

Stock Code: 1909

Longchen Paper & Packaging Co., Ltd.

Parent Company Only Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

Address: No.1-1, Guangxing Lane, Guangxing Village, Erlin Township, Zhanghua County, Taiwan, R.O.C.
Tel: (04) 896-2111

The reader is advised that parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders Longchen Paper & Packaging Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Longchen Paper & Packaging Co., Ltd(the Company). which comprise the balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion and based on our audit result and other auditors' audit reports (see "Other matters" paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

For the year ended December 31, 2018, the key audit matters to the Company's parent company only financial statements were as follows:

Major transactions with related parties

Longchen Paper & Packaging Co., Ltd. strives for creating a vertically-integrated management system throughout the whole industry chain. Subsidiaries of different nature within the group are responsible for all the operational processes, from overseas procurement of waste paper or local waste paper recycling, to production and marketing of industrial paper and cartons. As the amounts

of transactions with related parties are considerable, the corporate incomes of such subsidiaries in different countries have to be recognized in different times. Moreover, transactions with upstream-downstream related parties and the evaluation on unrealized gross margin exclusion have effect on the recognition of sales revenue, cost of goods sold and gross profit on sales. Therefore, major transactions with related parties should be considered as key review issues. The information on such transactions with related parties is provided in Footnotes VII accompanying the parent company only financial statements.

Generally, we have reviewed and audited the aforesaid matters by following the procedure below:

1. Understand and verify the design and execution effectiveness of the internal control mechanism for the administration of transactions with related parties;
2. Understand and evaluate the rationality of assumptions and methods adopted by the management to write off estimated unrealized gross profit rate of companies of different nature and to adjust any timing differences;
3. Perform inspection and verification on the quantity and amount of such transactions with related parties not put into production yet;
4. Reassess whether it is appropriate to write off unrealized gain or loss regarding investments accounted for using the equity method; and
5. Perform analytical review procedures. By reference to the previous actual operating results and in consideration of the influence of the production capacity expansion this year, assess whether the financial information by departments is consistent with the expectation.

Other matter -Report of other independent accountants

Among the invested companies listed in the separate financial statements above, the financial statements of invested companies were reviewed and audited by other auditors rather than us. Thus, the amounts listed in the financial statements of such invested companies included in our review opinions towards the separate financial statements above were based on the review reports issued by other auditors. The investment in such invested companies accounted for using the equity method as at December 31, 2018 and 2017 was respectively NT\$ (hereinafter inclusive) 18,853,209,000 and NT\$19,737,154,000, amounting to 53.15% and 49.61% of the separate total assets. For the periods as of January 1 thru December 31, 2018 and 2017: 1) the gains and losses of related subsidiaries, affiliates and joint ventures recognized under the equity method were respectively NT\$503,741,000 and NT\$2,951,912,000, amounting to 39.46% and 63.90% of the separate pre-tax net profit margin; and 2) other combined losses of subsidiaries, affiliates and joint ventures recognized under the equity method were respectively NT\$380,204,000 and NT\$126,729,000, amounting to 6.40% and 2.91% of other separate net combined gains and losses.

Responsibilities of Management and Those Charged with Governance for the 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only 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 financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mu Fan Wang and Hong Wen Tao.

BDO Taiwan
Republic of China
March 18, 2019

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions.

