheng Loong (Long An)	From the same parent company	Purchase	137,465	10%	30 days from the following month	"	"	(7,165)	(5)%	(Note)
"	Cheng Loong (Binh Duong) Paper	From the same parent company	Purchase	294,419	20%	30 days from the following month	"	"	(27,775)	(21)%	(Note)
Cheng Loong (Binh Duong) Paper	Cheng Loong (Long An)	From the same parent company	Sale	(326,539)	(9)%	90 days from the following month	"	"	98,139	22%	(Note)
"	Cheng Loong (Binh Duong)	From the same parent company	Sale	(489,143)	(13)%	30 days from the following month	"	"	56,563	13%	(Note)

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 (Binh Duong) Paper	Vina	From the same parent company	Sale	(294,419)	(8)%	30 days from the following month	The same as general trading	The same as general trading	27,775	6%	(Note)
"	Yamahatsu Nihon	The entity's chairman is the second immediate family of the chairman of the Corporation	Purchase	205,392	7%	T/T	"	"	-	- %	
Cheng Loong (Binh Duong)	Cheng Loong (Binh Duong) Paper	From the same parent company	Purchase	489,143	29%	25 days from the following month	"	"	(56,563)	(28)%	(Note)
"	Cheng Loong (Long An)	From the same parent company	Purchase	120,939	7%	60 days from the following month	"	"	(8,341)	(4)%	(Note)
"	Hong Kong Shan Fu	From the same parent company	Sale	(226,819)	(11)%	90 days from the following month	"	"	41,650	11%	(Note)
Cheng Loong (Long An)	Cheng Loong (Binh Duong) Paper	From the same parent company	Purchase	326,539	34%	25 days from the following month	"	"	(98,139)	(44)%	(Note)
"	Cheng Loong (Binh Duong)	From the same parent company	Sale	(120,939)	(11)%	60 days from the following month	"	"	8,341	6%	(Note)
"	Vina	From the same parent company	Sale	(137,465)	(13)%	30 days from the following month	"	"	7,165	5%	(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	677,211	3.65	-		266,382	-	(Note 2)
"	Chung Ming Taiwan	Subsidiary' branch	414,965	3.80	-		164,321	-	(Note 2)
"	Shanghai Chung Hao	A subsidiary of the Corporation	102,905	2.00	-		18,809	-	(Note 2)
"	Suzhou Cheng Loong	A subsidiary of the Corporation	177,028	9.32	-		53,140	-	(Note 2)
Chung Ming Taiwan	Hong Kong Shan Fu	From the same parent company	268,382	3.70	-		88,475	-	(Note 2)
"	Hong Kong Gwang Loong	From the same parent company	178,126	4.77	-		38,133	-	(Note 2)
Hong Kong Gwang Loong	Chung Ming Taiwan	From the same parent company	231,938	4.08	-		210,173	-	(Note 2)
			Other receivables:						
The Corporation	Hong Kong Gwang Loong	A subsidiary of the Corporation	138,150	-	-		-	-	(Note 2)
"	Hong Kong Chung Hao	A subsidiary of the Corporation	511,155	-	-		-	-	(Note 2)
Shanghai Chung Hao	Henan Cheng Loong	From the same parent company	129,570	-	-		-	-	(Note 2)
"	Chong Qing Cheng Loong	From the same parent company	281,944	-	-		-	-	(Note 2)

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			
Shan Fu Kunsan	Shanghai Chung Hao	From the same parent company	171,202	-	-		-	-	
"	Chong Qing Cheng Loong	From the same parent company	110,135	-	-		-	-	
Cheng Loong (Gwantung)	Chong Qing Cheng Loong	From the same parent company	151,165	-	-		-	-	(Note 2)
Hong Kong Chung Hao	Cheng Loong (Gwantung)	From the same parent company	110,520	-	-		-	-	(Note 2)
"	Winvantage Corporation	From the same parent company	276,300	-	-		-	-	(Note 2)

Note 1: Amounts collected as of February 18, 2022.

Note 2: Related transactions have been eliminated during the preparation 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 relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The corporation	Chung Ming Taiwan	1	Sales Revenue	2,723,406	90 days from the following month	6.05%
1	Chung Ming Taiwan	Hong Kong Shan Fu	3	Sales Revenue	825,378	180 days from the following month	1.83%
1	Chung Ming Taiwan	Hong Kong Gwang Loong	3	Sales Revenue	743,543	90 days from the following month	1.65%
2	Hong Kong Shan Fu	Chung Ming Taiwan	3	Sales Revenue	1,149,121	90 days from the following month	2.55%
3	Hong Kong Gwang Loong	Chung Ming Taiwan	3	Sales Revenue	1,353,845	90 days from the following month	3.01%
4	Cheng Loong (Binh Duong) Paper	Cheng Loong (Binh Duong)	3	Sales Revenue	489,143	30 days from the following month	1.09%

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, 2021 (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, 2021			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/ losses of investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership (%)	Carrying value				
The Corporation	Ta-Yuan Cogeneration Co., Ltd.	Taiwan	Engaged in the management of cogeneration	310,459	310,459	50,201	41.06	749,898	41.06	170,371	69,959	(Note 8)
"	Tzeng Long USA Inc.	U.S.A	Paper trading	76,008	76,008	393	34.03	388,255	34.03	209,546	71,309	(Note 8)
"	Shin Loong Lifecare Corp.	Taiwan	Leisure, sports and creation management and facilities consultation	25,091	25,091	2,700	45.00	25,119	45.00	2,376	1,069	(Note 8)
"	Cheng Loong Investment Co., Ltd.	Taiwan	Investment	45,000	45,000	4,500	34.62	217,929	34.62	27,691	9,586	(Note 8)
"	GemTech Optoelectronics Corp.	Taiwan	Manufacture and Installation of Electronic Components	125,118	125,118	11,167	59.13	205,314	59.13	20,875	12,344	(Note 4 and Note 7)
"	Omis International Holdings Limited	British Virgin Islands	Investment	2,638,402	2,365,681	67,085	100.00	5,722,385	100.00	215,658	215,658	(Note 4 and Note 7)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/ losses of investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership (%)	Carrying value				
The Corporation	Vina Tawana Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Cardboard, Kraft Linerboard and Display Boxes	601,322	601,322	(Note 2)	100.00	505,906	100.00	72,527	72,527	(Note 4 and Note 7)
"	Cheng Loong Southeast Asia Holding Co., Ltd.	Samoa	Investment	7,832,437	6,435,397	259,980	100.00	5,346,933	100.00	(42,407)	(42,407)	(Note 4 and Note 7)
"	Accumulated impairment							(16,025)				
	Total							13,145,714			410,045	
Omni International Holdings Limited	Chung Loong Paper Holdings Limited	Cayman Islands	Investment	2,391,211 (USD 86,544 thousand) (Note 6)	2,121,321 (USD 76,776 thousand)	56,435	84.18	5,705,388	84.18	266,168	215,797	(Note 4 and Note 7)
Chung Loong Paper Holdings Limited	Scorpion Perfect Investments Ltd.	British Virgin Islands	Investment	1,093,982 (USD 39,594 thousand)	1,093,982 (USD 39,594 thousand)	60,078	100.00	1,678,575	100.00	(39,750)	(39,750)	(Note 4 and Note 7)
"	Winvantage Corporation	British Virgin Islands	Investment	105,353 (USD 3,813 thousand)	105,353 (USD 3,813 thousand)	1	100.00	596,360	100.00	(43,383)	(43,383)	(Note 4 and Note 7)
"	Shan Fu Investment Co., Ltd.	Samoa	Investment	228,804 (USD 8,281 thousand)	228,804 (USD 8,281 thousand)	14,083	100.00	726,119	100.00	43,687	43,687	(Note 4 and Note 7)
Chung Loong Paper Holdings Limited	Cheng Loong (Suzhou) Investment Co., Ltd.	Samoa	Investment	535,497 (USD 19,381 thousand)	535,497 (USD 19,381 thousand)	19,500	100.00	297,129	100.00	48,524	48,524	(Note 4 and Note 7)
"	Cheng Loong (Hangzhou) Investment Co., Ltd.	Samoa	Investment	276 (USD 10 thousand)	276 (USD 10 thousand)	10	100.00	(25,757)	100.00	(5,866)	(5,866)	(Note 4 and Note 7)
"	Cheng Loong (Gwangtung) Investment Co., Ltd.	Samoa	Investment	570,560 (USD 20,650 thousand)	570,560 (USD 20,650 thousand)	30,150	100.00	1,267,509	100.00	83,310	83,310	(Note 4 and Note 7)
"	Loong Fu Investment Co., Ltd.	Samoa	Investment	230,047 (USD 8,326 thousand)	230,047 (USD 8,326 thousand)	8,500	100.00	288,900	100.00	80,766	80,766	(Note 4 and Note 7)
"	Chung Ming International Limited	Samoa	Investment	27,630 (USD 1,000 thousand)	27,630 (USD 1,000 thousand)	1,000	100.00	1,614,716	100.00	116,092	116,092	(Note 4 and Note 7)
Scorpion Perfect Investments Ltd.	Hong Kong Chung Hao Limited	Hong Kong	Investment	1,625,970 (USD 58,848 thousand)	1,625,970 (USD 58,848 thousand)	(Note 2)	100.00	1,673,690	100.00	(39,679)	(39,679)	(Note 4 and Note 7)
Shan Fu Investment Co., Ltd.	Hong Kong Shan Fu Limited	Hong Kong	Investment	389,113 (USD 14,083 thousand)	389,113 (USD 14,083 thousand)	(Note 2)	100.00	707,322	100.00	43,711	43,711	(Note 4 and Note 7)
Cheng Loong (Suzhou) Investment Co., Ltd.	Hong Kong Su Loong Limited	Hong Kong	Investment	511,155 (USD 18,500 thousand)	511,155 (USD 18,500 thousand)	(Note 2)	100.00	289,703	100.00	48,547	48,547	(Note 4 and Note 7)
Cheng Loong (Gwangtung) Investment Co., Ltd.	Hong Kong Gwang Loong Limited	Hong Kong	Investment	1,081,715 (USD 39,150 thousand)	833,045 (USD 30,150 thousand)	(Note 2)	100.00	1,264,975	100.00	75,198	75,198	(Note 4 and Note 7)
Loong Fu Investment Co., Ltd.	Hong Kong Loong Fu Limited	Hong Kong	Investment	234,855 (USD 8,500 thousand)	234,855 (USD 8,500 thousand)	(Note 2)	100.00	289,103	100.00	80,766	80,766	(Note 4 and Note 7)
Chung Ming International Limited	CorAsia Corp.	U.S.A	Design of Paper Boxes	15,197 (USD 550 thousand)	15,197 (USD 550 thousand)	(Note 2)	100.00	14,755	100.00	(537)	(537)	(Note 4 and Note 7)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/ losses of investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership (%)	Carrying value				
Cheng Loong Southeast Asia Holding Co., Ltd.	Cheng Loong Vietnam Investment Co., Ltd.	Samoa	Investment	1,958,138 (USD 70,870 thousand)	1,405,538 (USD 50,870 thousand)	70,870	100.00	1,877,680	100.00	77,488	77,488	(Note 4 and Note 7)
"	Cheng Loong Indonesia Investment Co., Ltd.	Samoa	Investment	27,354 (USD 990 thousand)	27,354 (USD 990 thousand)	990	100.00	739	100.00	(391)	(391)	(Note 4 and Note 7)
"	CL Jakarta Container, PT	Indonesia	Cardboard and Paper Products	276 (USD10 thousand)	276 (USD10 thousand)	10	1.00	1	1.00	(84)	(1)	(Note 4 and Note 7)
"	Cheng Loong Vietnam Paper Investment Co., Ltd.	Samoa	Investment	5,249,700 (USD 190,000 thousand)	4,420,800 (USD 160,000 thousand)	190,000	100.00	3,468,350	100.00	(119,475)	(119,475)	(Note 4 and Note 7)
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	607,860 (USD 22,000 thousand)	607,860 (USD 22,000 thousand)	(Note 2)	100.00	677,451	100.00	104,566	104,566	(Note 4 and Note 7)
"	Cheng Loong Long An Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Paper Boxes	746,010 (USD 27,000 thousand)	552,600 (USD 20,000 thousand)	(Note 2)	100.00	471,556	100.00	(32,488)	(32,488)	(Note 4 and Note 7)
"	Cheng Loong Bac Giang Company Limited	Vietnam	Manufacture of Advanced Packaging for Electronic Products and Tissue, Carton, Wrapping paper, Pallets for Export, Separator, Other Paper Products, Lithographic and Flexographic packaging	276,300 (USD 10,000 thousand)	276,300 (USD 10,000 thousand)	(Note 2)	100.00	232,386	100.00	(871)	(871)	(Note 4 and Note 7)
"	Cheng Loong Ben Cat Company Limited	Vietnam	Corrugated Medium, Corrugated Paper, Paper and Cardboard Packaging	331,560 (USD 12,000 thousand) (Note 5)	-	(Note 2)	100.00	273,284	100.00	(2,280)	(2,280)	(Note 4 and Note 7)
Cheng Loong Indonesia Investment Co., Ltd.	CL Jakarta Container, PT	Indonesia	Cardboard and Paper Products	27,354 (USD 990 thousand)	27,354 (USD 990 thousand)	990	99.00	135	99.00	(84)	(83)	(Note 4 and Note 7)
Cheng Loong Vietnam Paper Investment Co., Ltd.	Cheng Loong Binh Duong Paper Co., Ltd.	Vietnam	Manufacture of Industrial and Household Paper	5,249,783 (USD 190,003 thousand)	4,420,883 (USD 160,003 thousand)	(Note 2)	100.00	3,506,769	100.00	(118,555)	(118,555)	(Note 4 and Note 7)
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	23,565	99.00	(873)	(864)	(Note 4 and Note 7)

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 27.6300.

Note 4: The above investments have been eliminated during the preparation of the consolidated financial statements.

Note 5: Invested capital and completed the registration process in the second quarter of 2021.

Note 6: The original investment amount had increased due to the acquisition of Chung Loong Holdings' shares from other investors including TYC Interventional Company Limited, a subsidiary of Ta-Yuan Cogeneration, in October 2021.

Note 7: A subsidiary of the Corporation.

Note 8: An associate of the Corporation.

(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 (Note 5)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	602,334 (USD 21,800 thousand) (Note 1)	(2) (Hong Kong Chung Hao Limited)	379,802 (USD 13,746 thousand)	-	-	379,802 (USD 13,746 thousand)	(46,961)	84.18%	84.18%	(37,927)	1,184,060	-
Shan Fu Paper (Kunsan) Co., Ltd.	Corrugated Paper Boxes, Cardboard and Paper Products	386,820 (USD 14,000 thousand)	(2) (Hong Kong Shan Fu Limited)	228,832 (USD 8,282 thousand)	-	-	228,832 (USD 8,282 thousand)	77,137	84.18%	84.18%	63,502	601,762	-
Suzhou Cheng Loong Paper Co., Ltd.	Cardboard	511,155 (USD 18,500 thousand) (Note 2)	(2) (Hong Kong Su Loong Limited)	507,839 (USD 18,380 thousand)	-	-	507,839 (USD 18,380 thousand)	48,547	84.18%	84.18%	38,310	243,863	-
Cheng Loong (Gwangtung) Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products and Packaging Decoration Printing	856,530 (USD 31,000 thousand)	(2) (Hong Kong Gwang Loong Limited)	570,560 (USD 20,650 thousand)	-	-	570,560 (USD 20,650 thousand)	23,873	84.18%	84.18%	19,083	774,941	-
Loong Fu Paper (Kunsan) Co., Ltd.	Corrugated Board, Paper Boxes and Paper Products	(Note 6)	(2) (Hong Kong Loong Fu Limited)	58,769 (USD 2,127 thousand)	-	58,769 (USD 2,127 thousand) (Note 7)	-	(118,327)	79.71%	- %	(94,318)	-	-
Zhangzhou Cheng Loong Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products	380,741 (USD 13,780 thousand)	(2) (Hong Kong Chung Hao Limited)	114,526 (USD 4,145 thousand)	-	-	114,526 (USD 4,145 thousand)	(5,656)	84.18%	84.18%	(4,660)	97,430	-
Qingdao Chung Loong Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products	110,520 (USD 4,000 thousand)	(2) (Hong Kong Chung Hao Limited)	829 (USD30 thousand)	-	-	829 (USD30 thousand)	(2,665)	84.18%	84.18%	(2,152)	12,582	-
Chong Qing Cheng Loong Paper Co., Ltd.	Corrugated Cardboard, Corrugated Boxes, Display Boxes, Paper Pallets and Paper Products	373,005 (USD 13,500 thousand)	(2) (Hong Kong Chung Hao Limited)	86,869 (USD 3,144 thousand) (Note 3)	-	-	86,869 (USD 3,144 thousand)	(54,139)	67.34%	67.34%	(34,986)	(230,159)	-
Chengdu Cheng Loong Packing Products Co., Ltd.	Corrugated Cardboard, Paper Boxes, Paper Pallets and Paper Products	111,791 (USD 4,046 thousand)	(2) (Hong Kong Chung Hao Limited)	76,286 (USD 2,761 thousand)	-	-	76,286 (USD 2,761 thousand)	27,037	84.18%	84.18%	21,874	259,984	-

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 5)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	70,235 (USD 2,542 thousand)	(3) (Note 4)	-	-	-	-	38,641	84.18%	84.18%	31,344	167,100	-
Henan Cheng Loong Packing Products Co., Ltd.	Corrugated Cardboard and Packaging Products	276,024 (USD 9,990 thousand)	(3) (Note 4)	42,744 (USD 1,547 thousand)	-	-	42,744 (USD 1,547 thousand)	(30,361)	84.18%	84.18%	(24,446)	57,415	-

Note 1: Capital increase from retained earnings 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., 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: Fully sold in the third quarter of 2021.

Note 7: Investment capital recovered was transferred to H.K. Loong Fu.

Note 8: 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, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,008,287 (USD72,685 thousand)	3,874,527 (USD140,229 thousand) (Note 9)	16,352,515 (USD591,839 thousand)

Note 9: Permitted capital increase from retained earnings included.

Note 10: The above investment amounts were translated based on the USD exchange rate at the reporting date, which was 27.6300.

The above investment income (losses) in mainland China were recognized base 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."

(d) Major shareholders: No shareholders represented more than 5% of the total shares outstanding.

(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, 2021 and 2020, the Group's operating segment information was as follows:

	2021				
	Taiwan	China	Southeast Asia	Adjustments and Eliminations	Total
Operating revenues					
Sales to external customers	\$ 31,408,811	6,716,345	6,860,934	-	44,986,090
Sales among segments	3,150,534	-	360,639	(3,511,173)	-
Total	\$ 34,559,345	6,716,345	7,221,573	(3,511,173)	44,986,090
Profit before income tax	\$ 4,530,328	393,949	63,298	-	4,987,575
	2020				
	Taiwan	China	Southeast Asia	Adjustments and Eliminations	Total
Operating revenues					
Sales to external customers	\$ 27,922,193	6,266,253	5,885,944	-	40,074,390
Sales among segments	2,719,844	223	590,341	(3,310,408)	-
Total	\$ 30,642,037	6,266,476	6,476,285	(3,310,408)	40,074,390
Profit before income tax	\$ 4,236,641	211,792	323,759	-	4,772,192

(b) Entity-wide information

(i) Products and services information

Revenue from the external customers of the Group was as follows:

Products and services	2021	2020
Corrugated containers	\$ 23,585,269	20,133,028
Cardboard	15,659,563	13,301,664
Paper	4,377,056	4,626,483
Others	1,364,202	2,013,215
Total	\$ 44,986,090	40,074,390

(ii) Geographical information

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

Revenue from the external customers:

Geographical information	2021	2020
Taiwan	\$ 31,408,811	27,922,193
China	6,716,345	6,266,253
Southeast Asia	6,860,934	5,885,944
Total	\$ 44,986,090	40,074,390

Non-current assets:

Geographical information	December 31, 2021	December 31, 2020
Taiwan	\$ 25,339,712	22,804,601
China	2,865,857	3,360,164
Southeast Asia	9,487,738	7,991,068
Total	\$ 37,693,307	34,155,833

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, 2021 and 2020, so the Group does not disclose any information on major customers.

5. A Parent Company Only Financial Report for the Most Recent Fiscal Year, Certified by a CPA

Independent Auditors' Report

To the Board of Directors of CHENG LOONG CORPORATION:

Opinion

We have audited the parent company only financial statements of CHENG LOONG CORPORATION ("the Corporation"), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only 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 parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Corporation as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent Company Only Financial Statements section of our report. We are independent of the Corporation 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 investments accounted for using equity method. Those financial statements were audited by other auditors. Therefore, our

opinion, insofar as it relates to those investments accounted for using equity method, are based solely on the reports of the other auditors. As of December 31, 2021 and 2020, the investments accounted for using equity method constituted 5.89% and 5.41%, respectively, of the total assets; and the share of profit of associates accounted for using equity method constituted 4.89% and 4.69%, respectively, of the profit before income tax.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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(g) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(d) "Inventories" of the parent company only financial statements.

Description of key audit matter:

Inventories of the Corporation 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 Corporation; 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. Investments accounted for using equity method

Please refer to note 4(i) "Investments in subsidiaries", and note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" , and note 6(f)

“Investments accounted for using equity method”, and note 12(b) “Other”.

Description of key audit matter:

The estimation of net realizable value of inventories of subsidiaries of the Corporation requires subjective judgments of the management, which is the major source of estimation uncertainty. It is an accounting estimate with uncertainty and affects the operating results of the subsidiaries. Therefore, the valuation of inventories of the subsidiaries accounted for using equity method is the key audit matters for our audit.

A resolution was approved during the board meeting of Winvantage Corporation’s (the Corporation’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 parent only financial report.

How the matter was addressed in our audit:

For the main audit procedures for the valuation of the net realizable value of inventories related to the investments accounted for using equity method, please refer to Key Audit Matters “Evaluation of inventories”.

In addition, the audit procedures for the estimation of impairment on other receivables included interviewing management and the external lawyer. Inspecting the legal documents to understand the arbitration derived from this transaction. Obtaining the Corporation’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 of the parent company only financial statements regarding to the arbitration.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company

only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 Corporation'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 Corporation'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 parent company only 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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.

KPMG

Taipei, Taiwan (Republic of China)

March 15, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial statements of 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (note 6(a))	\$ 2,170,491	4	3,243,368	7
1170	Notes and accounts receivable, net (notes 6(c) and (q))	3,772,019	7	2,970,847	6
1180	Notes and accounts receivable – related parties, net (notes 6(c), (q) and 7)	1,561,084	3	1,722,415	3
1310	Inventories, net (note 6(d))	3,422,062	6	2,644,952	5
1320	Construction in progress and building for sale (note 6(e))	2,710,756	5	3,176,651	6
1479	Other current assets (note 7)	1,608,106	3	1,940,808	4
		<u>15,244,518</u>	<u>28</u>	<u>15,699,041</u>	<u>31</u>
Non-current assets:					
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(b))	658,046	1	535,452	1
1550	Investments accounted for using equity method (notes 6(f) and 7)	13,145,714	24	11,277,498	22
1600	Property, plant and equipment (notes 6(g), 7 and 8)	23,050,768	42	20,343,403	40
1755	Right-of-use assets (notes 6(h) and 7)	1,056,873	2	984,595	2
1760	Investment property, net (notes 6(i), 7 and 8)	1,003,387	2	1,103,339	2
1840	Deferred tax assets (note 6(n))	629,411	1	664,820	1
1990	Other non-current assets (note 7)	201,290	-	324,518	1
		<u>39,745,489</u>	<u>72</u>	<u>35,233,625</u>	<u>69</u>
Total assets		<u>\$ 54,990,007</u>	<u>100</u>	<u>50,932,666</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

Liabilities and equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current liabilities:					
2100	Short-term borrowings (notes 6(j) and (w))	\$ 1,827,276	4	1,798,204	4
2170	Notes and accounts payable	4,554,420	8	4,123,796	8
2180	Notes and accounts payable – related parties (note 7)	348,284	1	327,296	1
2280	Current lease liabilities (notes 6(k), (w) and 7)	53,227	-	47,001	-
2320	Current portion of long-term borrowings (notes 6(j) and (w))	148,700	-	-	-
2399	Other current liabilities (notes 6(b), (e), (q) and 7)	3,756,052	7	4,072,611	8
		10,687,959	20	10,368,908	21
Non-Current liabilities:					
2540	Long-term borrowings (notes 6(j) and (w))	13,755,781	25	11,532,280	23
2570	Deferred tax liabilities (note 6(n))	1,336,315	2	1,246,165	2
2580	Non-current lease liabilities (notes 6(k), (w) and 7)	739,667	1	748,924	1
2640	Net defined benefit liability (note 6(m))	706,367	1	1,153,237	2
2670	Other non-current liabilities	509,726	1	479,351	1
		17,047,856	30	15,159,957	29
	Total liabilities	27,735,815	50	25,528,865	50
3100	Capital stock (note 6(o))	11,082,745	20	11,082,745	22
3200	Capital surplus (note 6(o))	1,157,532	2	1,132,062	2
3310	Legal reserve (note 6(o))	3,485,170	7	3,126,808	6
3320	Special reserve (note 6(o))	1,589,982	3	1,014,000	2
3350	Unappropriated retained earnings (note 6 (o))	11,575,045	21	10,638,168	21
3411	Exchange differences on translation of foreign financial statements	(2,095,698)	(4)	(1,935,455)	(4)
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	459,416	1	345,473	1
	Total equity	27,254,192	50	25,403,801	50
	Total liabilities and equity	\$ 54,990,007	100	50,932,666	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(l), (q) and 7)	\$ 34,294,239	100	30,410,502	100
5000	Operating costs (notes 6(d), (m), (r), 7 and 12)	26,144,648	76	22,276,797	73
	Gross profit from operations	8,149,591	24	8,133,705	27
	Operating expenses (notes 6(c), (k), (m), (r), 7 and 12):				
6100	Selling expenses	2,094,703	6	2,172,135	7
6200	Administrative expenses	1,577,878	5	1,612,580	6
6300	Research and development expenses	101,623	-	89,858	-
6450	Expected credit losses	23,264	-	1,185	-
		3,797,468	11	3,875,758	13
	Net operating income	4,352,123	13	4,257,947	14
	Non-operating income and expenses:				
7010	Other income (notes 6(s) and 7)	183,247	-	177,262	-
7020	Other gains and losses, net (notes 6(s) and 7)	(31,258)	-	(107,477)	-
7050	Finance costs (notes 6(e), (g), (k), (s) and 7)	(146,583)	-	(196,066)	(1)
7070	Share of profit of subsidiaries and associated accounted for using equity method (note 6(f))	410,045	1	499,479	2
		415,451	1	373,198	1
	Profit before income tax	4,767,574	14	4,631,145	15
7950	Less: Income tax expenses (note 6(n))	804,152	2	903,399	3
	Profit	3,963,422	12	3,727,746	12
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 after income tax (notes 6(m) and (n))	(139,485)	-	(144,480)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	122,594	-	20,071	-
	Items that may not be reclassified subsequently to profit or loss	(16,891)	-	(124,409)	-
8360	Items that may be reclassified subsequently to profit or loss				
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method—the item that may be reclassified to profit or loss	(166,777)	(1)	(772,006)	(3)
8399	Income tax expenses related to items that may be reclassified to profit or loss (note 6(n))	40,061	-	176,303	(1)
	Items that may be reclassified subsequently to profit or loss	(126,716)	(1)	(595,703)	(2)
8300	Other comprehensive income (loss)	(143,607)	(1)	(720,112)	(2)
	Comprehensive income	\$ 3,819,815	11	3,007,634	10
	Earnings per share (note 6(p))				
9750	Basic earnings per share (NT dollars)	\$ 3.58		3.36	
9850	Diluted earnings per share (NT dollars)	\$ 3.57		3.35	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total other equity interest		Total equity
						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance on January 1, 2020	\$ 11,082,745	1,130,653	2,884,571	1,068,452	8,572,266	(1,230,240)	216,240	23,724,687
Profit	-	-	-	-	3,727,746	-	-	3,727,746
Other comprehensive income	-	-	-	-	(144,130)	(705,215)	129,233	(720,112)
Total comprehensive income	-	-	-	-	3,583,616	(705,215)	129,233	3,007,634
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	242,237	-	(242,237)	-	-	-
Reversal of special reserve	-	-	-	(54,452)	54,452	-	-	-
Cash dividends	-	-	-	-	(1,329,929)	-	-	(1,329,929)
Changes in equity of associates accounted for using equity method	-	1,409	-	-	-	-	-	1,409
Balance on December 31, 2020	11,082,745	1,132,062	3,126,808	1,014,000	10,638,168	(1,935,455)	345,473	25,403,801
Profit	-	-	-	-	3,963,422	-	-	3,963,422
Other comprehensive income	-	-	-	-	(97,307)	(160,243)	113,943	(143,607)
Total comprehensive income	-	-	-	-	3,866,115	(160,243)	113,943	3,819,815
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	358,362	-	(358,362)	-	-	-
Special reserve	-	-	-	575,982	(575,982)	-	-	-
Cash dividends	-	-	-	-	(1,994,894)	-	-	(1,994,894)
Changes in equity of associates accounted for using equity method	-	25,470	-	-	-	-	-	25,470
Balance on December 31, 2021	<u>\$ 11,082,745</u>	<u>1,157,532</u>	<u>3,485,170</u>	<u>1,589,982</u>	<u>11,575,045</u>	<u>(2,095,698)</u>	<u>459,416</u>	<u>27,254,192</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHENG LOONG CORPORATION

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 4,767,574	4,631,145
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,526,882	1,407,021
Expected credit losses	23,264	1,185
Interest expense	146,583	196,066
Interest income	(13,160)	(29,857)
Dividend income	(30,423)	(27,431)
Share of profit of subsidiaries and associates accounted for using equity method	(410,045)	(499,479)
Gain on disposal of property, plant and equipment	(2,328)	(49,613)
Impairment loss on property, plant and equipment	33,110	-
Gain on disposal of investment properties	-	(18,645)
Net gains on financial assets and liabilities at fair value through profit or loss	(6,570)	(1,410)
Total adjustments to reconcile profit (loss)	1,267,313	977,837
Changes in operating assets and liabilities:		
Notes and accounts receivable	(824,436)	(121,783)
Notes and accounts receivable-related parties	161,331	260,501
Inventories	(777,110)	(297,968)
Construction in progress and building for sale	462,308	575,513
Other current assets	114,087	75,303
Notes and accounts payable	430,624	295,073
Notes and accounts payable-related parties	20,988	(44,858)
Other current liabilities	(419,006)	406,797
Net defined benefit liability and other non-current liabilities	(590,851)	(700,546)
Total adjustments	(154,752)	1,425,869
Cash inflow generated from operations	4,612,822	6,057,014
Interest received	11,530	29,767
Cash dividends received	100,705	82,652
Interest paid	(159,205)	(212,420)
Income taxes paid	(499,984)	(666,249)
Net cash flows from operating activities	4,065,868	5,290,764
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(1,669,761)	(745,800)
Proceeds from capital reduction of investments accounted for using equity method	-	1,065,211
Acquisition of property, plant and equipment	(4,046,834)	(2,619,879)
Proceeds from disposal of property, plant and equipment	11,939	120,369
Proceeds from disposal of investment properties	-	55,567
Increase in non-current assets	(5,213)	(126,645)
Decrease (increase) in other current assets	220,245	(270,550)
Net cash flows used in investing activities	(5,489,624)	(2,521,727)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	29,072	(1,023,511)
Increase (decrease) in long-term borrowings	2,372,201	(20,094)
Cash dividends paid	(1,994,894)	(1,329,929)
Payment of lease liabilities	(55,500)	(47,888)
Net cash flows from (used in) financing activities	350,879	(2,421,422)
Net increase (decrease) in cash and cash equivalents	(1,072,877)	347,615
Cash and cash equivalents at beginning of year	3,243,368	2,895,753
Cash and cash equivalents at end of year	\$ 2,170,491	3,243,368

See accompanying notes to parent company only financial statements.

CHENG LOONG CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(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 main activities of the Corporation 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 financial statements

The parent company only financial statements were authorized for issue by the board of directors on March 15, 2022.

(3) New standards, amendments and interpretations adopted

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

The Corporation has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Corporation has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Corporation assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment–Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The following new and amended standards, which may be relevant to the Corporation, have been issued by the IASB, but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

The Corporation does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

The accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

The parent company only annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only 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 liabilities are measured at fair value of plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Corporation is determined based on the primary economic environment in which the Corporation operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Corporation’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Corporation 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 acquisition, are translated into the presentation currency 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 Corporation 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 Corporation disposes of only part of its investment in an associate or joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) 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 issuing equity instruments do not affect its classification.

(e) 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.

(f) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Corporation 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 Corporation 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 Corporation 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 Corporation's right to receive payment is established.

3) Impairment of financial assets

The Corporation 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, etc.).

The Corporation 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 receivable 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 Corporation 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 Corporation 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 Corporation's historical experience and informed credit assessment as well as forward looking information.

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

The Corporation 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 Corporation 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 Corporation in accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Corporation 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 91 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 Corporation has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Corporation 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 Corporation 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 Corporation’s procedures for recovery of amounts due.

4) Derecognition of financial assets

The Corporation 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 Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Corporation 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 Corporation 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 Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Corporation 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.

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 Corporation 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

The Corporation 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.

(g) 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.

(h) Investments in associates

Associates are those entities in which the Corporation 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 parent company only financial statements include the Corporation's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Corporation, 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 Corporation's percentage of ownership of the associate, the Corporation records the change in equity of the associate attributed to the Corporation's share as capital surplus.

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

When the Corporation'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 Corporation has a legal or constructive obligation or has made payments on behalf of the associate.

(i) Investments in subsidiaries

For preparing the parent company only financial statements, investments in subsidiaries are accounted for using the equity method. Under the equity method, there is no difference

between net income and comprehensive income in the Corporation's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent in the consolidated financial statements. The equity in the Corporation's parent company only financial statements and the equity attributable to stockholders of the parent in the Corporation's consolidated financial statements are also the same. Changes in the Corporation's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Corporation loses control over its subsidiaries, the Corporation derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(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.

(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 expenditure

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

(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) Rental assets: 15~50 years

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

(l) Leases

At inception of a contract, the Corporation 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.

(i) As a lessee

The Corporation 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.

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 Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using

the index or rate as at the commencement date;

- 3) amounts expected to be payable under a residual value guarantee; and
- 4) 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:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) 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
- 4) there is a change of its assessment on whether it will exercise a extension or termination option; or
- 5) 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 Corporation 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 Corporation 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.

If an arrangement contains lease and non-lease components, the Corporation 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 Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

As a practical expedient, the Corporation elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Corporation 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 Corporation 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 Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Corporation 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 Corporation 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 Corporation applies IFRS15 to allocate the consideration in the contract.

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

(m) Impairment – non-financial assets

At each reporting date, the Corporation 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 Corporation 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 Corporation 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 Corporation expects to be entitled in exchange for transferring goods or services to a customer. The Corporation 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 Corporation's main types of revenue are explained below.

(i) Sale of goods

The Corporation manufactures paper products and sales them to customers. The Corporation 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 Corporation has objective evidence that all criteria for acceptance have been satisfied.

(ii) Sale of buildings

The Corporation 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 Corporation 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 Corporation 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 Corporation 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 plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Corporation'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 Corporation, 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 Corporation 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 Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation 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) temporary 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 Corporation 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 reverse, 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 Corporation 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 simultaneously, 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 Corporation 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

The Corporation has disclosed information of operating segments in the consolidated financial statements. For the details, please refer to the consolidated financial statements.

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

The preparation of the parent company only financial statements in conformity with the Regulations 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 parent company only financial statements. Except for whether there is substantial control over or significant influence of the investee company, please refer to the Corporation's consolidated financial statements for the year ended December 31,

2021.

Information about assumptions or estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Corporation 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(d) for the valuation of inventories.

(b) Valuation of inventories of the investments accounted for using equity method and impairment assessment of other receivables due to sale of shareholding of subsidiary

For the details on the valuation of inventories, please refer to note 5(a). 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 Corporation 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 procedures. Please refer to note 12(b) for further information.

The Corporation's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Corporation 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 Corporation 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 Corporation 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 Corporation recognizes the movement at the reporting date. For assumption of measuring fair value, please refer to note 6(t).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$ 682	681
Demand deposits	1,491,577	2,018,732
Checking deposits	537,596	661,239
Time deposits	1,994	938
Commercial paper	138,642	561,778
	\$ 2,170,491	3,243,368

(b) Financial assets and liabilities at FVTPL/FVOCI

	December 31, 2021	December 31, 2020
Financial liabilities at FVTPL		
Interest rate swaps	\$ 2,402	8,972
Financial assets at FVOCI		
Stocks listed in domestic market	\$ 546,332	480,015
Stocks unlisted in domestic market	111,714	55,437
	\$ 658,046	535,452

- (i) The Corporation designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Corporation 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, 2021 and 2020, 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 Corporation entered into contracts with banks for non-deliverable interest rate swaps. For related financial activities, please refer to note 6(j). The Corporation held the following derivative instruments that did not qualify for hedge accounting, presented as held-for-trading financial liabilities:

December 31, 2021				
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, 2020				
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%

(iv) As of December 31, 2021 and 2020, the Corporation did not provide any of the aforementioned financial assets as collateral.

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

	December 31, 2021	December 31, 2020
Notes receivable	\$ 727,923	472,967
Accounts receivable	3,097,809	2,528,329
Accounts receivable – related parties	1,561,084	1,722,415
Less: Loss allowance	(53,713)	(30,449)
	\$ 5,333,103	4,693,262

(i) The Corporation applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivable. 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, 2021			
	Carrying amount of notes and accounts receivable	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 4,987,845	0.26%	13,142
Overdue 1 to 30 days	386,650	7.81%	30,211
Overdue 31 to 90 days	2,326	15.71%	365
Overdue 91 to 180 days	-	-	-
Overdue more than 181 days	9,995	100.00%	9,995
	\$ 5,386,816		53,713

December 31, 2020			
	Carrying amount of notes and accounts receivable	Lifetime weighted- average ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 4,354,821	0.25%	11,041
Overdue 1 to 30 days	359,678	3.30%	11,864
Overdue 31 to 90 days	2,200	28.54%	628
Overdue 91 to 180 days	203	52.76%	107
Overdue more than 181 days	6,809	100.00%	6,809
	\$ 4,723,711		30,449

- (ii) The movement in the allowance for notes and accounts receivable for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Balance on January 1	\$ 30,449	29,476
Impairment losses recognized	23,264	1,185
Amounts written off	-	(212)
Balance on December 31	\$ 53,713	30,449

- (iii) As of December 31, 2021 and 2020, the Corporation did not provide any notes and accounts receivable as collateral.

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials in transit	\$ 243,737	262,411
Raw materials	955,785	917,317
Semi-finished goods and work in process	1,779,081	1,064,564
Finished goods	443,459	400,660
	\$ 3,422,062	2,644,952

The Corporation did not provide any of the aforementioned inventories as collateral. For the years ended December 31, 2021 and 2020, the details of inventory costs recognized as cost of sales were as follows:

	2021	2020
Inventory costs due to sales	\$ 24,775,453	20,421,964
Losses (gains) on inventory valuation	5,517	(57,152)
Unallocated manufacturing overhead due to the actual production being lower than the normal capacity	554,969	622,107
Gain on disposal of scrap and waste inventories and physical inventories	(34,511)	(28,803)
Operating costs related to inventories	\$ 25,301,428	20,958,116

(e) Construction in progress and building for sale

The Corporation 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cheng Loong Tien Dee – building for sale	\$ 27,245	27,245	-	-
Beitou Lee Tse – building for sale	49,304	50,378	-	-
Cheng Loong Jing Zuan – building for sale	-	3,588	-	-
Roosevelt Road – building for sale	380,941	806,254	175,480	497,630
Raohe Street – building for sale	35,647	384,668	-	285,528
Hang Jhou South Road – construction in progress	2,102,945	1,793,341	599,889	403,320
Sanchong – construction in progress	18,647	18,066	-	-
Nanchang Road – construction in progress	95,747	92,831	-	-
Chengde Road – construction in progress	280	280	-	-
	\$ 2,710,756	3,176,651	775,369	1,186,478

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

	2021	2020
Capitalized interest	\$ 15,091	14,903
Capitalized interest rate	1.02%~1.06%	1.14%~1.49%

(f) Investments accounted for using equity method

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

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 11,780,538	10,014,868
Associates	1,381,201	1,278,655
	13,161,739	11,293,523
Less: allowance for impairment losses	(16,025)	(16,025)
	\$ 13,145,714	11,277,498

(i) Subsidiaries

- 1) Due to the Group's operational consideration, the Corporation increased the capital of Omis International Holdings Ltd. by \$272,720 thousand for the year ended 2021 for Omis International Holdings Ltd. to acquire the shares of Chung Loong Paper Holdings Limited. The amendment of registration for the capital increase has been completed.
- 2) In order to expand Vietnam markets and plants, the Corporation increased the capital of Cheng Loong Southeast Asia Holding Co., Ltd., to invest Cheng Long Vietnam Investment Co., Ltd. and Cheng Loong Vietnam Paper Investment Co., Ltd. by \$1,397,040 thousand and \$745,800 thousand for the years ended December 31, 2021 and 2020, respectively. The amendment of registration for the capital increase has been completed.

- 3) Based on a resolution approved by the board of directors in April 2020, Omis International Holdings Ltd., a subsidiary of the Corporation, reduced the capital by \$1,065,211 thousand. The amendment of registration for the capital reduction has been completed.
- 4) For the details of subsidiaries, please refer to the Corporation's consolidated financial statements for the year ended December 31, 2021.