The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

Longchen Paper & Packaging Co., Ltd.
PARENT COMPANY ONLY BALANCE SHEET

December 31, 2017 and 2018
(expressed in thousands New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)											
Code	Asset	December 31, 2018		December 31, 2017		Code	Liabilities and equity	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets											
1100	Cash and cash equivalents (Note IV, VI(I))	\$62,175	0.18	\$64,920	0.16	2100	Current liabilities	\$1,780,000	5.02	\$2,270,000	5.71
1110	Financial assets at fair value through profit or loss (Note IV, VI.2, XII.4)	292	-	457	-	2110	Short-term loans (Note IV, VI(X))	1,299,431	3.66	949,047	2.39
1150	Notes Receivable, Net (Note IV, VI(III))	433,051	1.22	477,044	1.20	2150	Notes payable	89	-	89	-
1170	Accounts receivable, net (Note IV, VI(III))	975,945	2.75	865,404	2.19	2170	Accounts payable	750,129	2.11	727,652	1.83
1180	Accounts receivable related parties (Note IV, VI(III), VII(II))	147,846	0.42	652,668	1.64	2200	Other payables	515,239	1.45	489,801	1.23
1200	Other receivables (Note VI(III))	118,725	0.33	56,769	0.14	2230	Current income tax liabilities	372,863	1.05	138,850	0.35
1210	Other receivables - related parties (Note VI(III), VII(II))	1,611,994	4.56	-	-	2250	Provisions (Note XII(V))	-	-	28,287	0.07
1220	Current income tax assets	92	-	1,771	-	2300	Other current liabilities	5,929	0.02	3,875	0.01
130x	Inventory (Note IV, VI(IV))	614,895	1.73	673,022	1.69	2322	Current portion of long-term loans (Note IV, VI(XIII))	1,050,000	2.96	1,170,000	2.93
1410	Prepayments	250,038	0.70	263,931	0.66	2365	Refund liability - current (Note VI(XIV))	16,287	0.05	-	-
1470	Other current assets (Note VI(V))	8,783	0.02	24,001	0.06	21xx	Total current liabilities	5,789,967	16.32	5,777,601	14.52
11xx	Total current assets	4,223,836	11.91	3,079,987	7.74						
Non-current assets											
Financial assets at fair value through profit or loss											
1510	loss - non-current (Note IV, VI(II))	169,167	0.48	-	-	2530	Corporate bonds payable (Note IV, VI, (XII))	2,500,000	7.05	-	-
1543	Financial assets carried at cost - non-current (Note XII(IV))	-	-	114,646	0.29	2540	Long-term loans (Note IV, VI(XIII))	4,740,000	13.37	5,490,000	13.80
1550	Investments accounted for using equity method (Note IV, VI(VI))	22,436,357	63.25	28,352,819	71.27	2570	Deferred income tax liabilities (Note IV, VI(XX))	834,824	2.35	925,921	2.33
1600	Property, plant and equipment (Note IV, VI(VII))	7,973,939	22.48	7,863,057	19.76	2600	Other non-current liabilities (Note VI(VI))	53,969	0.15	53,969	0.14
1760	Net amount of investment property (Note IV, VI.8)	7,618	0.02	7,728	0.02	2640	Net defined benefit liability - non-current (Note IV, VI(XV))	60,141	0.17	55,880	0.14
1840	Deferred Income tax assets (Note IV, VI(XX))	338,538	0.95	215,569	0.54	25xx	Total non-current liabilities	8,188,934	23.09	6,525,770	16.41
1990	Other non-current assets - other (Note VI(IV))	324,308	0.91	149,911	0.38	3100	Capital stock (Note VI(XVI))	13,978,901	39.41	12,303,371	30.93
15xx	Total non-current assets	31,249,927	88.09	36,703,730	92.26						
Equity											
Capital stock (Note VI(XVI))											
Common stock											
Capital surplus (Note VI(XVII))											
Retained earnings (Note VI(XVIII))											
Legal reserve											
Special reserve											
Unappropriated earnings											
Other equity interest (Note VI(XIX))											
Exchange differences on translating foreign operations											
Unrealized gain or loss on FV/TOCI											
Unrealized gains or loss on available-for-sale financial assets											
Total equity											
TOTAL LIABILITIES AND EQUITY											
TOTAL ASSETS		\$35,473,763	100.00	\$39,783,717	100.00			21,494,862	60.59	27,480,346	69.07

Longchen Paper & Packaging Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars, except earnings per share)