(ii) Associates

- 1) Associates that were material to the Corporation were as follows:

The name of the associate	Principal activity	Main operating location / Registered country of the Company	Percentage of shareholding and voting rights	
			December 31, 2021	December 31, 2020
Ta-Yuan Co-generation Co., Ltd. (Ta-Yuan Cogeneration)	Engaged in the management of cogeneration	Taiwan	41.06%	41.06%
Tzeng Long USA Inc. (Tzeng Long USA)	Paper trading	U.S.A.	34.03%	34.03%

- 2) The fair value of the listed (TPEX) associate that was material to the Corporation was as follows:

	December 31, 2021	December 31, 2020
Ta-Yuan Co-generation	\$ 1,596,398	1,566,277

- 3) Summarized financial information for each associate that was material to the Corporation 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.

a) Ta-Yuan Cogeneration:

	December 31, 2021	December 31, 2020
Current assets	\$ 1,148,317	1,034,798
Non-current assets	3,267,568	3,301,155
Current liabilities	(388,410)	(1,813,129)
Non-current liabilities	(1,983,531)	(533,049)
Net assets	\$ 2,043,944	1,989,775
Net assets attributable to owners of parent	\$ 2,043,944	1,989,775

	2021	2020
Operating revenues	\$ 1,997,736	1,842,558
Profit	\$ 170,371	182,213
Other comprehensive income	54,968	120,369
Comprehensive income	\$ 225,339	302,582
Comprehensive income attributable to owners of parent	\$ 225,339	302,582
	2021	2020
Beginning balance of the Corporation's share of net assets	\$ 817,001	747,982
Corporation's share of other comprehensive income	92,524	124,240
Dividends received from the associate	(70,282)	(55,221)
Ending balance of the Corporation's share of net assets	839,243	817,001
Elimination of deferred unrealized gain on downstream sales of land	(89,345)	(89,345)
Investment in associate on December 31	\$ 749,898	727,656

b) Tzeng Long USA:

	December 31, 2021	December 31, 2020
Current assets	\$ 1,187,198	969,427
Non-current assets	169,766	163,667
Current liabilities	(203,547)	(137,659)
Non-current liabilities	(12,499)	(25,286)
Net assets	\$ 1,140,918	970,149
Net assets attributable to owners of parent	\$ 1,140,918	970,149
	2021	2020
Operating revenue	\$ 2,330,229	1,315,360
Profit	\$ 209,546	73,369
Other comprehensive loss	(38,777)	(67,010)
Comprehensive income	\$ 170,769	6,359
Comprehensive income attributable to owners of parent	\$ 170,769	6,359
	2021	2020
Beginning balance of the Corporation's share of net assets	\$ 330,142	326,569
Corporation's share of other comprehensive income	58,113	2,164
Net worth differences of buyback treasury stocks	-	1,409
Ending balance of the Corporation's share of net assets	\$ 388,255	330,142
Investment in associate on December 31	\$ 388,255	330,142

c) Summarized financial information about individually immaterial associates:

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

	December 31, 2021	December 31, 2020
Carrying amount in aggregate for all individually immaterial associates	\$ 227,023	204,832

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

	2021	2020
Profit	\$ 10,656	9,445
Other comprehensive income	11,535	60,372
Comprehensive income	\$ 22,191	69,817

(iii) As of December 31, 2021 and 2020, the aforementioned investments were not provided as collateral.

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

(g) Property, plant and equipment

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

	Land	Buildings	Machinery	Transportation and miscellaneous equipment	Rental assets	Construction in progress and testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2021	\$ 5,213,260	6,872,332	32,651,572	2,484,283	468,099	2,974,019	50,663,565
Additions	1,130,084	78,449	9,407	90,308	-	2,756,406	4,064,654
Disposals	-	-	(163,989)	(142,034)	-	-	(306,023)
Reclassification	124,665	955,485	1,682,396	110,105	-	(2,775,008)	97,643
Balance on December 31, 2021	\$ 6,468,009	7,906,266	34,179,386	2,542,662	468,099	2,955,417	54,519,839
Balance on January 1, 2020	\$ 5,181,300	6,840,411	32,167,872	2,475,287	468,099	1,146,957	48,279,926
Additions	33,337	9,994	3,285	60,065	-	2,633,890	2,740,571
Disposals	(1,465)	(78,139)	(166,775)	(135,628)	-	-	(382,007)
Reclassification	88	100,066	647,190	84,559	-	(806,828)	25,075
Balance on December 31, 2020	\$ 5,213,260	6,872,332	32,651,572	2,484,283	468,099	2,974,019	50,663,565

	Land	Buildings	Machinery	Transportation and miscellaneous equipment	Rental assets	Construction in progress and testing equipment	Total
Accumulated depreciation and impairment:							
Balance on January 1, 2021	\$ -	4,339,322	23,653,507	2,151,856	175,477	-	30,320,162
Depreciation	-	200,287	1,073,307	135,616	10,090	-	1,419,300
Impairment loss	-	-	33,110	-	-	-	33,110
Disposals	-	-	(158,206)	(138,206)	-	-	(296,412)
Reclassification	-	(6,930)	(129)	(30)	-	-	(7,089)
Balance on December 31, 2021	\$ -	4,532,679	24,601,589	2,149,236	185,567	-	31,469,071
Balance on January 1, 2020	\$ -	4,167,904	22,835,845	2,153,524	165,388	-	29,322,661
Depreciation	-	188,154	978,741	131,768	10,089	-	1,308,752
Disposals	-	(16,736)	(161,079)	(133,436)	-	-	(311,251)
Balance on December 31, 2020	\$ -	4,339,322	23,653,507	2,151,856	175,477	-	30,320,162
Carrying amount:							
Balance on December 31, 2021	\$ 6,468,009	3,373,587	9,577,797	393,426	282,532	2,955,417	23,050,768
Balance on December 31, 2020	\$ 5,213,260	2,533,010	8,998,065	332,427	292,622	2,974,019	20,343,403
Balance on January 1, 2020	\$ 5,181,300	2,672,507	9,332,027	321,763	302,711	1,146,957	18,957,265

- (i) Because the Corporation adjusts its production lines to improve product competitiveness, some of the machines are idle. Based on the Corporation's assessments, the Corporation has evaluated their impairment amounting to \$33,110 thousand for the year ended December 31, 2021.
- (ii) As of December 31, 2021 and 2020, property, plant and equipment of the Corporation were pledged as collateral for bank loans; please refer to note 8.
- (iii) As of December 31, 2021 and 2020, the book values of agricultural land bought by the Corporation for operational use amounted to \$1,084,068 thousand and \$1,087,016 thousand, respectively. The ownership titles to the land cannot be transferred to the Corporation. The land has been registered under the name of a trustee, and the Corporation has signed a contract with the trustee which states the rights and obligations of both parties.
- (iv) Property, plant and equipment under construction
As of December 31, 2021 and 2020, the construction in progress amounted to \$2,831,489 thousand and \$2,483,669 thousand, respectively, including the capitalized borrowing costs.

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

	2021	2020
Capitalized interest	\$ 26,205	15,781
Capitalized interest rate	1.02%~1.06%	1.14%~1.49%

(h) Right-of-use assets

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

	Land	Buildings	Machinery	Transportation	Total
Cost:					
Balance on January 1, 2021	\$ 992,277	93,469	6,535	861	1,093,142
Additions	3,113	57,886	-	-	60,999
Lease modification	(2,112)	2	-	-	(2,110)
Disposal	(1,126)	(3,334)	(5,640)	-	(10,100)
Reclassification from investment property	99,875	-	-	-	99,875
Balance on December 31, 2021	\$ 1,092,027	148,023	895	861	1,241,806
Balance on January 1, 2020	\$ 951,538	81,733	6,535	861	1,040,667
Additions	7,055	11,736	-	-	18,791
Lease modification	(7,556)	-	-	-	(7,556)
Reclassification	41,240	-	-	-	41,240
Balance on December 31, 2020	\$ 992,277	93,469	6,535	861	1,093,142
Accumulated depreciation:					
Balance on January 1, 2021	\$ 66,053	39,799	2,305	390	108,547
Depreciation	36,461	25,832	671	195	63,159
Disposal	(313)	(1,429)	(2,081)	-	(3,823)
Reclassification from investment property	17,050	-	-	-	17,050
Balance on December 31, 2021	\$ 119,251	64,202	895	585	184,933
Balance on January 1, 2020	\$ 30,040	17,934	1,177	195	49,346
Depreciation	31,379	21,865	1,128	195	54,567
Reclassification	4,634	-	-	-	4,634
Balance on December 31, 2020	\$ 66,053	39,799	2,305	390	108,547
Carrying amount:					
Balance on December 31, 2021	\$ 972,776	83,821	-	276	1,056,873
Balance on December 31, 2020	\$ 926,224	53,670	4,230	471	984,595
Balance on January 1, 2020	\$ 921,498	63,799	5,358	666	991,321

(i) Investment property

Movements of the cost, accumulated depreciation, and impairment of investment property of the Corporation were as follows:

	Land	Buildings	Right-of-use assets-land	Total
Cost:				
Balance on January 1, 2021	\$ 67,326	1,512,720	99,875	1,679,921
Reclassification from building for sale and property, plant and equipment	1,023	20,929	-	21,952
Reclassification to right-of-use assets	-	-	(99,875)	(99,875)
Balance on December 31, 2021	\$ 68,349	1,533,649	-	1,601,998
Balance on January 1, 2020	\$ 66,310	1,546,718	142,589	1,755,617
Reclassification from building for sale	1,191	11,977	-	13,168
Reclassification to right-of-use assets	-	-	(41,240)	(41,240)
Disposal	(175)	(45,975)	-	(46,150)
Lease modification	-	-	(1,474)	(1,474)
Balance on December 31, 2020	\$ 67,326	1,512,720	99,875	1,679,921
Accumulated depreciation and impairment:				
Balance on January 1, 2021	\$ -	563,767	12,815	576,582
Depreciation	-	27,915	4,235	32,150
Reclassification from property, plant and equipment	-	6,929	-	6,929
Reclassification to right-of-use assets	-	-	(17,050)	(17,050)
Balance on December 31, 2021	\$ -	598,611	-	598,611
Balance on January 1, 2020	\$ -	544,570	9,054	553,624
Depreciation	-	28,425	8,395	36,820
Reclassification to right-of-use assets	-	-	(4,634)	(4,634)
Disposal	-	(9,228)	-	(9,228)
Balance on December 31, 2020	\$ -	563,767	12,815	576,582
Carrying amount:				
Balance on December 31, 2021	\$ 68,349	935,038	-	1,003,387
Balance on December 31, 2020	\$ 67,326	948,953	87,060	1,103,339
Balance on January 1, 2020	\$ 66,310	1,002,148	133,535	1,201,993
Fair value:				
Balance on December 31, 2021				\$4,633,954
Balance on December 31, 2020				\$4,786,834

- (i) The Corporation early terminated its lease contract of sub-leasing the leased land of Port of Taichung to a related party in August 2021 and reclassified its right-of-use assets of land and related accumulated depreciation from investment properties to right-of-use assets. Please refer to note 6(h).
- (ii) 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(l).

- (iii) The Corporation 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 Corporation 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.
- (iv) 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.
- (v) As of December 31, 2021 and 2020, investment property of the Corporation was pledged as collateral for bank loans; please refer to note 8.

(j) Long-term and short-term borrowings

The details, terms and conditions were as follows:

	Currency	Interest rate	Maturity year	December 31, 2021	December 31, 2020
Secured bank loans	NTD	0.75%	2025	\$ 1,130,000	640,000
Unsecured bank loans	NTD	0.91%~1.79%	2023~2025	3,667,734	2,281,214
Letters of credit	USD	0.71%~0.80%	2022	24,248	250,219
Letters of credit	EUR	0.80%~0.85%	2022	1,538	6,403
Letters of credit	JPY	0.70%~0.84%	2022	34,511	75,601
Letters of credit	SEK	3.90%	2022	359	661
Commercial paper payable	NTD	0.86%~1.07%	2022~2025	10,873,367	10,076,386
Total				<u>\$ 15,731,757</u>	<u>13,330,484</u>
Current – short-term borrowings				\$ 1,827,276	1,798,204
Current – current portion of long-term borrowings				148,700	-
Non-current – long-term borrowings				13,755,781	11,532,280
Total				<u>\$ 15,731,757</u>	<u>13,330,484</u>

- (i) The total line of credit for the Corporation's syndicated loan with 13 banks, including Hua Nan Commercial Bank, was \$7,200,000 thousand (comprising \$4,320,000 thousand of revolving long-term Commercial paper payable). 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.
- (ii) The total line of credit for the Corporation'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.

- (iii) The total line of credit for the Corporation's syndicated loan with 10 banks, including First Commercial Bank, was \$4,800,000 thousand (comprising \$3,840,000 thousand of revolving long-term commercial paper payable). The contract period is from April 27, 2020 to April 26, 2025, 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.
- (iv) The loan with Mega International Commercial Bank based on "Loans for Returning Overseas Taiwanese Businesses" amounted to \$1,400,000 thousand, with the contract period beginning from March 30, 2020 to December 15, 2025. The line of credit is not revolving in nature; hence, the loan will be repaid on the 15th of every month after two years.
- (v) The total line of credit for the Corporation's syndicated loan with 12 banks, including Hua Nan Commercial Bank, was \$8,000,000 thousand (comprising \$6,800,000 thousand of revolving long-term commercial paper payable). The contract period is from December 22, 2020 to December 21, 2025, 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.
- (vi) To obtain the above loans, except for the loan with Mega International Commercial Bank based on "Loans for Returning Overseas Taiwanese Businesses", the Corporation 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.
- (vii) As of December 31, 2021, the Corporation had not violated the covenants of the loans above.
- (viii) For the details on the collateral provided for bank loans, please refer to note 8.

(k) Lease liabilities

Lease liabilities of the Corporation were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 53,227</u>	<u>47,001</u>
Non-current	<u>\$ 739,667</u>	<u>748,924</u>

For the maturity analysis, please refer to note 6(t).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 13,452</u>	<u>13,924</u>
Expenses relating to short-term leases and lease of low-value assets	<u>\$ 9,933</u>	<u>5,039</u>
COVID-19-related rent concessions (recognized as deduction of rent expenses)	<u>\$ 143</u>	<u>1,505</u>

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

	2021	2020
Rental paid in operating activities	\$ 9,933	5,039
Interest on lease liabilities paid in operating activities	13,452	13,924
Payment made on lease liabilities in financing activities	55,500	47,888
Total cash outflow for leases	<u>\$ 78,885</u>	<u>66,851</u>

(l) Operating leases

The Corporation leases out its investment property. The Corporation 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(i) 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, 2021	December 31, 2020
Less than one year	\$ 93,552	136,277
One to two years	63,823	106,854
Two to three years	45,826	81,182
Three to four years	33,305	62,919
Four to five years	12,482	50,168
More than five years	1,627	57,785
	<u>\$ 250,615</u>	<u>495,185</u>

For the years ended December 31, 2021 and 2020, the rental revenue with respect to property leases amounted to \$119,148 thousand and \$119,480 thousand, respectively, and was recorded

as operating revenues.

(m) Employee benefits

(i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ (3,409,267)	(3,358,527)
Fair value of plan assets	2,702,900	2,205,290
Net defined benefit liability	<u>\$ (706,367)</u>	<u>(1,153,237)</u>

The Corporation 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 Corporation 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 Corporation's labor pension reserve account balance at Bank of Taiwan amounted to \$2,702,900 thousand as of December 31, 2021. 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 Corporation for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Defined benefit obligations on January 1	\$ (3,358,527)	(3,095,898)
Adjustment on January 1	-	(100)
Benefits paid by the plan	205,218	173,024
Remeasurement of net defined benefit liability (assets) – actuarial gains (losses) arising from changes in financial assumptions	(196,421)	(363,208)
Current service cost and interest expense	(59,537)	(72,345)
Defined benefit obligations on December 31	<u>\$ (3,409,267)</u>	<u>(3,358,527)</u>

3) Movements in the fair value of plan assets

The movements in the fair value of defined benefit plan assets for the Corporation for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Fair value of plan assets on January 1	\$ 2,205,290	1,512,978
Adjustment on January 1	-	100
Expected return on plan assets	13,789	15,362
Remeasurement of net defined benefit liability (assets) – return on plan assets (excluding interest expense)	22,065	45,426
Contribution made	623,733	790,275
Benefits paid by the plan	(161,977)	(158,851)
Fair value of plan assets on December 31	\$ 2,702,900	2,205,290

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Corporation for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Service cost	\$ 39,357	42,443
Net interest on net defined benefit liability	6,391	14,540
	\$ 45,748	56,983
Operating costs	\$ 29,573	37,288
Selling expenses	4,350	5,259
Administrative expenses	10,729	13,054
Research and development expenses	1,096	1,382
	\$ 45,748	56,983

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

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

	2021	2020
Cumulative amount on January 1	\$ 866,509	548,727
Recognized during the period	174,356	317,782
Cumulative amount on December 31	\$ 1,040,865	866,509

6) Actuarial assumptions

The following are the Corporation's principal actuarial assumptions:

	2021	2020
Discount rate	0.625%	0.625%
Future salary increase rate	2.000%	2.000%

The expected allocation payment to be made by the Corporation to the defined benefit plans for the one-year period after the reporting date was \$169,283 thousand. The weighted-average duration of the defined benefit plans is 10.91 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Corporation 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, 2021 and 2020, would have been as follows:

	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount rate	(76,674)	79,383
Future salary increase rate	77,252	(75,001)
December 31, 2020		
Discount rate	(78,586)	81,447
Future salary increase rate	79,246	(76,856)

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 2021 and 2020.

(ii) Defined contribution plans

The Corporation 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 Corporation contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Corporation recognized pension costs under the defined contribution method amounting to \$99,290 thousand and \$93,383 thousand for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(n) Income tax

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

	2021	2020
Current tax expenses	\$ 603,661	710,486
Deferred tax expenses	200,491	192,913
Income tax expenses	\$ 804,152	903,399

(ii) Tax benefits under other comprehensive income or loss were as follows:

	2021	2020
Items that may not be reclassified subsequently to profit or loss:		
Losses on remeasurements of defined benefit plans	\$ (34,871)	(173,302)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	\$ (40,061)	(176,303)

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

	2021	2020
Profit before income tax	\$ 4,767,574	4,631,145
Income tax using the Corporation's domestic tax rate	953,515	926,229
Additional tax on undistributed earnings	-	31,726
Gains on sale of land exempt from income tax	(17,955)	(27,306)
Prior year's income tax adjustment	(14,405)	4,158
Shares of profit accounted for using equity method	(61,723)	(40,013)
Changes in unrecognized temporary differences	552	(6,366)
Land value incremental tax	10,005	31,363
Investment tax credits accrued	(50,000)	(55,292)
Others	(15,837)	38,900
	\$ 804,152	903,399

(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, 2021	December 31, 2020
Deductible temporary differences	\$ (13,163)	(12,611)

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 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	Exchange differences on translation of foreign financial statements	Others	Total
Balance on January 1, 2021	\$ (30,314)	(33,936)	(27,451)	(19,655)	(452,174)	(101,290)	(664,820)
Recognized in profit or loss	65,185	(971)	15,036	2,164	-	28,927	110,341
Recognized in other comprehensive income	(34,871)	-	-	-	(40,061)	-	(74,932)
Balance on December 31, 2021	<u>\$ -</u>	<u>(34,907)</u>	<u>(12,415)</u>	<u>(17,491)</u>	<u>(492,235)</u>	<u>(72,363)</u>	<u>(629,411)</u>
Balance on January 1, 2020	\$ (5,855)	(33,994)	(22,159)	(16,382)	(275,871)	(122,076)	(476,337)
Recognized in profit or loss	5,855	58	(5,292)	(3,273)	-	20,786	18,134
Recognized in other comprehensive income	(30,314)	-	-	-	(176,303)	-	(206,617)
Balance on December 31, 2020	<u>\$ (30,314)</u>	<u>(33,936)</u>	<u>(27,451)</u>	<u>(19,655)</u>	<u>(452,174)</u>	<u>(101,290)</u>	<u>(664,820)</u>

Deferred tax liabilities:

	Overseas investment income recognized under the equity method	Land value increment tax	Temporary differences from depreciation of machinery	Others	Total
Balance on January 1, 2021	\$ 157,209	195,480	891,016	2,460	1,246,165
Recognized in profit or loss	20,285	-	72,325	(2,460)	90,150
Balance on December 31, 2021	<u>\$ 177,494</u>	<u>195,480</u>	<u>963,341</u>	<u>-</u>	<u>1,336,315</u>
Balance on January 1, 2020	\$ 97,326	195,757	778,303	-	1,071,386
Recognized in profit or loss	59,883	(277)	112,713	2,460	174,779
Balance on December 31, 2020	<u>\$ 157,209</u>	<u>195,480</u>	<u>891,016</u>	<u>2,460</u>	<u>1,246,165</u>

- (v) The tax returns of the Corporation have been examined by the ROC income tax authorities through the years to 2019.

(o) Capital and other equity

(i) Capital

As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
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	439,684	414,214
Others	2,835	2,835
	\$ 1,157,532	1,132,062

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.

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 the FSC, 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 July 30, 2021, and June 12, 2020, based on a resolution approved by the stockholders' meetings, the information on dividends appropriated from the distributable retained earnings of 2020 and 2019 was as follows:

	2020	2019
Stockholders' dividends – cash, \$1.8 (dollars) and \$1.2 (dollars) per share, respectively	\$ 1,994,894	1,329,929

Information about the distribution of dividends can be accessed at the Market Observation Post System website.