Code	Item	Year 2018		Year 2017	
		Amount	%	Amount	%
4000	Operating revenue (Note IV, VI(XXII), XII(V))	\$10,286,390	100.00	\$9,734,730	100.00
5000	Cost of sales (Note VI(XV), VI(XXIV))	(7,761,412)	(75.45)	(7,666,992)	(78.76)
5900	Gross profit	2,524,978	24.55	2,067,738	21.24
5910	Unrealized gain (loss) from sale	(55,651)	(0.54)	-	-
5950	Net operating margin	2,469,327	24.01	2,067,738	21.24
	Operating expense (Note VI(XV), VI(XXIV))				
6100	Selling expenses	(485,848)	(4.72)	(461,979)	(4.75)
6200	General and administrative expenses	(416,328)	(4.05)	(471,497)	(4.85)
6300	Research and development expenses	(14,290)	(0.14)	(18,895)	(0.19)
6000	Total operating expenses	(916,466)	(8.91)	(952,371)	(9.79)
6900	Operating profit	1,552,861	15.10	1,115,367	11.45
	Non-operating income and expenses (Note VI(XXIII))				
7010	Other income	40,098	0.39	133,540	1.37
7020	Other gains and losses	(25,409)	(0.25)	(23,326)	(0.24)
7050	Financial cost	(148,679)	(1.45)	(201,801)	(2.07)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method (Note IV, VI(VI))	(142,416)	(1.38)	3,595,608	36.94
7000	Total non-operating income and expenses	(276,406)	(2.69)	3,504,021	36.00
7900	Profit before income-tax	1,276,455	12.41	4,619,388	47.45
7950	Income tax expenses (Note IV, VI(XX))	(341,761)	(3.32)	(736,573)	(7.56)
8200	Profit for the year	934,694	9.09	3,882,815	39.89
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Actuarial losses on defined benefit plans (Note VI(XV))	(7,579)	(0.07)	(5,355)	(0.06)
8330	Share of other comprehensive loss of associates accounted for under equity method (Note VI(XIX))	(5,669,634)	(55.12)	-	-
8349	Income tax related to items that will not be reclassified (Note IV, VI(XX))	4,789	0.05	910	0.01
8360	Items that may be reclassified subsequently to profit or loss (Note VI(XIX))				
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(373,720)	(3.63)	4,339,142	44.57
8399	Income tax relating to items that may be reclassified to subsequently (Note IV, VI(XX))	101,746	0.98	21,148	0.22
8300	Other comprehensive income, net of tax	(5,944,398)	(57.79)	4,355,845	44.74
8500	Total comprehensive income	\$(5,009,704)	(48.70)	\$8,238,660	84.63
	Earnings per share (NT\$): (Note IV, VI(XXI))				
9750	Basic earnings per share	\$0.82		\$3.50	
9850	Diluted earnings per share	\$0.82		\$3.43	

The accompanying notes are an integral part of the parent company only financial statements.

Longchen Paper & Packaging Co., Ltd.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017
(expressed in thousands New Taiwan dollars)