(p) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share of years 2021 and 2020 based on the profit attributable to ordinary stockholders of the Corporation and the weighted-average number of common shares outstanding was as follows:

	2021	2020
Profit of the Corporation for the year	\$ 3,963,422	3,727,746
Weighted-average number of common shares (Basic / thousand shares)	1,108,275	1,108,275
Basic earnings per share (dollars)	\$ 3.58	3.36

(ii) Diluted earnings per share

The calculation of diluted earnings per share of years 2021 and 2020 based on the profit attributable to ordinary 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:

	2021	2020
Profit of the Corporation for the year	\$ 3,963,422	3,727,746
Weighted-average number of common shares (Diluted / thousand shares)	1,111,524	1,111,634
Diluted earnings per share (dollars)	\$ 3.57	3.35

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

	2021	2020
Weighted-average number of common shares (basic)	1,108,275	1,108,275
Effect of employee stock remuneration	3,249	3,359
Weighted-average number of common shares (diluted)	1,111,524	1,111,634

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Major products / services lines		
Sale of goods	\$ 33,192,976	28,646,422
Sales of building	944,393	1,588,247
Rental revenue	119,148	119,480
Cogeneration revenue	37,722	56,353
	\$ 34,294,239	30,410,502

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable (including related parties)	\$ 5,386,816	4,723,711	4,862,641
Less: Loss allowance	(53,713)	(30,449)	(29,476)
	\$ 5,333,103	4,693,262	4,833,165
Contract liabilities – advance receive on real estate	\$ 775,369	1,186,478	1,097,333

- 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, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$783,158 thousand and \$874,066 thousand, respectively.
- 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.

(r) Employee remuneration

Based on the Corporation's articles, if the Corporation incurred earnings for the year, the earnings shall first be used 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.

For the years ended December 31, 2021 and 2020, the Corporation estimated its employee remuneration both amounting to \$90,000 thousand. 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 2021 and 2020. 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 2022. The actual amounts appropriated and the estimated amounts in the financial statements were the same in 2020.

(s) Non-operating income and expenses

(i) Other income

The Corporation's other income was as follows:

	2021	2020
Interest income	\$ 13,160	29,857
Dividend income	30,423	27,431
Rental revenue	42,098	51,415
Subsidize revenue from waste disposal	97,566	68,559
	\$ 183,247	177,262

(ii) Other gains and losses, net

The Corporation's other gains and losses were as follows:

	2021	2020
Gain on disposal of property, plant and equipment	\$ 2,328	49,613
Gain on disposal of investment property	-	18,645
Net gain on financial liabilities at fair value through profit or loss	6,570	1,410
Net loss on foreign exchanges	(19,325)	(185,774)
Impairment loss on property, plant, and equipment	(33,110)	-
Others	12,279	8,629
	\$ (31,258)	(107,477)

(iii) Finance costs

The Corporation's finance costs, excluding capitalized interest, were as follows:

	2021	2020
Interest expense	\$ 133,131	182,142
Interest on lease liabilities	13,452	13,924
Total finance costs	\$ 146,583	196,066

For details of capitalized interest, please refer to notes 6(e) and (g).

(t) 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 Corporation trades with a wide range of customers from different geographic regions. The Corporation 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 Corporation 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, 2021 and 2020, the maximum exposure to credit risk amounted to \$8,399,174 thousand and \$9,187,915 thousand, respectively.

(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, 2021					
Non-derivative financial liabilities:					
Long-term and short-term borrowings	\$ 15,731,757	15,875,891	1,994,080	13,881,811	-
Notes and accounts payable (including related parties)	4,902,704	4,902,704	4,902,704	-	-
Lease liabilities	792,894	1,020,161	66,103	197,688	756,370
Other payables	2,189,901	2,189,901	2,189,901	-	-
Derivative financial liabilities:					
Interest rate swaps	2,402	2,402	2,402	-	-
	\$ 23,619,658	23,991,059	9,155,190	14,079,499	756,370
December 31, 2020					
Non-derivative financial liabilities:					
Long-term and short-term borrowings	\$ 13,330,484	13,505,767	1,821,849	11,683,918	-
Notes and accounts payable (including related parties)	4,451,092	4,451,091	4,451,091	-	-
Lease liabilities	795,925	1,035,448	60,167	180,061	795,220
Other payables	2,129,740	2,129,740	2,129,740	-	-
Derivative financial liabilities:					
Interest rate swaps	8,972	8,972	8,972	-	-
	\$ 20,716,213	21,131,018	8,471,819	11,863,979	795,220

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	\$ 78,563	27.6300	2,170,691	88,736	28.0500	2,489,039
Non-monetary items						
USD	13,966	27.8000	388,255	11,420	28.9100	330,142
VND	505,905,976	0.0010	505,906	453,629,771	0.0010	453,630
Financial liabilities						
Monetary item						
USD	10,598	27.7300	293,885	17,074	28.1500	480,644
JPY	431,735	0.2423	104,609	532,737	0.2745	146,236

2) Sensitivity analysis

The Corporation's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, loans, 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 decreased or increased by \$17,722 thousand and \$18,622 thousand for the years ended December 31, 2021 and 2020, respectively. Analysis of the two periods is based on the same standard.

The functional currency of the Corporation is NTD. The carrying amount of currencies exchange gain or loss is foreign currencies exchange gain or loss of monetary assets and liabilities. For details, please refer to note 6(s).

(iv) Interest rate risk

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

	Carrying amount	
	December 31, 2021	December 31, 2020
Fixed-rate instruments:		
Financial assets	\$ 1,994	938
Variable-rate instruments:		
Financial assets	\$ 1,630,219	2,580,510
Financial liabilities	(15,731,757)	(13,330,484)
	\$ (14,101,538)	(10,749,974)

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 \$35,254 thousand and \$26,875 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This mainly resulted from borrowings with variable interest rates. In addition, the Corporation'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:

	2021	2020
Price of securities at the reporting date	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ 54,633	48,002
Decreasing 10%	\$ (54,633)	(48,002)

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Corporation'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, 2021					
	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	\$ 546,332	546,332	-	-	546,332
Stocks unlisted in domestic market	111,714	-	-	111,714	111,714
	\$ 658,046	546,332	-	111,714	658,046
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,170,491				
Notes and accounts receivable (including related parties)	5,333,103				
Other receivables	665,715				
Other financial assets—current	57,890				
Other financial assets—non- current	172,657				
	\$ 8,399,856				
Financial liabilities at fair value through profit or loss					
Interest rate swaps	\$ 2,402	-	-	2,402	2,402
Financial liabilities at amortized cost					
Borrowings	\$15,731,757				
Notes and accounts payable (including related parties)	4,902,704				
Other payables	2,189,901				
Guarantee deposits	482,017				
Lease liabilities	792,894				
	\$24,099,273				

December 31, 2020					
	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	\$ 480,015	480,015	-	-	480,015
Stocks unlisted in domestic market	55,437	-	-	55,437	55,437
	\$ 535,452	480,015	-	55,437	535,452
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,243,368				
Notes and accounts receivable including related parties)	4,693,262				
Other receivables	884,895				
Other financial assets—current	186,430				
Other financial assets—non- current	180,641				
	\$ 9,188,596				
Financial liabilities at fair value through profit or loss					
Interest rate swaps	\$ 8,972	-	-	8,972	8,972
Financial liabilities at amortized cost					
Borrowings	\$13,330,484				
Notes and accounts payable (including related parties)	4,451,092				
Other payables	2,129,740				
Guarantee deposits	451,917				
Lease liabilities	795,925				
	\$21,159,158				

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

Financial instruments of the Corporation 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 1 and Level 2

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

5) Changes in Level 3

	Financial liabilities at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Balance on January 1, 2021	\$ (8,972)	55,437
Recognized in profit or loss	6,570	-
Recognized in other comprehensive income	-	56,277
Balance on December 31, 2021	\$ (2,402)	111,714
Balance on January 1, 2020	\$ (10,382)	55,437
Recognized in profit or loss	1,410	-
Balance on December 31, 2020	\$ (8,972)	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, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total gains or losses		
In profit or loss (recognized in "other gains and losses")	\$ (2,402)	(8,972)

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

The Corporation's financial instruments that use Level 3 inputs to measure fair value include "financial liabilities at fair value through profit or loss—derivative financial investments" 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 Corporation 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, 2021 and 2020 were 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 Corporation'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:

			Effects of changes in fair value on other comprehensive income and loss	
	Inputs	Increase or decrease		
December 31, 2021				
Financial assets at fair value through other comprehensive income – equity investments in inactive markets	Discount for lack of marketability	±10%		
			\$ (4,788)	4,788
December 31, 2020				
Financial assets at fair value through other comprehensive income – equity investments in inactive markets	Discount for lack of marketability	±10%		
			\$ (2,693)	2,693

(u) Financial risk management

- (i) The Corporation 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(t).

- (ii) Structure of risk management

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, 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 Corporation's activities. The Corporation, 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 Corporation's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. 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.

(v) Capital management

The Corporation'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, 2021 and 2020, the debt ratios were both 50%. There were no changes in the Corporation's approach to capital management for the years ended December 31, 2021.

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
Short-term borrowings	\$ 1,798,204	29,072	-	1,827,276
Long-term borrowings	11,532,280	2,372,201	-	13,904,481
Lease liabilities	795,925	(55,500)	52,469	792,894
Total liabilities from financing activities	\$ 14,126,409	2,345,773	52,469	16,524,651

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Short-term borrowings	\$ 2,821,715	(1,023,511)	-	1,798,204
Long-term borrowings	11,552,374	(20,094)	-	11,532,280
Lease liabilities	835,557	(47,888)	8,256	795,925
Total liabilities from financing activities	\$ 15,209,646	(1,091,493)	8,256	14,126,409

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Corporation
Tzeng Long USA Inc. (Tzeng Long USA)	An associate of the Corporation
Ta-Yuan Cogeneration Co., Ltd. (Ta-Yuan Cogeneration)	An associate of the Corporation
Cheng Loong Investment Co., Ltd. (Cheng Loong Investment)	An associate of the Corporation
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
Yi Yuan Investment Co., Ltd. (Yi Yuan Investment)	The entity's chairman is the second immediate family of the chairman of the Corporation
Shan Loong Motor Co., Ltd. (Shan Loong Motor)	Original as a subsidiary of the substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
Shan Loong Transportation Co., Ltd. (Shan Loong Transportation)	Original as substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
Sun Favorite (Shanghai) Co., Ltd. (Sun Favorite (Shanghai))	A substantial related party
Shine Far Construction Co., Ltd. (Shine Far Construction)	A substantial related party

Name of related party	Relationship with the Corporation
Yue Loong Co., Ltd. (Yue Loong)	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
Shan Loong International & Customs Broker Co., Ltd. (Shan Loong International)	Original as a subsidiary of the substantial related party of the Corporation. After the substantial related party's election of its directors in May 2020, its chairman is the second immediate family of the chairman of the Corporation.
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
Employees' Welfare Committee of Cheng Loong Corporation	A 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
Cheng, Jen- Hong	The second immediate family of the chairman of the Corporation
Cheng, Chen-Loong	The second immediate family of the chairman of the Corporation
GemTech Optoelectronics Corp. (GemTech Optoelectronics)	A subsidiary of the Corporation
Vina Tawana Container Co., Ltd. (Vina)	A subsidiary of the Corporation
Omis International Holdings Limited (Omis Holdings)	A subsidiary of the Corporation
Chung Loong Paper Holdings Limited (Chung Loong Holdings)	A subsidiary of the Corporation
Winvantage Corporation (Winvantage)	A subsidiary of the Corporation
Scorpion Perfect Investments Ltd. (Scorpion)	A subsidiary of the Corporation
Hong Kong Chung Hao Limited (H.K. Chung Hao)	A subsidiary of the Corporation
Qingdao Chung Loog Paper Co., Ltd. (Qingdao Chung Loog Paper)	A subsidiary of the Corporation
Zhangzhou Cheng Loong Paper Co., Ltd. (Zhangzhou Cheng Loong Paper)	A subsidiary of the Corporation
Shanghai Chung Hao Paper Co., Ltd. (Shanghai Chung Hao Paper)	A subsidiary of the Corporation
Chengdu Cheng Loong Packing Products Co., Ltd. (Chengdu Cheng Loong Packing Products)	A subsidiary of the Corporation
Henan Cheng Loong Packing Products Co., Ltd. (Henan Cheng Loong Packing Products)	A subsidiary of the Corporation

Name of related party	Relationship with the Corporation
Best Focus Holdings Limited (Best Focus)	Original as a subsidiary of the Corporation, it completed liquidation in December 2020.
Shan Fu Investment Co., Ltd. (Shan Fu)	A subsidiary of the Corporation
Hong Kong Shan Fu Limited (H.K. Shan Fu)	A subsidiary of the Corporation
Shan Fu Paper (Kunsan) Co., Ltd. (Shan Fu (Kunsan))	A subsidiary of the Corporation
Cheng Loong (Suzhou) Investment Co., Ltd. (Cheng Loong (Suzhou))	A subsidiary of the Corporation
Hong Kong Su Loong Limited (H.K. Su Loong)	A subsidiary of the Corporation
Suzhou Cheng Loong Paper Co., Ltd. (Suzhou Cheng Loong)	A subsidiary of the Corporation
Kunfu Paper (Kunsan) Co., Ltd. (Kunfu (Kunsan))	Original as a subsidiary of the Corporation, it has been merged into Suzhou Cheng Loong Paper Co., Ltd. in April 2020.
Cheng Loong (Gwangtung) Investment Co., Ltd. (Cheng Loong (Gwangtung) Investment)	A subsidiary of the Corporation
Hong Kong Gwang Loong Limited (H.K. Gwang Loong)	A subsidiary of the Corporation
Cheng Loong (Gwangtung) Paper Co., Ltd. (Cheng Loong (Gwangtung))	A subsidiary of the Corporation
Chong Qing Cheng Loong Paper Co., Ltd. (Chong Qing Cheng Loong Paper)	A subsidiary of the Corporation
Dongguan Ming Loong Paper Co., Ltd. (Dongguan Ming Loong Paper)	A subsidiary of the Corporation
Cheng Loong (Hangzhou) Investment Co., Ltd. (Cheng Loong (Hangzhou))	A subsidiary of the Corporation
Loong Fu Investment Co., Ltd. (Loong Fu)	A subsidiary of the Corporation
Hong Kong Loong Fu Limited (H.K. Loong Fu)	A subsidiary of the Corporation
Loong Fu Paper (Kunsan) Co., Ltd. (Loong Fu (Kunsan))	Original as a subsidiary of the Corporation, it's no longer as a related party after its all shares were sold in August 2021.
Chung Ming International Limited (Chung Ming)	A subsidiary of the Corporation
Chung Ming International Limited Taiwan (Chung Ming Taiwan)	A branch of a subsidiary of the Corporation
CorAsia Corp. (CAC)	A subsidiary of the Corporation
Cheng Loong Southeast Asia Holding Co., Ltd. (Southeast Asia Holding)	A subsidiary of the Corporation
Cheng Loong Vietnam Investment Co., Ltd. (Cheng Loong (Vietnam))	A subsidiary of the Corporation
Cheng Loong Binh Duong Container Co., Ltd. (Cheng Loong (Binh Duong))	A subsidiary of the Corporation
Cheng Loong Long An Container Co., Ltd. (Cheng Loong (Long An))	A subsidiary of the Corporation
Cheng Loong Bac Giang Co., Ltd. (Cheng Loong (Bac Giang))	A subsidiary of the Corporation
Cheng Loong Ben Cat Company Limited (Cheng Loong (Ben Cat))	A subsidiary of the Corporation

Name of related party	Relationship with the Corporation
Cheng Loong Indonesia Investment Co., Ltd. (Cheng Loong (Indonesia))	A subsidiary of the Corporation
CL Jakarta Container, PT (CL Jakarta)	A subsidiary of the Corporation
Cheng Loong Vietnam Paper Investment Co., Ltd. (Cheng Loong (Vietnam) Paper)	A subsidiary of the Corporation
Cheng Loong Binh Duong Paper Co., Ltd. (Cheng Loong (Binh Duong) Paper)	A subsidiary of the Corporation
Chinh Loong Co., Ltd. (Chinh Loong)	A subsidiary of the Corporation

(b) Significant related-party transactions

(i) Sale of goods to related parties

	Sales	
	2021	2020
Subsidiaries	\$ 3,148,367	2,716,508
Associates	62,010	53,769
Other related parties	2,593,204	2,538,542
	\$ 5,803,581	5,308,819

There were no significant differences in the selling prices between related parties and other customers. The credit terms ranged from 25 to 90 days, which were no significant difference with credit terms given to other customers.

As of December 31, 2021, the Corporation's unearned sales revenue, due to sales of goods to other related parties, amounted to \$732 thousand.

The contract amount of the Corporation selling its real estate and parking spaces (including for-sale and pre-sale) to the related parties were as follow:

Nature of related party	Year of sale	Contract amount
Other related parties	2019	\$ 768,132
Other related parties	2021	150,450

As of December 31, 2021 and 2020, the related advance payment received by the Corporation amounted to \$232,816 thousand and \$50,884 thousand, respectively.

(ii) Purchase of goods from related parties

	Purchases	
	2021	2020
Subsidiaries	\$ 3,208	2,489
Associates	770,889	328,216
Other related parties	1,485,556	884,776
	\$ 2,259,653	1,215,481

There were no significant differences in the purchasing prices 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) In September 1993, the Corporation sold land to an associate. The gain on this disposal amounted to \$181,965 thousand. The Corporation recognized a deferred unrealized gain of \$89,345 thousand based on the percentage of ownership. As of December 31, 2021 and 2020, such gain was recorded as a subtraction from investments accounted for using equity method.
- 2) For the years ended December 31, 2021 and 2020, the Corporation paid the amounts of \$411,653 thousand and \$634,422 thousand, respectively, recorded as property, plant, and equipment, to other related parties for the construction of its plants and installation of its equipment, where the payables of \$68,612 thousand and \$82,871 thousand, respectively, were recorded as other current liabilities.
- 3) In August 2020, the board of directors resolved to sell the Corporation's land and buildings to Shan Loong Transportation at the amount of \$169,189 thousand, which was negotiated and determined based on the appraisal report. As of December 31, 2020, the statutory registration process has completed and the receivable for the transaction were fully received. The gain on disposal amounted to \$69,039 thousand.
- 4) In August 2020, the board of directors resolved to purchase the land and buildings from Sun Favorite at the amount of \$1,252,662 thousand, which was negotiated and determined based on the appraisal report. As of December 31, 2021, the payables for the transaction were fully paid, and the related real estates were recorded as property, plant, and equipment. All statutory registration procedures had since been completed. On the other hand, the prepayment for the land and buildings of \$125,172 thousand was recorded as other non current assets as of December 31, 2020.
- 5) The Corporation early terminated its lease contract of sub-leasing the leased land of Port of Taichung to Shan Loong Transportation in August 2021. Besides, the board of directors resolved to purchase the land improvements related to the leased land from Shan Loong Transportation at the amount of \$76,281 thousand, which was negotiated and determined based on market conditions. As of December 31, 2021, the payables for the transaction were fully paid, and the land improvements was recorded as property, plant, and equipment.
- 6) In January 2021, the Corporation sold its machinery to an associate, The price and gain on disposal both amounted to \$1,530 thousand. As of December 31, 2021, the receivables for the transaction were fully received.
- 7) For the year ended December 31, 2021, the Corporation purchased the machinery from other related parties amounting to \$18,582 thousand, which was negotiated and determined based on market conditions. The payment term was on a monthly basis, which was the Corporation's general payment terms of acquiring the

machinery. As of December 31, 2021, the payables for the transaction were fully paid.

(iv) Lease

1) Lessee

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

	Depreciation and Rental expense	
	2021	2020
Other related parties:		
Shan Loong Transportation	\$ 2,445	2,405
Others	3,611	3,897
	\$ 6,056	6,302

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

For the years ended December 31, 2021 and 2020, the Corporation recognized the amount of \$500 thousand and \$603 thousand as interest expense related to the lease liabilities, respectively. As of December 31, 2021 and 2020, the balances of lease liabilities amounted to \$26,116 thousand and \$32,977 thousand, respectively.

2) Lessor

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

	Rental revenue	
	2021	2020
Subsidiaries	\$ 7,032	7,741
Associates	2,162	2,162
Other related parties:		
Shan Loong Transportation	36,136	46,896
Shine Far Property	11,875	11,954
Others	20,123	18,265
	\$ 77,328	87,018

In August 2021, the Corporation reached an agreement with Shan Loong Transportation for the early termination of the lease contract of the leased land regarding the Port of Taichung, resulting in the reclassification of the leased land from investment properties to right of use assets. Please refer to notes 6(h) and (i). As of December 31, 2021 and 2020, receivables for the rental revenue amounted to \$2,258 thousand and \$1,895 thousand, respectively, and were recorded as other current assets.

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 Corporation paid to its related parties were as follows:

	Item	2021	2020
Associates	Co-generation expenses technical service and others	\$ 513,728	692,235
Other related parties	Delivery expense	1,187,588	1,164,719
Other related parties	Maintenance expense, technical service, and construction of plants and residential and commercial premises	326,492	646,591
Other related parties	Customs declaration expenses	106,030	47,594
Other related parties	Others	159,681	141,731
		\$ 2,293,519	2,692,870

As of December 31, 2021, the payables for other transactions amounted to \$3,757 thousand, recorded as other current liabilities. For details on the remaining payables on transactions, please refer to note 7(b) (vi).

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

	Item	2021	2020
Associates	Others	\$ 2,635	972
Other related parties	Payments for the salary of technical support personnel	5,266	4,319
Other related parties	Others	3,756	4,484
		\$ 11,657	9,775

(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 receivables	
	December 31, 2021	December 31, 2020
Subsidiaries:		
Chung Ming Taiwan	\$ 414,965	1,019,609
Others	423,441	1,277
Associates	8,020	5,316
Other related parties:		
Sun Favorite	677,211	616,020
Others	37,447	80,193
	\$ 1,561,084	1,722,415

	Notes and accounts payables	
	December 31, 2021	December 31, 2020
Subsidiaries	\$ 8	7
Associates	46,480	44,012
Other related parties	301,796	283,277
	\$ 348,284	327,296

(vii) Guarantees and endorsements

As of December 31, 2021 and 2020, guarantees and endorsements for subsidiaries amounted to \$25,793,338 thousand and \$17,340,463 thousand, respectively.

(viii) Loans to related parties

The loans to subsidiaries were as follows:

	December 31, 2021	December 31, 2020
H.K. Chung Hao	\$ 511,155	448,800
H.K. Gwang Loong	138,150	420,750
	\$ 649,305	869,550

The interest income resulting from the loans to subsidiaries were as follows:

	2021	2020
H.K. Chung Hao	\$ 7,446	11,820
H.K. Gwang Loong	3,724	11,374
	\$ 11,170	23,194

As of December 31, 2021 and 2020, the interests receivable from the above loans amounted to \$3,238 thousand and \$1,608 thousand, respectively, which were recorded as other current assets.

(c) Key management personnel compensation

	2021	2020
Short-term employee benefits	\$ 58,640	49,769
Post-employment benefits	456	354
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	\$ 59,096	50,123

The Corporation provides vehicles for directors, supervisors, and upper management. As of December 31, 2021, the cost of acquisition was \$48,535 thousand.

(8) Pledged assets

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

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
Property, plant and equipment:			
Land	Bank long-term borrowing	\$ 1,263,038	1,263,038
Buildings	"	341,774	367,699
Machinery	"	3,597,467	3,910,908
Investment property:			
Land	Bank long-term borrowing	1,694	1,694
Buildings	"	28,766	29,709
Total		<u>\$ 5,232,739</u>	<u>5,573,048</u>

(9) Commitments and contingencies

- (a) As of December 31, 2021 and 2020, the Corporation had outstanding letters of credit amounting to \$383,556 thousand and \$513,387 thousand, respectively. The fair value of the letters of credit was similar to the contract price.
- (b) The Corporation signed contracts for the construction of buildings. As of December 31, 2021 and 2020, the related undue disbursements amounted to \$990,529 thousand and \$1,294,850 thousand, respectively.
- (c) As of December 31, 2021 and 2020, the significant construction contracts and the undue fixed asset purchase contracts of the Corporation amounted to \$1,950,427 thousand and \$2,113,276 thousand, respectively.
- (d) As of December 31, 2021 and 2020, the pre-sale contracts of real estate signed with clients both amounted to \$2,584,689 thousand.
- (e) For the details of the Corporation's guarantees, endorsements and commitments to related parties please refer to note 7.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other

(a) Employee benefits, depreciation, and amortization are summarized, by function are as follows:

By item \ By function	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	2,488,104	1,311,093	3,799,197	2,194,263	1,384,920	3,579,183
Labor and health insurance	207,263	104,482	311,745	186,467	88,168	274,635
Pension	93,716	51,322	145,038	95,969	54,397	150,366
Remuneration of directors	-	16,560	16,560	-	21,472	21,472
Others	197	101,952	102,149	332	94,120	94,452
Depreciation	1,331,654	182,955	1,514,609	1,219,515	180,624	1,400,139
Amortization	3,242	9,031	12,273	1,940	4,942	6,882

The following were the additional information about the Corporation's employees and employee benefits for the years ended December 31, 2021 and 2020:

	2021	2020
Numbers of employees	3,708	3,700
Numbers of directors, but not employees concurrently	4	5
The average employee benefits	\$ 1,177	1,109
The average salaries and wages	\$ 1,026	969
Adjustment of the average salaries and wages	5.88%	
Remuneration to supervisors	\$ -	-

The Corporation's remuneration to directors, managers and employees are as follows:

According to the articles of the Corporation, the remuneration of directors is the fixed remuneration determined by the director's involvement in the Corporation's operating activities, their contribution to the Corporation and the consideration of the remuneration of the competitors in the same industry. The remuneration of the Corporation's directors excludes variable remuneration determined by the profits of the Corporation.

The remuneration of managers and employees includes fixed salary and variable rewards. Fixed salary is determined by the positions and titles. Variable rewards include the employee remuneration determined by the profit before tax in accordance with the articles of the Corporation and bonuses. Bonuses are determined by the Corporation's operational performance and profits of the previous year and the individual performance, including the achievement rate, management ability, contribution and special merits. The remuneration of managers must be evaluated and determined by the Remuneration Committee, and thereafter, proposed to the Board of Directors for resolution.

(b) For the details of the arbitration regarding to the equity transaction between the subsidiary of the Corporation, Winvantage, and the subsidiaries of China Vanke Co., Ltd., including Sinobird Holding Limited and Hybest (BVI) Company Limited, please refer to note 12 of the Corporation's consolidated financial statements for the year ended December 31, 2021.

(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 Corporation:

(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 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
0	Cheng Loong Corporation	Hong Kong Gwang Loong Limited	Other receivables	Yes	427,200	414,450	138,150	1.50%	Short-term borrowings	-	Operating capital	-	-	-	5,450,838	10,901,677
0	Cheng Loong Corporation	Hong Kong Chung Hao Limited	Other receivables	Yes	1,056,400	690,750	511,155	1.50%	Short-term borrowings	-	Operating capital	-	-	-	5,450,838	10,901,677
1	Hong Kong Chung Hao Limited	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	83,400	82,890	82,890	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	85,440	-	-	- %	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Cheng Loong Vietnam Paper Investment Co., Ltd.	Other receivables	Yes	42,720	41,445	41,445	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	113,920	110,520	110,520	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
1	Hong Kong Chung Hao Limited	Winvantage Corporation	Other receivables	Yes	279,100	276,300	276,300	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,673,690	1,673,690
2	Hong Kong Gwang Loong Limited	Cheng Loong (Hangzhou) Investment Co., Ltd.	Other receivables	Yes	28,480	27,630	27,630	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
2	Hong Kong Gwang Loong Limited	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	83,400	82,890	82,890	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
2	Hong Kong Gwang Loong Limited	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	131,008	44,208	44,208	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975
2	Hong Kong Gwang Loong Limited	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	194,600	82,890	82,890	1.60%	Short-term borrowings	-	Operating capital	-	-	-	1,264,975	1,264,975

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 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
3	Shanghai Chung Hao Paper Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	282,989	281,944	281,944	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
3	Shanghai Chung Hao Paper Co., Ltd.	Henan Cheng Loong Packing Products Co., Ltd.	Other receivables	Yes	134,385	129,570	129,570	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
3	Shanghai Chung Hao Paper Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	86,700	86,380	86,380	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
3	Shanghai Chung Hao Paper Co., Ltd.	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	29,486	29,486	29,486	3.85%	Short-term borrowings	-	Operating capital	-	-	-	1,406,581	1,406,581
4	Suzhou Cheng Loong Paper Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	42,804	-	-	0.46%	Short-term borrowings	-	Operating capital	-	-	-	289,693	289,693
5	Henan Cheng Loong Packing Products Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	2,354	1	1	0.46%	Short-term borrowings	-	Operating capital	-	-	-	68,206	68,206
6	Shan Fu Paper (Kunsan) Co., Ltd.	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	69,360	47,509	47,509	3.85%	Short-term borrowings	-	Operating capital	-	-	-	714,851	714,851
6	Shan Fu Paper (Kunsan) Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	110,543	110,135	110,135	3.85%	Short-term borrowings	-	Operating capital	-	-	-	714,851	714,851
6	Shan Fu Paper (Kunsan) Co., Ltd.	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	193,154	171,202	171,202	0.46%	Short-term borrowings	-	Operating capital	-	-	-	714,851	714,851
7	Loong Fu Paper (Kunsan) Co., Ltd. (Note 2)	Shanghai Chung Hao Paper Co., Ltd.	Other receivables	Yes	110,543	-	-	- %	Short-term borrowings	-	Operating capital	-	-	-	-	-
7	Loong Fu Paper (Kunsan) Co., Ltd. (Note 2)	Suzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	108,375	-	-	- %	Short-term borrowings	-	Operating capital	-	-	-	-	-
8	Dongguan Ming Loong Paper Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	13,684	12,685	12,685	3.85%	Short-term borrowings	-	Operating capital	-	-	-	198,503	198,503
9	Cheng Loong (Gwangtung) Paper Co., Ltd.	Zhangzhou Cheng Loong Paper Co., Ltd.	Other receivables	Yes	34,792	31,930	31,930	3.85%	Short-term borrowings	-	Operating capital	-	-	-	920,576	920,576
9	Cheng Loong (Gwangtung) Paper Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	151,725	151,165	151,165	3.85%	Short-term borrowings	-	Operating capital	-	-	-	920,576	920,576
10	Chengdu Cheng Loong Packing Products Co., Ltd.	Qingdao Cheng Loong Paper Co., Ltd.	Other receivables	Yes	46,385	41,894	41,894	3.85%	Short-term borrowings	-	Operating capital	-	-	-	308,843	308,843

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 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
10	Chengdu Cheng Loong Packing Products Co., Ltd.	Cheng Loong (Gwangtung) Paper Co., Ltd.	Other receivables	Yes	92,328	92,328	92,328	3.85%	Short-term borrowings	-	Operating capital	-	-	-	308,843	308,843
10	Chengdu Cheng Loong Packing Products Co., Ltd.	Chong Qing Cheng Loong Paper Co., Ltd.	Other receivables	Yes	30,345	30,233	30,233	3.85%	Short-term borrowings	-	Operating capital	-	-	-	308,843	308,843

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: All shares of Loong Fu Paper (Kunsan) Co., Ltd. were sold in the third quarter of 2021; therefore, only the maximum financing limit to other related parties during the period was disclosed.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		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
		Name	Relationship with the Company										
0	The Corporation	Cheng Loong Long An Container Co., Ltd.	2	27,254,192	1,384,020	1,109,200	538,958	-	4.07%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Binh Duong Container Co., Ltd.	2	27,254,192	306,515	249,570	203,505	-	0.92%	49,057,546	Y	N	N
0	The Corporation	Vina Tawana Container Co., Ltd.	2	27,254,192	228,640	166,380	-	-	0.61%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Binh Duong Paper Co., Ltd.	2	27,254,192	19,917,561	19,850,833	8,024,494	-	72.84%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Bac Giang Company Limited	2	27,254,192	728,260	720,980	8,994	-	2.65%	49,057,546	Y	N	N
0	The Corporation	Cheng Loong Ben Cat Company Limited	2	27,254,192	584,745	582,330	-	-	2.14%	49,057,546	Y	N	N
0	The Corporation	Hong Kong Shan Fu Limited	2	27,254,192	139,500	138,650	138,650	-	0.51%	49,057,546	Y	N	N
0	The Corporation	Hong Kong Gwang Loong Limited	2	27,254,192	285,800	277,300	83,190	-	1.02%	49,057,546	Y	N	N
0	The Corporation	Chung Loong Paper Holdings Limited (Note 2)	2	27,254,192	400,120	388,220	-	-	1.42%	49,057,546	Y	N	N
0	The Corporation	Chung Ming International Limited (Note 2)	2	27,254,192	-	-	-	-	- %	49,057,546	Y	N	N
0	The Corporation	Chung Ming Taiwan (Note 2)	2	27,254,192	-	-	-	-	- %	49,057,546	Y	N	N
0	The Corporation	Dongguan Ming Loong Paper Co., Ltd.	2	27,254,192	514,180	483,801	177,054	-	1.78%	49,057,546	Y	N	Y

No.	Name of guarantor	Counter-party of guarantee and endorsement		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
		Name	Relationship with the Company										
0	The Corporation	Shan Fu Paper (Kunsan) Co., Ltd.	2	27,254,192	57,160	-	-	-	- %	49,057,546	Y	N	Y
0	The Corporation	Zhangzhou Cheng Loong Paper Co., Ltd.	2	27,254,192	244,550	55,460	-	-	0.20%	49,057,546	Y	N	Y
0	The Corporation	Cheng Loong (Gwangtung) Paper Co., Ltd.	2	27,254,192	1,021,710	1,017,714	476,915	-	3.73%	49,057,546	Y	N	Y
0	The Corporation	Suzhou Cheng Loong Paper Co., Ltd.	2	27,254,192	859,020	752,900	205,696	-	2.76%	49,057,546	Y	N	Y

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 \$388,220 thousand is shared with Chung Ming International Limited and Chung Ming Taiwan.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures associates):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Corporation	Stocks:		Financial assets measured at FVOCI					
	Long Chen Paper Co., Ltd.	-		3	69	-	69	
"	Shan Loong Transportation Co., Ltd.	The entity's chairman is the second immediate family of the chairman of the Corporation	"	12,690	463,185	9.24	463,185	
"	O-Bank Co., Ltd	-	"	10,385	83,078	0.34	83,078	
"	Linkou International Golf & Country Club	-	"	9 (shares)	10,349	0.90	10,349	
"	Ko Loong Industry Co., Ltd.	The entity's chairman is the second immediate family of the chairman of the Corporation	"	1,320	52,323	12.94	52,323	
"	Ming Foong Plastic Co., Ltd.	The institutional director of the Corporation	"	878	47,353	8.14	47,353	
"	Hsin Tung Yang Co., Ltd.	-	"	26	1,689	0.03	1,689	
					658,046			

(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	209,980	4,219,766	50,000	1,397,040	-	-	(269,873) (Note 1)	-	259,980	5,346,933
Cheng Loong Vietnam Southeast Asia Holding Co., Ltd.	Cheng Loong Investment Co., Ltd.	"	"	"	50,870	1,335,341	20,000	557,200	-	-	(14,861) (Note 1)	-	70,870	1,877,680

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
Cheng Loong Southeast Asia Holding Co., Ltd.	Cheng Loong Vietnam Paper Investment Co., Ltd.	"	"	"	160,000	2,883,091	30,000	832,740	-	-	(247,481) (Note 1)	-	190,000	3,468,350
Cheng Loong Vietnam Investment Co., Ltd.	Cheng Loong Ben Cat Company Limited	"	"	"	-	-	(Note 2)	334,320	-	-	(61,036) (Note 1)	-	(Note 2)	273,284
Cheng Loong Paper Investment Co., Ltd.	Cheng Loong Binh Duong Paper Co., Ltd.	"	"	"	(Note 2)	2,921,170	(Note 2)	879,450	-	-	(293,851) (Note 1)	-	(Note 2)	3,506,769

Note 1: Adjustments based on capital deductin and equity methods.

Note 2: Limited liability company does not have shares.

Note 3: The above NTD amounts were translated based on the USD exchange rate at the reporting date, which was 27.6300.

- (v) Acquisition of individual real estate with an amount exceeding the lower of \$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Corporation	Plant construction project at the Dayuan Mill	October 15, 2021	566,108 (tax included)	141,527 (tax included)	Shine Far Construction	Related parties	-	-	-	-	Price negotiation	Producing recycled pulp to yield sufficient materials for production	-

- (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	770,889	4%	T/T	The same as general trading	The same as general trading	-	- %	
"	Shan Loong Transportation	The entity's chairman is the second immediate family of the chairman of the Corporation	Purchase	288,070	1%	50 days from the following month	"	"	(250,302)	(5)%	
"	Shine Far	The institutional director of the Corporation	Sale	(192,772)	(1)%	90 days from the following month	"	"	29,946	1%	

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	Yamahatsu Nihon	The entity's chairman is the second immediate family of the chairman of the Corporation	Purchase	1,170,104	6%	T/T	The same as general trading	The same as general trading	(19,275)	- %	
"	Sun Favorite	The institutional director of the Corporation	Sale	(2,361,654)	(7)%	90 days from the following month	"	"	677,211	13%	
"	Chung Ming Taiwan	Subsidiary's branch	Sale	(2,723,406)	(8)%	90 days from the following month	"	"	414,965	8%	
"	Shanghai Chung Hao	A subsidiary of the corporation	Sale	(102,905)	- %	120 days from the following month	"	"	102,905	2%	
"	Suzhou Cheng Loong	A subsidiary of the corporation	Sale	(177,028)	(1)%	60 days from the following month	"	"	177,028	3%	
Chung Ming	Cheng Loong (Gwantung)	From the same parent company	Purchase	146,550	47%	90 days from the following month	"	"	-	- %	
"	Dongguan Ming Loong Paper	From the same parent company	Purchase	126,213	40%	90 days from the following month	"	"	(31,768)	(99)%	
Chung Ming Taiwan	The Corporation	Ultimate controlling party	Purchase	2,723,406	47%	90 days from the following month	"	"	(414,965)	(50)%	
"	Cheng Loong (Gwantung)	From the same parent company	Sale	(194,624)	(3)%	90 days from the following month	"	"	32,756	2%	
"	Cheng Loong (Gwantung)	From the same parent company	Purchase	249,371	4%	90 days from the following month	"	"	(75,088)	(9)%	
"	Zhangzhou Cheng Loong	From the same parent company	Sale	(107,989)	(2)%	90 days from the following month	"	"	409	- %	
"	Hong Kong Shan Fu	From the same parent company	Sale	(825,378)	(13)%	180 days from the following month	"	"	268,382	18%	
"	Hong Kong Shan Fu	From the same parent company	Purchase	1,149,121	20%	60 days from the following month	"	"	(94,141)	(11)%	
"	Hong Kong Gwang Loong	From the same parent company	Sale	(743,543)	(12)%	90 days from the following month	"	"	178,126	12%	
"	Hong Kong Gwang Loong	From the same parent company	Purchase	1,353,845	24%	180 days from the following month	"	"	(231,938)	(28)%	
"	Shan Fu Kunsan	From the same parent company	Sale	(211,819)	(3)%	120 days from the following month	"	"	73,387	5%	
"	Dongguan Ming Loong Paper	From the same parent company	Sale	(180,794)	(3)%	90 days from the following month	"	"	16,558	1%	
"	Suzhou Cheng Loong	From the same parent company	Sale	(308,554)	(5)%	60 days from the following month	"	"	80,684	5%	
"	Shanghai Chung Hao	From the same parent company	Sale	(226,017)	(4)%	90 days from the following month	"	"	19,099	1%	
Shanghai Chung Hao	The Corporation	Ultimate controlling party	Purchase	102,905	19%	120 days from the following month	"	"	(102,905)	(43)%	
"	Chung Ming Taiwan	From the same parent company	Purchase	226,017	41%	90 days from the following month	"	"	(19,099)	(8)%	
Shan Fu Kunsan	Chung Ming Taiwan	From the same parent company	Purchase	211,819	74%	120 days from the following month	"	"	(73,387)	(77)%	

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)	
Suzhou Cheng Loong	The Corporation	Ultimate controlling party	Purchase	177,028	25%	60 days from the following month	The same as general trading	The same as general trading	(177,028)	(62)%	
"	Chung Ming Taiwan	From the same parent company	Purchase	308,554	43%	90 days from the following month	"	"	(80,684)	(28)%	
Cheng Loong (Gwantung)	Chung Ming	From the same parent company	Sale	(146,550)	(16)%	90 days from the following month	"	"	-	- %	
"	Hong Kong Gwang Loong	From the same parent company	Sale	(430,114)	(47)%	90 days from the following month	"	"	32,002	18%	
"	Chung Ming Taiwan	From the same parent company	Sale	(249,371)	(27)%	90 days from the following month	"	"	75,088	42%	
"	Chung Ming Taiwan	From the same parent company	Purchase	194,624	46%	90 days from the following month	"	"	(32,756)	(28)%	
Dongguan Ming Loong Paper	Chung Ming Taiwan	From the same parent company	Purchase	180,794	26%	90 days from the following month	"	"	(16,558)	(8)%	
"	Chung Ming	From the same parent company	Sale	(126,213)	(15)%	90 days from the following month	"	"	31,768	12%	
Zhangzhou Cheng Loong	Chung Ming Taiwan	From the same parent company	Purchase	107,989	54%	90 days from the following month	"	"	(409)	(1)%	
Hong Kong Shan Fu	Chung Ming Taiwan	From the same parent company	Sale	(1,149,121)	(100)%	90 days from the following month	"	"	94,141	44%	
"	Chung Ming Taiwan	From the same parent company	Purchase	825,378	47%	90 days from the following month	"	"	(268,382)	(75)%	
"	Cheng Loong (Binh Duong)	From the same parent company	Purchase	226,819	13%	90 days from the following month	"	"	(41,650)	(12)%	
Hong Kong Gwang Loong	Chung Ming Taiwan	From the same parent company	Sale	(1,353,845)	(96)%	90 days from the following month	"	"	231,938	53%	
"	Chung Ming Taiwan	From the same parent company	Purchase	743,543	42%	90 days from the following month	"	"	(178,126)	(69)%	
"	Cheng Loong (Gwantung)	From the same parent company	Purchase	430,114	24%	90 days from the following month	"	"	(32,002)	(12)%	
Vina	Cheng Loong (Long An)	From the same parent company	Purchase	137,465	10%	30 days from the following month	"	"	(7,165)	(5)%	
"	Cheng Loong (Binh Duong) Paper	From the same parent company	Purchase	294,419	20%	30 days from the following month	"	"	(27,775)	(21)%	
Cheng Loong (Binh Duong) Paper	Cheng Loong (Long An)	From the same parent company	Sale	(326,539)	(9)%	90 days from the following month	"	"	98,139	22%	
"	Cheng Loong (Binh Duong)	From the same parent company	Sale	(489,143)	(13)%	30 days from the following month	"	"	56,563	13%	
"	Vina	From the same parent company	Sale	(294,419)	(8)%	30 days from the following month	"	"	27,775	6%	
"	Yamahatsu Nihon	The entity's chairman is the second immediate family of the chairman of the Corporation	Purchase	205,392	7%	T/T	"	"	-	- %	
Cheng Loong (Binh Duong)	Cheng Loong (Binh Duong) Paper	From the same parent company	Purchase	489,143	29%	25 days from the following month	"	"	(56,563)	(28)%	
"	Cheng Loong (Long An)	From the same parent company	Purchase	120,939	7%	60 days from the following month	"	"	(8,341)	(4)%	