	Capital stock		Retained earnings			Other equity items		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating foreign operations	Unrealized gain or loss on FVTOCI	Unrealized gains or loss on available-for-sale financial assets
Balance as at January 1, 2017	\$10,063,678	\$2,159,709	\$907,473	\$626,639	\$4,307,310	\$(643,816)	\$-	\$1,059,998
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	240,743	-	(240,743)	-	-	-
Cash dividends	-	-	-	-	(1,652,840)	-	-	-
Changes in capital surplus								
Changes in those of affiliates	-	4,513	-	-	-	-	-	-
Accounted for using the equity method	-	-	-	-	3,882,815	-	-	-
Current net income/Profit for the year	-	-	-	-	(4,445)	(103,250)	-	-
Other current comprehensive income	-	-	-	-	-	(103,250)	-	4,463,540
Total other comprehensive income	-	-	-	-	3,878,370	(103,250)	-	4,463,540
Issuance of shares	240,000	564,000	-	-	-	-	-	-
Conversion of convertible bonds	1,033,179	540,870	-	-	-	-	-	-
Difference between the acquisition or disposal price and carrying of subsidiaries	-	(2,325)	-	-	-	-	-	-
Change of ownership interests to subsidiaries	-	(8,256)	-	-	-	-	-	-
Share-based payments	-	41,554	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	-	-
Balance as at December 31, 2017	\$11,336,857	\$3,300,065	\$1,148,216	\$626,639	\$6,292,097	\$(747,066)	\$-	\$5,523,538
Balance as at January 1, 2018	\$11,336,857	\$3,300,065	\$1,148,216	\$626,639	\$6,292,097	\$(747,066)	\$-	\$5,523,538
Effects of modified retrospective approach	-	-	-	-	-	-	5,978,814	(5,523,538)
Adjusted balance as at January 1, 2018	11,336,857	3,300,065	1,148,216	626,639	6,292,097	(747,066)	5,978,814	-
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	388,282	-	(388,282)	-	-	-
Cash dividends	-	-	-	-	(1,983,950)	-	-	-
Current net income/Profit for the year	-	-	-	-	934,694	-	-	-
Other current comprehensive income	-	-	-	-	(2,790)	(271,974)	(5,669,634)	-
Total other comprehensive income	-	-	-	-	931,904	(271,974)	(5,669,634)	-
Issuance of shares	340,000	210,800	-	-	-	-	-	-
Share-based payments	-	2,090	-	-	-	-	-	-
Disposal of financial assets at fair value through other comprehensive income - equity instrument	-	-	-	-	20	-	(16)	-
Balance as at December 31, 2018	\$11,676,857	\$3,512,955	\$1,536,498	\$626,639	\$4,851,789	\$(1,019,040)	\$309,164	\$-

The accompanying notes are an integral part of the parent company only financial statements.

Longchen Paper & Packaging Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(expressed in thousands New Taiwan dollars)

Item	Year 2018	Year 2017
Cash flow from operating activities:		
Pre-tax profit for the current period	\$1,276,455	\$4,619,388
Adjustments:		
Income, expenses and losses without effect on cash flow		
Depreciation (investment property)	425,876	413,406
Distribution cost	7,935	5,748
Provision for expected credit impairment losses/gains/bad debts expense (reclassified to incomes)	(305)	(753)
Net losses/gains on financial assets or liabilities at fair value through profit and loss	(2,907)	(50)
Interest expense	133,549	196,990
Interest income	(3,536)	(90,796)
Dividend income	(8,198)	(22,334)
Compensation cost of share-based payments	2,090	12,219
Gains and losses of subsidiaries, affiliates recognized under the equity method	142,416	(3,595,608)
Loss (gain) on disposal and retirement of property, plant and equipment	(430)	(5,304)
Reclassified expenses of property, plant and equipment	23,430	18,972
Unrealized loss (gain) from sale	55,651	-
Losses/gains on disposal of financial assets at cost	-	(42,356)
Impairment losses on financial assets at cost	-	27,307
Total income, expenses and losses without effect on cash flow	775,571	(3,082,559)
Change in assets/liabilities related to operating activities:		
Net change in assets related to operating activities		
Increase/decrease in notes receivable	43,993	(98,968)
Increase/decrease in notes receivable - related parties	-	28,315
Increase/decrease in accounts receivable	(110,236)	(35,092)
Increase/decrease in accounts receivable - related parties	504,822	66,224
Increase/decrease in other receivables	(61,956)	2,820
Increase/decrease in inventory	58,127	(231,114)
Increase/decrease in prepayments	64,239	(32,786)
Increase/decrease in other current assets	15,218	612
Total net change in assets related to operating activities	514,207	(299,989)
Net change in liabilities related to operating activities		
Increase/decrease in accounts payable	22,477	(51,956)
Increase/decrease in accounts payable - related parties	-	(6,178)
Increase/decrease in other payables	25,313	(613,745)
Increase/decrease in refund liability - current / Increase/decrease in liability reserves - current	(12,000)	(8,856)
Increase/decrease in other current liabilities	2,054	(7,682)
Increase/decrease in net defined benefit liability - non-current	(3,318)	(122,236)
Total net change in liabilities related to operating activities	34,526	(810,653)
Total net change in assets and liabilities related to operating activities	548,733	(1,110,642)
Total adjustments	1,324,304	(4,193,201)
Cash inflow (outflow) from operating activities	2,600,759	426,187
Interests received	1,462	118,353
Dividends received	138,519	258,968
Interests paid	(133,424)	(196,181)
Income tax paid	(213,600)	(60,719)
Net cash inflow (outflow) from operating activities	2,393,716	546,608