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 (Binh Duong)	Hong Kong Shan Fu	From the same parent company	Sale	(226,819)	(11)%	90 days from the following month	The same as general trading	The same as general trading	41,650	11%	
Cheng Loong (Long An)	Cheng Loong (Binh Duong) Paper	From the same parent company	Purchase	326,539	34%	25 days from the following month	"	"	(98,139)	(44)%	
"	Cheng Loong (Binh Duong)	From the same parent company	Sale	(120,939)	(11)%	60 days from the following month	"	"	8,341	6%	
"	Vina	From the same parent company	Sale	(137,465)	(13)%	30 days from the following month	"	"	7,165	5%	

(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	677,211	3.65	-		266,382	-	
"	Chung Ming Taiwan	Subsidiary' branch	414,965	3.80	-		164,321	-	
"	Shanghai Chung Hao	A subsidiary of the corporation	102,905	2.00	-		18,809	-	
"	Suzhou Cheng Loong	A subsidiary of the corporation	177,028	9.32	-		53,140	-	
Chung Ming Taiwan	Hong Kong Shan Fu	From the same parent company	268,382	3.70	-		88,475	-	
"	Hong Kong Gwang Loong	From the same parent company	178,126	4.77	-		38,133	-	
Hong Kong Gwang Loong	Chung Ming Taiwan	From the same parent company	231,938	4.08	-		210,173	-	
			Other receivables:						
The Corporation	Hong Kong Gwang Loong	A subsidiary of the corporation	138,150	-	-		-	-	
"	Hong Kong Chung Hao	A subsidiary of the corporation	511,155	-	-		-	-	
Shanghai Chung Hao	Henan Cheng Loong	From the same parent company	129,570	-	-		-	-	
"	Chong Qing Cheng Loong	From the same parent company	281,944	-	-		-	-	
Shan Fu Kunsan	Shanghai Chung Hao	From the same parent company	171,202	-	-		-	-	
"	Chong Qing Cheng Loong	From the same parent company	110,135	-	-		-	-	
Cheng Loong (Gwantung)	Chong Qing Cheng Loong	From the same parent company	151,165	-	-		-	-	
Hong Kong Chung Hao	Cheng Loong (Gwantung)	From the same parent company	110,520	-	-		-	-	
"	Winvantage Corporation	From the same parent company	276,300	-	-		-	-	

Note 1: Amounts collected as of February 18, 2022.

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (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, 2021			Net income (losses) of investee	Share of profits/ losses of investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership (%)	Carrying value			
The Corporation	Ta-Yuan Cogeneration Co., Ltd.	Taiwan	Engaged in the management of cogeneration	310,459	310,459	50,201	41.06	749,898	170,371	69,959	(Note 7)
"	Tzeng Long USA Inc.	U.S.A	Paper trading	76,008	76,008	393	34.03	388,255	209,546	71,309	(Note 7)
"	Shin Loong Lifecare Corp.	Taiwan	Leisure, sports and creation management and facilities consultation	25,091	25,091	2,700	45.00	25,119	2,376	1,069	(Note 7)
"	Cheng Loong Investment Co., Ltd.	Taiwan	Investment	45,000	45,000	4,500	34.62	217,929	27,691	9,586	(Note 7)
"	GemTech Optoelectronics Corp.	Taiwan	Manufacture and Installation of Electronic Components	125,118	125,118	11,167	59.13	205,314	20,875	12,344	(Note 6)
"	Omis International Holdings Limited	British Virgin Islands	Investment	2,638,402	2,365,681	67,085	100.00	5,722,385	215,658	215,658	(Note 6)
"	Vina Tawana Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Cardboard, Kraft Linerboard and Display Boxes	601,322	601,322	(Note 2)	100.00	505,906	72,527	72,527	(Note 6)
"	Cheng Loong Southeast Asia Holding Co., Ltd.	Samoa	Investment	7,832,437	6,435,397	259,980	100.00	5,346,933	(42,407)	(42,407)	(Note 6)
"	Accumulated impairment							(16,025)			
	Total							13,145,714		410,045	
Omis International Holdings Limited	Chung Loong Paper Holdings Limited	Cayman Islands	Investment	2,391,211 (USD 86,544 thousand) (Note 5)	2,121,321 (USD 76,776 thousand)	56,435	84.18	5,705,388	266,168	215,797	(Note 6)
Chung Loong Paper Holdings Limited	Scorpion Perfect Investments Ltd.	British Virgin Islands	Investment	1,093,982 (USD 39,594 thousand)	1,093,982 (USD 39,594 thousand)	60,078	100.00	1,678,575	(39,750)	(39,750)	(Note 6)
"	Winvantage Corporation	British Virgin Islands	Investment	105,353 (USD 3,813 thousand)	105,353 (USD 3,813 thousand)	1	100.00	596,360	(43,383)	(43,383)	(Note 6)
"	Shan Fu Investment Co., Ltd.	Samoa	Investment	228,804 (USD 8,281 thousand)	228,804 (USD 8,281 thousand)	14,083	100.00	726,119	43,687	43,687	(Note 6)
"	Cheng Loong (Suzhou) Investment Co., Ltd.	Samoa	Investment	535,497 (USD 19,381 thousand)	535,497 (USD 19,381 thousand)	19,500	100.00	297,129	48,524	48,524	(Note 6)
"	Cheng Loong (Hangzhou) Investment Co., Ltd.	Samoa	Investment	276 (USD 10 thousand)	276 (USD 10 thousand)	10	100.00	(25,757)	(5,866)	(5,866)	(Note 6)
"	Cheng Loong (Gwangtung) Investment Co., Ltd.	Samoa	Investment	570,560 (USD 20,650 thousand)	570,560 (USD 20,650 thousand)	30,150	100.00	1,267,509	83,310	83,310	(Note 6)
"	Loong Fu Investment Co., Ltd.	Samoa	Investment	230,047 (USD 8,326 thousand)	230,047 (USD 8,326 thousand)	8,500	100.00	288,900	80,766	80,766	(Note 6)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/ losses of investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership (%)	Carrying value			
Chung Loong Paper Holdings Limited	Chung Ming International Limited	Samoa	Investment	27,630 (USD 1,000 thousand)	27,630 (USD 1,000 thousand)	1,000	100.00	1,614,716	116,092	116,092	(Note 6)
Scorpion Perfect Investments Ltd.	Hong Kong Chung Hao Limited	Hong Kong	Investment	1,625,970 (USD 58,848 thousand)	1,625,970 (USD 58,848 thousand)	(Note 2)	100.00	1,673,690	(39,679)	(39,679)	(Note 6)
Shan Fu Investment Co., Ltd.	Hong Kong Shan Fu Limited	Hong Kong	Investment	389,113 (USD 14,083 thousand)	389,113 (USD 14,083 thousand)	(Note 2)	100.00	707,322	43,711	43,711	(Note 6)
Cheng Loong (Suzhou) Investment Co., Ltd.	Hong Kong Su Loong Limited	Hong Kong	Investment	511,155 (USD 18,500 thousand)	511,155 (USD 18,500 thousand)	(Note 2)	100.00	289,703	48,547	48,547	(Note 6)
Cheng Loong (Gwangtung) Investment Co., Ltd.	Hong Kong Gwang Loong Limited	Hong Kong	Investment	1,081,715 (USD 39,150 thousand)	833,045 (USD 30,150 thousand)	(Note 2)	100.00	1,264,975	75,198	75,198	(Note 6)
Loong Fu Investment Co., Ltd.	Hong Kong Loong Fu Limited	Hong Kong	Investment	234,855 (USD 8,500 thousand)	234,855 (USD 8,500 thousand)	(Note 2)	100.00	289,103	80,766	80,766	(Note 6)
Chung Ming International Limited	CorAsia Corp.	U.S.A	Design of Paper Boxes	15,197 (USD 550 thousand)	15,197 (USD 550 thousand)	(Note 2)	100.00	14,755	(537)	(537)	(Note 6)
Cheng Loong Southeast Asia Holding Co., Ltd.	Cheng Loong Vietnam Investment Co., Ltd.	Samoa	Investment	1,958,138 (USD 70,870 thousand)	1,405,538 (USD 50,870 thousand)	70,870	100.00	1,877,680	77,488	77,488	(Note 6)
"	Cheng Loong Indonesia Investment Co., Ltd.	Samoa	Investment	27,354 (USD 990 thousand)	27,354 (USD 990 thousand)	990	100.00	739	(391)	(391)	(Note 6)
"	CL Jakarta Container, PT	Indonesia	Cardboard and Paper Products	276 (USD 10 thousand)	276 (USD 10 thousand)	10	1.00	1	(84)	(1)	(Note 6)
"	Cheng Loong Vietnam Paper Investment Co., Ltd.	Samoa	Investment	5,249,700 (USD 190,000 thousand)	4,420,800 (USD 160,000 thousand)	190,000	100.00	3,468,350	(119,475)	(119,475)	(Note 6)
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	607,860 (USD 22,000 thousand)	607,860 (USD 22,000 thousand)	(Note 2)	100.00	677,451	104,566	104,566	(Note 6)
"	Cheng Loong Long An Container Co., Ltd.	Vietnam	Manufacture and Sale of Corrugated Paper Boxes	746,010 (USD 27,000 thousand)	552,600 (USD 20,000 thousand)	(Note 2)	100.00	471,556	(32,488)	(32,488)	(Note 6)
"	Cheng Loong Bac Giang Company Limited	Vietnam	Manufacture of Advanced Packaging for Electronic Products and Tissue, Carton, Wrapping paper, Pallets for Export, Separator, Other Paper Products, Lithographic and Flexographic packaging	276,300 (USD 10,000 thousand)	276,300 (USD 10,000 thousand)	(Note 2)	100.00	232,386	(871)	(871)	(Note 6)
"	Cheng Loong Ben Cat Company Limited	Vietnam	Corrugated Medium, Corrugated Paper, Paper and Cardboard Packaging	331,560 (USD 12,000 thousand) (Note 4)	-	(Note 2)	100.00	273,284	(2,280)	(2,280)	(Note 6)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/ losses of investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership (%)	Carrying value			
Cheng Loong Indonesia Investment Co., Ltd.	CL Jakarta Container, PT	Indonesia	Cardboard and Paper Products	27,354 (USD 990 thousand)	27,354 (USD 990 thousand)	990	99.00	135	(84)	(83)	(Note 6)
Cheng Loong Vietnam Paper Investment Co., Ltd.	Cheng Loong Binh Duong Paper Co., Ltd.	Vietnam	Manufacture of Industrial and Household Paper	5,249,783 (USD 190,003 thousand)	4,420,883 (USD 160,003 thousand)	(Note 2)	100.00	3,506,769	(118,555)	(118,555)	(Note 6)
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	23,565	(873)	(864)	(Note 6)

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 27.6300.

Note 4: Invested capital and completed the registration process in the second quarter of 2021.

Note 5: The original investment amount had increased due to the acquisition of Chung Loong Holdings' shares from other investors including TYC Interventional Company Limited, a subsidiary of Ta-Yuan Cogeneration, in October 2021.

Note 6: A subsidiary of the Corporation.

Note 7: An associate of the corporation.

(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 (Note5)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	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	602,334 (USD 21,800 thousand) (Note 1)	(2) (Hong Kong Chung Hao Limited)	379,802 (USD 13,746 thousand)	-	-	379,802 (USD 13,746 thousand)	(46,961)	84.18%	(37,927)	1,184,060	-
Shan Fu Paper (Kunsan) Co., Ltd.	Corrugated Paper Boxes, Cardboard and Paper Products	386,820 (USD 14,000 thousand)	(2) (Hong Kong Shan Fu Limited)	228,832 (USD 8,282 thousand)	-	-	228,832 (USD 8,282 thousand)	77,137	84.18%	63,502	601,762	-
Suzhou Cheng Loong Paper Co., Ltd.	Cardboard	511,155 (USD 18,500 thousand) (Note 2)	(2) (Hong Kong Su Loong Limited)	507,839 (USD 18,380 thousand)	-	-	507,839 (USD 18,380 thousand)	48,547	84.18%	38,310	243,863	-
Cheng Loong (Gwangtung) Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products and Packaging Decoration Printing	856,530 (USD 31,000 thousand)	(2) (Hong Kong Gwang Loong Limited)	570,560 (USD 20,650 thousand)	-	-	570,560 (USD 20,650 thousand)	23,873	84.18%	19,083	774,941	-
Loong Fu Paper (Kunsan) Co., Ltd.	Corrugated Board, Paper Boxes and Paper Products	(Note 6)	(2) (Hong Kong Loong Fu Limited)	58,769 (USD 2,127 thousand)	-	58,769 (USD 2,127 thousand) (Note 7)	-	(118,327)	- %	(94,318)	-	-
Zhangzhou Cheng Loong Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products	380,741 (USD 13,780 thousand)	(2) (Hong Kong Chung Hao Limited)	114,526 (USD4,145 thousand)	-	-	114,526 (USD 4,145 thousand)	(5,656)	84.18%	(4,660)	97,430	-
Qingdao Chung Loong Paper Co., Ltd.	Cardboard, Paper Boxes and Paper Products	110,520 (USD 4,000 thousand)	(2) (Hong Kong Chung Hao Limited)	829 (USD30 thousand)	-	-	829 (USD30 thousand)	(2,665)	84.18%	(2,152)	12,582	-

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note5)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Chong Qing Cheng Loong Paper Co., Ltd.	Corrugated Cardboard, Corrugated Boxes, Display Boxes, Paper Pallets and Paper Products	373,005 (USD 13,500 thousand)	(2) (Hong Kong Chung Hao Limited)	86,869 (USD 3,144 thousand) (Note 3)	-	-	86,869 (USD 3,144 thousand)	(54,139)	67.34%	(34,986)	(230,159)	-
Chengdu Cheng Loong Packing Products Co., Ltd.	Corrugated Cardboard, Paper Boxes, Paper Pallets and Paper Products	111,791 (USD 4,046 thousand)	(2) (Hong Kong Chung Hao Limited)	76,286 (USD 2,761 thousand)	-	-	76,286 (USD 2,761 thousand)	27,037	84.18%	21,874	259,984	-
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	70,235 (USD 2,542 thousand)	(3) (Note 4)	-	-	-	-	38,641	84.18%	31,344	167,100	-
Henan Cheng Loong Packing Products Co., Ltd.	Corrugated Cardboard and Packaging Products	276,024 (USD 9,990 thousand)	(3) (Note 4)	42,744 (USD 1,547 thousand)	-	-	42,744 (USD 1,547 thousand)	(30,361)	84.18%	(24,446)	57,415	-

Note 1: Capital increase from retained earnings 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., 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: Fully sold in the third quarter of 2021.

Note 7: Investment capital recovered was transferred to H.K. Loong Fu.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,008,287 (USD72,685 thousand)	3,874,527 (USD140,229 thousand) (Note 8)	16,352,515 (USD591,839 thousand)

Note 8: Permitted capital increase from retained earnings included.

Note 9: The above investment amounts were translated based on the USD exchange rate at the reporting date, which was 27.6300.

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, are disclosed in "Information on significant transactions".

(d) Major shareholders:

No shareholders represented more than 5% of the total shares outstanding.

(14) Segment information:

For the details, please refer to the Corporation's consolidated financial statements for the year ended December 31, 2021.

6. List of the Impact on the Company's Financial Status due to Financial Difficulties Experienced by the Company and Its Related Companies: None.

Financial Position and the Review and Analysis of Financial Performance and Risk

1. Financial Position

Unit: NT\$1,000

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	25,886,481	24,173,556	1,712,925	7.09
Property, plant and equipment	33,871,492	30,099,345	3,772,147	12.53
Intangible Assets	0	0	0	0
Other Assets	6,682,352	6,732,919	(50,567)	(0.75)
Total Assets	66,440,325	61,005,820	5,434,505	8.91
Current Liabilities	17,916,038	16,519,904	1,396,134	8.45
Non-current Liabilities	20,124,082	17,699,360	2,424,722	13.70
Total Liabilities	38,040,120	34,219,264	3,820,856	11.17
Capital	11,082,745	11,082,745	0	0
Capital surplus	1,157,532	1,132,062	25,470	2.25
Retained Earnings	16,650,197	14,778,976	1,871,221	12.66
Other Equity interests	(1,636,282)	(1,589,982)	(46,300)	(2.91)
Non-controlling interests	1,146,013	1,382,755	(236,742)	(17.12)
Total Equity	28,400,205	26,786,556	1,613,649	6.02

Explanation for variance (if the variation is 20 % or more and amounts exceeding the lower of 10,000 thousand): None.

2. Financial Performance

Unit: NT\$1,000

Item \ Year	2021	2020	Difference Amounts	Difference %
Operating revenue	44,986,090	40,074,390	4,911,700	12.26
Gross profit from operations	10,202,692	10,615,765	(413,073)	(3.89)
Operating income	4,574,407	5,017,578	(443,171)	(8.83)
Non-operating income and expenses	413,168	(245,386)	658,554	268.37
Net income before income tax	4,987,575	4,772,192	215,383	4.51
Income tax expenses	(976,087)	(1,028,323)	52,236	5.08
Net Income from discontinued department	0	0	0	0
Net income	4,011,488	3,743,869	267,619	7.15
Other Comprehensive Income (Loss) (After-Tax)	(130,225)	(916,725)	786,500	85.79
Total Comprehensive Income	3,881,263	2,827,144	1,054,119	37.29

Explanation for variance (if the variation is 20 % or more and amounts exceeding the lower of 10,000 thousand):

1. The increase in non-operating income and expenses is driven by an increase in net income on foreign exchanges, gain on disposal of investments, gain on disposal of right of use assets and the decrease in finance costs.
2. The increase in other comprehensive income (loss) (after-tax), is mainly due to the decrease in exchange differences on translation of foreign financial statements.
3. The increase in total comprehensive income is driven by a decrease in operating income and point 1 and point 2 mentioned above.

Sales Target 2022

The estimated sales volume of each product in 2022 has been calculated as per the sales forecast (as shown below) made at the end of 2021. Major factors affecting target achievement and sales growth include the strength of global economic recovery, the strength of domestic economic growth, and the price volatility in the overall supply chain brought by the pulp price.

Major products	Paper container (express in thousand m ²)	Paperboard (expressed in tonnes)	Paper (expressed in tonnes)
Sales volume	1,602,209	1,343,935	78,490

3. Cash Flow Analysis

(1) Analysis of short-term liquidity for the last two years

Items \ Year	2021	2020	Increase (Decrease)(%)
Cash flow ratio	21%	46%	(54%)
Cash flow adequacy ratio	76%	94%	(19%)
Cash flow reinvestment ratio	2%	8%	(75%)

Analysis of increase/decrease ratios:

1. The decreases in cash flow ratio and cash flow reinvestment ratio compared with the previous year are driven mainly by a decrease in net cash flow from operating activities in the current year.
2. The decreases in cash flow adequacy ratio compared with the previous year is driven mainly by an increase in capital expenditure and cash dividends over the past five years.

(2) Analysis of cash flow for the next year

Unit: NT\$1,000

Cash as of beginning of the year	Cash inflow from operating activities	Cash outflow for the whole year	cash surplus (inefficiency)	Projected countermeasures for the shortage of cash	
				Investment Plans	Financial Plans
7,075,052	2,970,460	2,404,460	7,641,052	-	-

A. Analysis of cash flow for this year:

- (a) Business activities: In terms of the supply and demand of markets, the industry develop maintains stable, and profit is thus expected. Therefore, the cash flow for business activities will increase in the next year.
- (b) Investment activities: In support of future organizational development, it is estimated that investment activities will continue, and bank financing will be the fund source where necessary.

B. Measures for insufficient cash and analysis for liquidity: Not applicable.

4. Material Capital Expenditures of the Most Recent Year and Impact on the Company's Financial Operations: NA

5. Re-investment Policies, Main Causes of Profit or Loss, and Improvement Plans in the Previous Year, and Investment Plans in the Next Year

1. Paper-related industries are the major targets of our re-investments. Apart from increasing investments in Taiwan, we have constantly expanded the overseas market in recent years. The gain from re-investment using the equity method in 2021 was NT\$410,045thousand (consolidated profit: NT\$151,923 thousand). In the next year, apart from continuing investments with the profit from overseas investments and assessing appropriate overseas markets, we will increase capital to expand the scale of investment in overseas investees.

2. In the next year, in addition to continually enhance the efficiency of paper machinery to raise market share, we will increase new paper machinery in mills and plants in Southeast Asia and continue to increase paper container capacity to fully capture local business opportunities to achieve global operations and effectively respond to global leading customers. Therefore, we will continue our belief in “innovation, change and optimization” to create better performance together.

6. Risks Analysis and Assessment in the Previous Year and by the Date of Report Publication

I. The influence on organizational income of interest rate and exchange rate volatility and inflation and countermeasures:

Looking ahead to 2022, there is a great deal of uncertainty about the global economy due to the impact of the COVID-19 pandemic and inflation. As the U.S. Federal Reserve (Fed) announced that the quantitative easing policy is about to end in 2022, the market expects that the Fed will raise interest rates soon, which will prompt many countries to follow suit. The Company keeps abreast of interest rate changes on a regular basis and has maintained positive relations with banks to alleviate the impact of interest rate changes on the Company.

Compared with other Asian currencies, the New Taiwan dollars (NTD) has shown an upward trend in the past two years, thereby increasing the difficulty of judging the exchange rate trend. To avoid the loss caused by exchange rate fluctuations, the Company pays foreign currency payables with foreign currency income and reduces exchange risks by means of natural hedging, while making up for the insufficient positions through currency exchange when appropriate, to reduce the impact of exchange rate fluctuation risks on the Company.

According to the analysis of the Chung-Hua Institution for Economic Research, the soaring prices of steam coal and natural gas, the supply chain imbalance, and the rising prices of commodities due to weather factors have pushed up the prices of various products; therefore, the effect of inflation is expected to be significant in 2022. As the Company has demand for importing bulk commodities, we will pay close attention to market price fluctuations, maintain positive relations with suppliers and clients, and adjust the raw material inventory and selling prices base on costs in a timely manner in response to inflation and rising raw material prices at home and abroad.

II. Policies, main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments:

CLC and subsidiaries focus on core business operations and do not engage in high-risk and high-leverage investments.

When engaging in endorsements, guarantees and lending, apart from careful assessment, we follow related laws and regulations promulgated by the FSC and make reference to the Endorsement and Guarantee SOP and Lending SOP, and timely disclose related information.

To avoid interest rate risks, we have signed a five-year-term NTD interest rate swap (IRS) agreement with banks.

III. Future R&D projects and planned R&D funds:

Units	Future R&D Projects	Current Status	Estimated Fund Investment	Time of Completion for Mass Production	Major factors affecting future R&D success
Chemical Research Center	Development of agents that will facilitate starch	Lab assessment and machinery test	1 million	December 31, 2022	Mastering of the effect of chemicals and cost control
	Development of direct dye substitutes of BM10	Lab assessment and machinery test	1 million	December 31, 2022	Mastering of colors of dye and cost control
	Development of BM10 dry strength agent	Machinery test	1 million	June 30, 2022	Mastering of the effect of chemicals and cost control
	Optimization of BM7 wet end system	Lab assessment and machinery test	3 million	June 30, 2022	Mastering of the effect of chemicals and cost control
	Development of paper carrier bags	Lab assessment and machinery test	3 million	December 31, 2022	Mastering of formula characteristics and processing characteristics
	Development of highly waterproof Carton Box	Lab assessment and machinery test	2 million	December 31, 2022	Mastering of formula characteristics and suitability for printing
	Development of fresh-keeping paper boxes	Lab assessment and machinery test	2 million	December 31, 2022	Mastering of formula characteristics and application
	Development of highly oil-proof paper boxes	Lab assessment and machinery test	1 million	December 31, 2022	Mastering of formula characteristics and application
	Development of BM5 heat seal connector	Lab assessment and machinery test	1 million	December 31, 2022	Mastering of formula characteristics and application
	Development of antibacterial cartons	Lab assessment and machinery test	3 million	December 31, 2022	Mastering of formula characteristics and antibacterial effect
	Improvement of the softness and the feeling of toilet tissue	Machinery test evaluation	2 million	December 31, 2022	Adjustment and application of chemicals, paper machines, and processing equipment, as well as cost control
	Development of household detergents	Search for OEM and sample development	1 million	December 31, 2022	Quality control and end-consumers' acceptability of products
	Development of personal detergents	Search for OEM and sample development	1 million	December 31, 2022	Quality control and end-consumers' acceptability of products

Units	Future R&D Projects	Current Status	Estimated Fund Investment	Time of Completion for Mass Production	Major factors affecting future R&D success
Chemical Research Center	Development of adult diaper	Search for OEM and sample development	1 million	December 31, 2022	Quality control and end-consumers' acceptability of products
	Development of differentiated household paper products	Machinery test and consumer trial	3 million	December 31, 2022	Cost control and end-consumers' acceptability of products
	Development of paper packaging to replace plastic wrap for household paper products	Lab assessment and machinery test	5 million	December 31, 2022	Mastering and application of the effect of chemicals and processing equipment, as well as cost control
	Optimization of coating of paper dryer of household paper machine	Machinery test evaluation	1 million	December 31, 2022	Mastering and application of the effect of chemicals and paper machines
	BM13 retention system adaptation	Lab assessment	1 million	December 31, 2022	Mastering of the effect of chemicals and cost control
	Optimization of BM13 coating chemicals	Lab assessment	1 million	December 31, 2022	Mastering of the effect of chemicals and cost control
	Improvement to the coverage rate of BM13 pulp	Lab assessment	2 million	December 31, 2022	Mastering of the effect of chemicals and cost control
	BM1&BM2 retention system adaptation	Machinery test evaluation	2 million	December 31, 2022	Mastering and application of chemicals and equipment
	Improvement to the manufacturing of BM1	Machinery test evaluation	3 million	December 31, 2022	Mastering and application of chemicals and equipment
	UBC pulp mildew proof and deodorization evaluation	Machinery test evaluation	3 million	December 31, 2022	Mastering and application of chemicals and equipment
	New product development patent application	Patent application	1 million	December 31, 2022	Protection of the Company's intellectual property rights
Sub total	45 million				
Packaging Design Section	Simulation of products with 3D printing technology to accelerate packaging design	Introduction and Machinery test evaluation	1 million	June 30, 2022	Paper container clients have 3D product files and experiences in application
Sub total	1 million				
Total	46 million				

IV. The influence of significant changes in policies and laws at home or abroad on finance and operations and countermeasures:

Significant changes in policies and laws at home or abroad in recent times have no significant influence on organizational finance and operations. In the future, we will constantly gather related information and discuss necessary countermeasures to meeting the company's operational needs.

V. The influence of technology and industry changes (including cyber security risks) on finance and operations and countermeasures:

We have been in the paper industry for over 60 years and have developed mature technology for making papers and paper containers. In addition, as the quality and operation skills of machinery are key to success, no major technology improvement and cyber security risks have been implemented in the previous year and there is no influence on this Company.

VI. The influence of market presence change on crisis management and countermeasures:

We have long been engaged in environmental protection and have developed an eco-friendly image to effectively reduce and eliminate the influence of environmental issues on business operations.

VII. The expected benefits and potential risks of mergers and acquisitions: NA

VIII. The expected benefits, potential risks and countermeasures of factory expansion:

At present, the Company will set up a pulp recycling line with a capacity of additional 66,000 tons in the Tayuan Mill, which is expected to be put into commercial operation in the second half of 2022, which will not only meet the demand for raw materials of white-top linerboard and eco-friendly toilet paper but can further create the value of Taiwan's circular economy. The new Yenchao Plant has been put into production in the second quarter of 2021. The second phase of a project of the Cheng Loong Binh Duong Paper Co., Ltd. in Vietnam is expected to be put into production in 2022. The fourth box plant planned to be built in Binh Duong is expected to be completed in July 2022, and the Bac Giang Paper Mill is currently under preparation. The Cheng Loong Long An Container Co., Ltd. in Vietnam introduce Vietnam's first international-class advanced pre-printing system has been put into commercial operation in the second quarter of 2021, to gain a foothold in the booming packaging market in Vietnam with high precision technology and high quality, thereby strengthening its competitiveness, further enhancing its

production efficiency, improving the overall printing quality of local boxes, and contributing to Vietnam's industrial products.

We carefully assess major factory expansion projects with professionals to fully consider the investment benefits and potential risks.

IX. The potential risk and countermeasures of procurement or sales centralization: NA

X. The influence and risk from the share transfer and change from the company directors, supervisors, and major stockholders who hold over 10% of the company shares: None.

XI. The influence and risk from the change of company management: None.

XII. Litigation or Non-litigation Matters:

Winvantage, a subsidiary of the Company, 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% equity of its subsidiary Ever Onward and indirectly transfer 100% equity of Shanghai Chung Long Paper Co., Ltd. , with Vanke Real Estate (Hong Kong) Co., Ltd. (hereinafter referred to as "Vanke Real Estate"), a subsidiary directly held by China Vanke Co., Ltd. as the guarantor of Buyer. The total amount of the equity transaction was CNY 1.31 billion; with the book value of the equity and the accumulated conversion adjustments deducted from the selling price (including refunds and supplemental payments), the recognized gain on disposal of investments was in the amount of NT\$2.63487 billion. The transaction was completed in the first quarter of 2018. Winvantage has received the first and second installments, totaling CNY 1.048 billion; however, Buyer did not pay the third installment in the amount of CNY 151.207 million in line with the share sale and purchase agreement on October 15, 2018. After multiple negotiations on the plan to delay the payment and accrue interest, both parties failed to reach an agreement. Winvantage issued a Statutory Demand through a Hong Kong attorney to Buyer's guarantor, Vanke Real Estate, demanding the third installment and the delayed interest accrued in accordance with the share sale and purchase agreement on January 21, 2019. Buyer proposed to suspend the payment dispute temporarily but failed to give a clear payment date and payment plan, and both parties failed to reach an agreement. Buyer and Vanke Real Estate submitted an arbitration application to the Hong Kong International Arbitration Centre, claiming that the sale and purchase agreement shall be canceled without the obligation of paying the third and fourth installments, so as to prevent Winvantage from formally

applying to the court for liquidation of Vanke Real Estate. This case was officially accepted and registered by the Hong Kong International Arbitration Center, and an arbitration tribunal is formed to work on the case. Winvantage has filed a counterclaim in accordance with the arbitration procedure, claiming that the buyer should pay the third and fourth installments and the delayed interest payments as agreed.

On April 13, 2022, the arbitral tribunal has made a partial final ruling on the case, rejecting the claims of the Buyer and Vanke Real Estate, and ruling that they shall be jointly and severally liable for the performance of the agreement. The exact amount of the price, interest, and expenses requires further negotiation between the two parties to the arbitration and then submitted to the arbitral tribunal for approval. Winvantage will complete the relevant procedures in accordance with the instructions of the arbitral tribunal, and request the Buyer and Vanke Real Estate to make payment as soon as possible in accordance with the requirements specified on the judgment.

XIII. Other important risks and countermeasures: None.

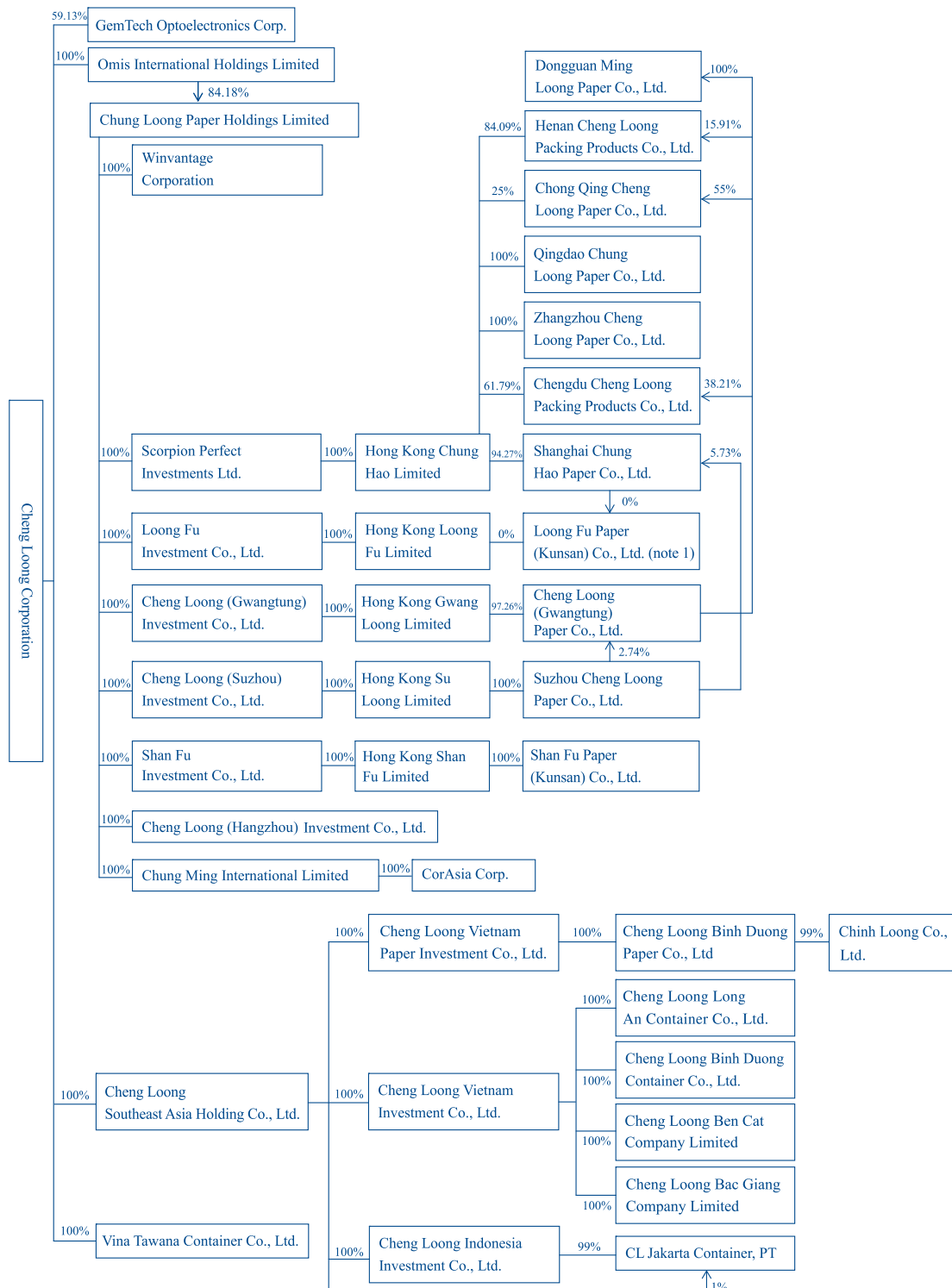
7. Other Material Items: None.

Special Disclosures

1. Affiliate Information

(1) Consolidated Operation Report

A. Affiliated Companies Chart



Note 1: Loong Fu Paper (Kunsan) Co., Ltd. was sold in the third quarter of 2021.

B. Basic Information of Affiliated Companies:

Company Name	Establish Date	Address	Paid-in capital Unit: In Thousands	Main Business Items
GemTech Optoelectronics Corp.	October 29, 1999	No. 5-2, Jilin Rd., Zhongli Dist., Taoyuan City	188,870	Manufacture and Installation of Electronic Components, Optical Instruments, Glass Products, and Precision Instruments
Vina Tawana Container Co., Ltd.	May 06, 2004	Nhon Trach III Industrial Zone, Long Tho Village, Nhon Trach Districts, Dong Nai Province, Vietnam	USD 22,000	Manufacture and Sale of Corrugated Cardboard, Kraft Linerboard and Display Boxes
Omis International Holdings Limited	June 15, 2001	Intershore Chambers, P.O.Box 4342, Road Town, Tortola, British Virgin Islands	USD 67,085	Investment
Cheng Loong Southeast Asia Holding Co.,Ltd.	September 04, 2008	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 259,980	Investment
Chung Loong Paper Holdings Limited	August 03, 2007	3rd Floor, Harbour Centre, PO Box 613, George Town, KY1-1107, Grand Cayman, Cayman Islands	USD 67,038	Investment
Scorpion Perfect Investments Ltd.	June 15, 2001	Intershore Chambers, P.O.Box 4342, Road Town, Tortola, British Virgin Islands	USD 60,078	Investment
Winvantage Corporation	August 01, 2002	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 1	Investment
Shan Fu Investment Co., Ltd.	January 29, 2003	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 14,083	Investment
Cheng Loong (Suzhou) Investment Co., Ltd.	May 07, 2004	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 19,500	Investment
Cheng Loong (Hangzhou) Investment Co., Ltd.	November 25, 2005	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 10	Investment
Cheng Loong (Gwangtung) Investment Co., Ltd.	April 28, 2006	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 30,150	Investment
Loong Fu Investment Co., Ltd.	December 02, 2005	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 8,500	Investment
Chung Ming International Limited	September 03, 2007	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 1,000	Investment
Hong Kong Chung Hao Limited	November 13, 2007	11/F, Times Tower, 391-407 Jaffe Road, Causeway Bay, Hong Kong	HKD 0.001	Investment
Shanghai Chung Hao Paper Co., Ltd.	September 11, 2001	No. 399, Xiupu Road, Pudongxin District, Shanghai City	USD 21,800	Paper Containers, Household Papers and Core Papers
Zhangzhou Cheng Loong Paper Co., Ltd.	January 14, 2010	Guanshan Industry District, Wuan Town, Changtai County, Zhangzhou City	USD 13,780	Cardboard, Paper Boxes and Paper Products
Qingdao Chung Loong Paper Co., Ltd.	January 07, 2010	No. 144, Taiguang Road, Jiangshan Town, Laixi City, Qingdao City, Shandong Province	USD 4,000	Cardboard, Paper Boxes and Paper Products
Hong Kong Shan Fu Limited	November 13, 2007	11/F, Times Tower, 391-407 Jaffe Road, Causeway Bay, Hong Kong	HKD 0.001	Investment
Shan Fu Paper (Kunsan) Co., Ltd.	May 16, 2003	No. 98, Guilin Road, Baoshui District, Zonghe, Kunshan City, Jiangsu Province	USD 14,000	Corrugated Paper Boxes, Cardboard and Paper Products
Hong Kong Su Loong Limited	November 13, 2007	11/F, Times Tower, 391-407 Jaffe Road, Causeway Bay, Hong Kong	HKD 0.001	Investment
Suzhou Cheng Loong Paper Co., Ltd.	July 26, 2004	No. 162, Taishan Road, Gaoxin District, Suzhou, Jiangsu Province	USD 18,500	Cardboard
Hong Kong Gwang Loong Limited	November 13, 2007	11/F, Times Tower, 391-407 Jaffe Road, Causeway Bay, Hong Kong	USD 39,150	Investment

Company Name	Establish Date	Address	Paid-in capital Unit: In Thousands	Main Business Items
Cheng Loong (Gwangtung) Paper Co., Ltd.	December 20, 2006	No. 3, Houjie Dongyie Road, Houjie Town, Dongwan City, Gwangtung Province	USD 31,000	Cardboard, Paper Boxes, and Paper Products and Packing Decoration Printing
Hong Kong Loong Fu Limited	November 13, 2007	11/F, Times Tower, 391-407 Jaffe Road, Causeway Bay, Hong Kong	USD 8,500	Investment
CorAsia Corp.	June 24, 2008	363 Fairview Way Milpitas, CA 95035 USA	USD 550	Design of Paper Boxes
Dongguan Ming Loong Paper Co., Ltd.	September 04, 2009	1/F, No. 3, Houjie Dongyie Road, Houjie Town, Dongwan City, Gwangtung Province	USD 2,542	Corrugated Cardboard, Corrugated Boxes, Paper Pallets and Paper Products
Chengdu Cheng Loong Packing Products Co., Ltd.	December 22, 2010	No. 1, Tengfei 11 Road, Southwest Air Harbor Development Economic Zone, Shuangliu District, Chengdu City, Sichuan Province	USD 4,046	Corrugated Cardboard, Corrugated Boxes, Paper Pallets and paper products
Chong Qing Cheng Loong Paper Co., Ltd.	October 26, 2010	Block B-1, 4-01-1, Yin Bao Base, B District, Luohuang Industrial Park, Jiangjin District, Chongqing City	USD 13,500	Corrugated Cardboard, Corrugated Boxes, Display Boxes, Paper Pallets and Paper Products, Lease of Self-Owned Plants
Henan Cheng Loong Packing Products Co., Ltd.	November 28, 2012	Northeast intersection Of Xixiang Road And Fuyuan Road, Weishi County, Kaifeng City, Henan Province	USD 9,990	Corrugated Cardboard, Corrugated Boxes, Paper Box and Paper Products
Cheng Loong Vietnam Investment Co., Ltd.	September 04, 2008	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 70,870	Investment
Cheng Loong Indonesia Investment Co., Ltd.	May 20, 2011	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 990	Investment
CL Jakarta Container, PT	December 15, 2011	Gedung One Pacific Place Level 11 Jalan Jendral Sudirman Kaveling 52-53 Kelurahan Senayan, Kecamatan Kebayoran Baru Jakarta Selatan, Indonesia	USD 1,000	Cardboard and Paper Products
Cheng Loong Vietnam Paper Investment Co., Ltd.	November 13, 2014	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 190,000	Investment
Cheng Loong Binh Duong Container Co., Ltd.	November 24, 2008	Lot Cn8, Road N6, Song Than 3 Industrial Zone, Phu Tan Ward, Thu Dau Mot City, Binh Duong.	USD 22,000	Manufacture and Sale of Corrugated Paper Boxes, Kraft Linerboard, and Display Boxes
Cheng Loong Binh Duong Paper Co., Ltd.	December 04, 2015	Zone No.4, Protrade International Tech Park, An Tay Ward, Ben Cat District, Binh Duong Province, Vietnam	USD 190,003	Manufacture of Industrial and Household Paper
Cheng Loong Long An Container Co., Ltd.	June 08, 2016	Lot A2 and A3-1, Street No. 2, Phu An Thanh Industrial Park, An Thanh Ward, Ben Luc district, Long An Province, Vietnam	USD 27,000	Manufacture and Sale of Corrugated Boxes
Chinh Loong Co., Ltd.	February 08, 2017	Land plot No. 301, Map sheet No. 19, Dong Soi Hamlet, An Tay Commune, Ben Cat Town, Binh Duong Province, Vietnam	VND 30,000,000	Water treatment, Wastewater treatment, maintenance and technical repairmen
Cheng Loong Bac Giang Company Limited	December 31, 2019	Lot H (H-01), Quang Chau Industrial Park, Quang Chau Commune, Viet Yen District, Bac Giang Province, Vietnam	USD 10,000	Manufacture and Sale of Corrugated Paper Boxes, Kraft Linerboard, and Display Boxes
Cheng Loong Ben Cat Company Limited	May 26, 2021	Lot 4 Protrade International Tech Park Industrial Zone, An Tay, Ben Cat, Binh Duong Province, Vietnam	USD 12,000	Manufacture and Sale of Corrugated Boxes

Note 1: Loong Fu Paper (Kunsan) Co., Ltd. was sold in the third quarter of 2021.

C. Directors, Supervisors and Presidents of Affiliated Companies

Company Name	Title	Name or Representative	Shareholding	
			Shares (Unit: 1,000 shares)	%
GemTech Optoelectronics Corp.	Chairperson	Su-Yun Cheng	240	1.27
	Director	Cheng Loong Corp. Rep.	11,167	59.13
		Tong-Ho Tsai	80	0.42
		Zhen Lu		
		Nian-Qing Huang	130	0.69
	Supervisor	Shan-Loong Transportation Co., Ltd. Rep.	3,644	19.29
		Xin-Chong Lu	158	0.83
	Supervisor	Shine Far Construction Co., Ltd. Rep.	1,200	6.35
		Ching-Huei Yu		
	President	Nien-Qing Huang	130	0.69
Vina Tawana Container Co., Ltd.	Chairperson	Cheng Loong Corp. Rep	Paid-in capital USD2,200 (ten thousand)	100
		Tseng-Fu Hou		
	President	Jie-Yang Chen		
Omis International Holdings Limited	Director	Cheng Loong Corp. Rep	67,085	100
		Jen-Ming Cheng		
Cheng Loong Southeast Asia Holding Co., Ltd.	Director	Cheng Loong Corp. Rep	259,980	100
		Jen-Ming Cheng		
Chung Loong Paper Holdings Limited	Director	Omis International Holdings Ltd. Rep.	56,435	84.18
		Jen-Ming Cheng, Tseng-Fu Hou, Tai-Lang Ho		
Scorpion Perfect Investments Ltd.	Director	Chung Loong Paper Holdings Limited Rep.	60,078	100
		Ching-Huei Yu		
Winvantage Corporation	Director	Chung Loong Paper Holdings Limited Rep.	1	100
		Ching-Huei Yu		
Shan Fu Investment Co., Ltd.	Director	Chung Loong Paper Holdings Limited Rep.	14,083	100
		Ching-Huei Yu		
Cheng Loong (Suzhou) Investment Co., Ltd.	Director	Chung Loong Paper Holdings Limited Rep.	19,500	100
		Ching-Huei Yu		
Cheng Loong (Hangzhou) Investment Co., Ltd.	Director	Chung Loong Paper Holdings Limited Rep.	10	100
		Tai-Lang Ho		
Cheng Loong (Gwangtung) Investment Co., Ltd.	Director	Chung Loong Paper Holdings Limited Rep.	30,150	100
		Tai-Lang Ho		
Loong Fu Investment Co., Ltd.	Director	Chung Loong Paper Holdings Limited Rep.	8,500	100
		Ching-Huei Yu		
Chung Ming International Limited	Director	Chung Loong Paper Holdings Limited Rep.	1,000	100
		Ching-Huei Yu, Tai-Lang Ho		
Hong Kong Chung Hao Limited	Director	Scorpion Perfect Investments Ltd. Rep.	Paid-in capital USD5,885 (ten thousand)	100
		Ching-Huei Yu		

Company Name	Title	Name or Representative	Shareholding	
			Shares (Unit: 1,000 shares)	%
Shanghai Chung Hao Paper Co., Ltd.	Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD2,055 (ten thousand)	94.27
		Suzhou Cheng Loong Paper Co., Ltd. Rep.	Paid-in capital USD125 (ten thousand)	5.73
		Tseng-Fu Hou		
	Director	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD2,055 (ten thousand)	94.27
		Suzhou Cheng Loong Paper Co., Ltd. Rep.	Paid-in capital USD125 (ten thousand)	5.73
		Yi-Zhi Yu, Yong-Song Lai		
	Supervisor	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD2,055 (ten thousand)	94.27
		Suzhou Cheng Loong Paper Co., Ltd. Rep.	Paid-in capital USD125 (ten thousand)	5.73
		Chung-Lin Chou		
	President	Tseng-Fu Hou		
Zhangzhou Cheng Loong Paper Co., Ltd.	Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD1,378 (ten thousand)	100
		Tseng-Fu Hou		
	Director	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD1,378 (ten thousand)	100
		Yong-Song Lai, Xin-Yue Dai		
	Supervisor	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD1,378 (ten thousand)	100
		Tai-Lang Ho		
	President	Tseng-Fu Hou		
Qingdao Chung Loong Paper Co., Ltd.	Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD400 (ten thousand)	100
		Tseng-Fu Hou		
	Director	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD400 (ten thousand)	100
		Yong-Song Lai, Yi-Zhi Yu		
	Supervisor	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD400 (ten thousand)	100
		Sheng-Fu Jiang		
	President	Tseng-Fu Hou		
Hong Kong Shan Fu Limited	Director	Shan Fu Investment Co., Ltd. Rep.	Paid-in capital USD1,408 (ten thousand)	100
		Tai-Lang Ho		

Company Name	Title	Name or Representative	Shareholding	
			Shares (Unit: 1,000 shares)	%
Shan Fu Paper (Kunsan) Co., Ltd.	Chairperson	Hong Kong Shan Fu Limited Rep.	Paid-in capital USD1,400 (ten thousand)	100
		Tseng-Fu Hou		
	Director	Hong Kong Shan Fu Limited Rep.	Paid-in capital USD1,400 (ten thousand)	100
		Yi-Zhi Yu, Yong-Song Lai		
	Supervisor	Siou-Cai Qiu		
	President	Tseng-Fu Hou		
Hong Kong Su Loong Limited	Director	Cheng Loong (Suzhou) Investment Co., Ltd. Rep.	Paid-in capital USD1,850 (ten thousand)	100
		Tai-Lang Ho		
Suzhou Cheng Loong Paper Co., Ltd.	Chairperson	Hong Kong Su Loong Limited Rep.	Paid-in capital USD1,850 (ten thousand)	100
		Tseng-Fu Hou		
	Director	Hong Kong Su Loong Limited Rep.	Paid-in capital USD1,850 (ten thousand)	100
		Yong-Song Lai, Yi-Zhi Yu		
	Supervisor	Tai-Lang Ho		
	President	Tseng-Fu Hou		
Hong Kong Gwang Loong Limited	Director	Cheng Loong (Gwangtung) Investment Co., Ltd. Rep.	Paid-in capital USD3,915 (ten thousand)	100
		Tai-Lang Ho		
Cheng Loong (Gwangtung) Paper Co., Ltd.	Chairperson	Hong Kong Gwang Loong Limited Rep.	Paid-in capital USD3,015 (ten thousand)	97.26
		Suzhou Cheng Loong Paper Co., Ltd. Rep.	Paid-in capital USD85 (ten thousand)	2.74
		Tseng-Fu Hou		
	Director	Hong Kong Gwang Loong Limited Rep.	Paid-in capital USD3,015 (ten thousand)	97.26
		Suzhou Cheng Loong Paper Co., Ltd. Rep.	Paid-in capital USD85 (ten thousand)	2.74
		Xin-Yue Dai, Kun-Ming Yang		
	Supervisor	Hong Kong Gwang Loong Limited Rep.	Paid-in capital USD3,015 (ten thousand)	97.26
		Suzhou Cheng Loong Paper Co., Ltd. Rep.	Paid-in capital USD85 (ten thousand)	2.74
		Siou-Cai Qiu		
	President	Tseng-Fu Hou		
Hong Kong Loong Fu Limited	Director	Loong Fu Investment Co., Ltd. Rep.	Paid-in capital USD850 (ten thousand)	100
		Tai-Lang Ho		

Company Name	Title	Name or Representative	Shareholding	
			Shares (Unit: 1,000 shares)	%
CorAsia Corp.	Director	Sheng-Fu Chinag	Paid-in capital USD55 (ten thousand)	100
Dongguan Ming Loong Paper Co., Ltd.	Chairperson	Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD254.2 (ten thousand)	100
		Tseng-Fu Hou		
	Director	Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD254.2 (ten thousand)	100
		Yong-Song Lai, Xin-Yue Dai		
	Supervisor	Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD254.2 (ten thousand)	100
		Sheng-Fu Jiang		
	President	Tseng-Fu Hou		
Chengdu Cheng Loong Packing Products Co., Ltd.	Executive Director	Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD154.6 (ten thousand)	38.21
		Hong Kong Chung Hao Limited Rep.	Paid-in capital USD250 (ten thousand)	61.79
		Tseng-Fu Hou		
	Supervisor	Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD154.6 (ten thousand)	38.21
		Hong Kong Chung Hao Limited Rep.	Paid-in capital USD250 (ten thousand)	61.79
		Siou-Cai Qiu		
	President	Tseng-Fu Hou		
Chong Qing Cheng Loong Paper Co., Ltd.	Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD337.5 (ten thousand)	25
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD742.5 (ten thousand)	55
		Tseng-Fu Hou		
	Vice Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD337.5 (ten thousand)	25
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD742.5 (ten thousand)	55
		Xin-Yue Dai		
	Director	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD337.5 (ten thousand)	25
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD742.5 (ten thousand)	55
		Tai-Lang Ho, Kun-Ming Yang		
		HUST CNC Co., Ltd. Rep.		
		Jiong Chen		

Company Name	Title	Name or Representative	Shareholding	
			Shares (Unit: 1,000 shares)	%
	Supervisor	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD337.5 (ten thousand)	25
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD742.5 (ten thousand)	55
		Jing-Dong Wu		
		HUST CNC Co., Ltd. Rep.		
		Yu Cheng		
	President	Tseng-Fu Hou		
Henan Cheng Loong Packing Products Co., Ltd	Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD840 (ten thousand)	84.09
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD159 (ten thousand)	15.91
		Tseng-Fu Hou		
	Vice Chairperson	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD840 (ten thousand)	84.09
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD159 (ten thousand)	15.91
		Xin-Yue Dai		
	Director	Hong Kong Chung Hao Limited Rep.	Paid-in capital USD840 (ten thousand)	84.09
		Cheng Loong (Gwangtung) Paper Co., Ltd. Rep.	Paid-in capital USD159 (ten thousand)	15.91
		Yong-Song Lai		
	Supervisor	Siou-Cai Qiu		
	President	Tseng-Fu Hou		
Cheng Loong Vietnam Investment Co., Ltd.	Director	Cheng Loong Southeast Asia Holding Co., Ltd. Rep.	70,870	100
		Jen-Ming Cheng		
Cheng Loong Vietnam Paper Investment Co., Ltd.	Director	Cheng Loong Southeast Asia Holding Co., Ltd. Rep.	190,000	100
		Tong-Ho Tsai		
Cheng Loong Indonesia Investment Co., Ltd.	Director	Cheng Loong Southeast Asia Holding Co., Ltd. Rep.	990	100
		Jen-Ming Cheng		
CL Jakarta Container, PT	Director	Cheng Loong Southeast Asia Holding Co., Ltd. Rep.	10	1
		Cheng Loong Indonesia Investment Co., Ltd. Rep.	990	99
		Gui-Sheng Chang		
Cheng Loong Binh Duong Container Co., Ltd.	Chairperson	Cheng Loong Vietnam Investment Co., Ltd. Rep.	Paid-in capital USD2,200(ten thousand)	100
		Tseng-Fu Hou		
	President	Jie-Yang Chen		

Company Name	Title	Name or Representative	Shareholding	
			Shares (Unit: 1,000 shares)	%
Cheng Loong Binh Duong Paper Co., Ltd.	Chairperson	Cheng Loong Vietnam Paper Investment Co., Ltd. Rep.	Paid-in capital USD19,000.3 (ten thousand)	100
		Jung-Jeng Lin		
	President	Jung-Jeng Lin		
Cheng Loong Long An Container Co., Ltd.	Chairperson	Cheng Loong Vietnam Investment Co., Ltd. Rep.	Paid-in capital USD2,700 (ten thousand)	100
		Tseng-Fu Hou		
	President	Xi-Qin Wu		
Chinh Loong Co., Ltd	Director	Cheng Loong Binh Duong Paper Co., Ltd Rep.	Paid-in capital VND 2,616,867 (ten thousand)	99
		Jung-Jeng Lin		
	President	Jung-Jeng Lin		
Cheng Loong Bac Giang Company Limited	Chairperson	Cheng Loong Vietnam Investment Co., Ltd. Rep.	Paid-in capital USD1,000 (ten thousand)	100
		Tseng-Fu Hou		
	President	Jie-Yang Chen		
Cheng Loong Ben Cat Company Limited	Chairperson	Cheng Loong Vietnam Investment Co., Ltd. Rep.	Paid-in capital USD1,200 (ten thousand)	100
		Tseng-Fu Hou		
	President	Jie-Yang Chen		

Note 1: Loong Fu Paper (Kunsan) Co., Ltd. was sold in the third quarter of 2021.

D. Summarized Operation Results of Affiliated Enterprises

Unit: NT\$1,000

Company Name	Paid-in capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating profit or loss	Net Income	Earning Per Share (NT\$)
GemTech Optoelectronics Corp.	188,870	417,362	70,138	347,224	266,027	20,842	20,875	1.11
Vina Tawana Container Co., Ltd.	607,860	755,359	249,453	505,906	1,700,198	91,224	72,527	NA
Omis International Holdings Limited	1,853,559	5,722,385	0	5,722,385	0	(135)	215,658	3.21
Cheng Loong Southeast Asia Holding Co., Ltd.	7,183,247	5,346,933	0	5,346,933	0	(29)	(42,407)	(0.16)
Chung Loong Paper Holdings Limited	1,852,260	6,891,357	113,752	6,777,605	0	(11,330)	266,168	3.97
Scorpion Perfect Investments Ltd.	1,659,955	1,678,575	0	1,678,575	0	(70)	(39,750)	(0.66)
Winvantage Corporation	28	969,118	372,758	596,360	0	(39,355)	(43,383)	(43,383.00)
Shan Fu Investment Co., Ltd.	389,113	726,119	0	726,119	0	(31)	43,687	3.10
Cheng Loong (Suzhou) Investment Co., Ltd.	538,785	297,129	0	297,129	0	(29)	48,524	2.49
Cheng Loong (Hangzhou) Investment Co., Ltd.	276	7,141	32,898	(25,757)	0	(43)	(5,866)	(586.60)
Cheng Loong (Gwangtung) Investment Co., Ltd.	833,045	1,267,617	108	1,267,509	0	7,910	83,310	2.76
Loong Fu Investment Co., Ltd.	234,855	289,105	205	288,900	0	0	80,766	9.50
Chung Ming International Limited	27,630	2,930,003	1,315,287	1,614,716	6,574,796	176,302	116,092	116.09
Hong Kong Chung Hao Limited	0.004	2,218,071	544,381	1,673,690	114,900	6,045	(39,679)	NA
Shanghai Chung Hao Paper Co., Ltd.	602,334	1,845,870	439,289	1,406,581	579,037	(97,858)	(46,961)	NA
Zhangzhou Cheng Loong Paper Co., Ltd.	380,741	349,821	234,081	115,740	248,644	(13,067)	(5,656)	NA
Qingdao Chung Loong Paper Co., Ltd.	110,520	59,823	44,877	14,946	22,119	(679)	(2,665)	NA
Hong Kong Shan Fu Limited	0.004	1,206,954	499,632	707,322	1,149,121	(32,142)	43,711	NA
Shan Fu Paper (Kunsan) Co., Ltd.	386,820	849,785	134,934	714,851	408,969	30,524	77,137	NA
Hong Kong Su Loong Limited	0.004	289,703	0	289,703	0	0	48,547	NA
Suzhou Cheng Loong Paper Co., Ltd.	511,155	897,383	607,690	289,693	746,474	(58,909)	48,547	NA
Hong Kong Gwang Loong Limited	1,081,715	1,776,038	511,063	1,264,975	1,413,638	53,284	75,198	NA
Cheng Loong (Gwangtung) Paper Co., Ltd.	856,530	1,990,883	1,070,307	920,576	914,781	1,567	23,873	NA
Hong Kong Loong Fu Limited	234,855	289,103	0	289,103	0	(2)	80,766	NA
Loong Fu Paper (Kunsan) Co., Ltd.(Note2)	0	0	0	0	0	(11,401)	(118,327)	NA
CorAsia Corp.	15,197	14,855	100	14,755	1,381	(534)	(537)	NA

Company Name	Paid-in capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating profit or loss	Net Income	Earning Per Share (NT\$)
Dongguan Ming Loong Paper Co., Ltd.	70,235	635,805	437,302	198,503	852,510	58,942	38,641	NA
Chengdu Cheng Loong Packing Products Co., Ltd.	111,791	418,928	110,085	308,843	327,923	31,062	27,037	NA
Chong Qing Cheng Loong Paper Co., Ltd.	373,005	328,236	670,001	(341,765)	0	(32,535)	(54,139)	NA
Henan Cheng Loong Packing Products Co., Ltd.	276,024	207,345	139,139	68,206	0	(22,786)	(30,361)	NA
Cheng Loong Vietnam Investment Co., Ltd.	1,958,138	1,877,680	0	1,877,680	0	9,443	77,488	1.09
Cheng Loong Indonesia Investment Co., Ltd.	27,354	1,011	272	739	0	(304)	(391)	(0.39)
CL Jakarta Container,PT	27,630	136	0	136	0	(61)	(84)	NA
Cheng Loong Vietnam Paper Investment Co., Ltd.	5,249,700	3,509,926	41,576	3,468,350	0	(36)	(119,475)	(0.63)
Cheng Loong Binh Duong Container Co., Ltd.	607,860	1,077,087	399,636	677,451	2,044,538	125,915	104,566	NA
Cheng Loong Long An Container Co., Ltd.	746,010	1,151,922	680,366	471,556	1,055,255	(42,995)	(32,488)	NA
Cheng Loong Bac Giang Company Limited	276,300	242,778	10,392	232,386	0	(372)	(871)	NA
Cheng Loong Ben Cat Company Limited	331,560	300,507	27,223	273,284	0	(870)	(2,280)	NA
Cheng Loong Binh Duong Paper Co., Ltd.	5,249,783	10,272,283	6,765,514	3,506,769	3,820,949	(73,383)	(118,555)	NA
Chinh Loong Co., Ltd.	33,000	24,103	300	23,803	0	(873)	(873)	NA

Note 1: USD rate: 27.63.

Note 2: Loong Fu Paper (Kunsan) Co., Ltd. was sold in the third quarter of 2021.

(2) Consolidated financial statements of various affiliated enterprises:

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, 2021 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 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 its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHENG LOONG CORPORATION



Chairperson: Su-Yun Cheng



Date: March 15, 2022

- 2. Private Placements Securities in the Last Fiscal Year and up to the Printing Date of this Annual Report: None.**
- 3. Shares Held or Disposed of by Subsidiaries in the Last Fiscal Year and up to the Printing Date of this Annual Report: None.**
- 4. Other Information Which Should be Disclosed: None.**

The Provisions in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act that Have Significant Impact on Shareholders' Equity or Securities Price: None.

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高效創新

低碳永續



瓦楞原紙
Containerboard



事務用紙
Business Form



瓦楞紙版
Corrugated
Sheetboard



紙棧板
Paper Pallet



紙管紙
Core Board



瓦楞紙箱
Corrugated
Container



文化用紙
Fine Paper



家庭用品系列
Household Paper



美粧紙箱/
白卡紙板
Display Corrugated
Container/
Duplex Board



柔性版印刷
Flexography
Printing

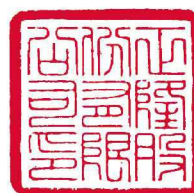
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