(Cont'd)

Item	Year 2018	Year 2017
Cash flow from investing activities:		
Other receivables - related parties' financing	(1,609,920)	3,001,050
Disposal/acquisition of financial assets at fair value through profit or loss	(51,449)	-
Disposal/acquisition of financial assets at cost	-	21,996
Disposal/acquisition of investments accounted for using the equity method	-	159,891
Acquisition of property, plant and equipment	(364,548)	(215,403)
Disposal of property, plant and equipment	3,655	11,224
Increase/decrease in other non-current assets - prepayments for equipment	(423,169)	93,303
Increase/decrease in other non-current assets - guarantee deposits paid	494	377
Increase/decrease in other non-current assets	(8,758)	(4,474)
Net cash inflow (outflow) from investing activities	(2,453,695)	3,067,964
Cash flow from financing activities:		
Increase/decrease in short-term borrowing	(490,000)	1,830,000
Increase/decrease in short-term notes and bills payable	350,384	(149,920)
Issuance of corporate bonds	2,500,000	-
Puttable corporate bonds	-	(7,900)
Payments of long-term loans	2,530,000	860,000
Repayments of long-term loans	(3,400,000)	(5,630,000)
Increase/decrease in other non-current liabilities	-	53,895
Cash dividends paid	(1,983,950)	(1,652,840)
Cash issue	550,800	804,000
Net cash inflow (outflow) from financing activities	57,234	(3,892,765)
Increase (decrease) in cash and cash equivalent in current period	(2,745)	(278,193)
Opening cash and cash equivalents	64,920	343,113
Closing cash and cash equivalents	\$62,175	\$64,920

The accompanying notes are an integral part of the parent company only financial statements.

Longchen Paper & Packaging Co., Ltd.
NOTES TO PARENT ONLY FINANCIAL STATEMENT
Period: 2017 and 2018
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

I. General

Longchen Paper & Packaging Co., Ltd. (the "Company") (Note 1) was incorporated on March 18, 1978 in accordance with The Company Act of The Republic of China. The Company's primary business activities include: manufacturing, processing and trading of paper raw materials; manufacturing, printing, processing and trading of corrugated containers; and recycling/renewal of energy and resources, including turnkey design, trial-run and operation of cogeneration and incinerator systems.

Shares of the Company have been listed for trading on Taiwan Stock Exchange Corporation Since November 1985. The Company has 6 plants and 1 office. The plants are located in Nankan, Longtan, Shengang, Erlin, Yunlin and Luzhu, whereas the administrative office is located at 10F, No. 337, Fuxing North Road, Taipei City.

(Note 1: The Company was named "Longchen Paper & Packaging Co., Ltd." ("Longchen P&P") in English in March 2019.)

II. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

This parent company only financial statement was approved and authorized during the board of directors meeting dated March 18, 2019.

III. Application of new standards, amendments and interpretations

(I) Effect of the adoption of new issuances of or amendments to the "International Financial Reporting Standards" (IFRSs) as endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date announced by the International Accounting Standards Board (IASB)
Amendments to IAS 7 - "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 - "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 12 - "Disclosure of Interests in Other Entities"	January 1, 2017
Amendments to IFRS 2 - "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 15 - "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendments to IAS 40 - "Transfers of Investment Property"	January 1, 2018
IFRIC Interpretation 22 - "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 1 - "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle - IAS 28 - "Investments in Associates and Joint Ventures"	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact on Longchen P&P's financial condition or business performance based on Longchen P&P's assessment:

1. IFRS 9 - "Financial Instruments"

- (1) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

- (2) The impairment losses of debt instruments are assessed using an 'Expected Credit Loss' (ECL) approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month ECLs or lifetime ECLs (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). Longchen P&P shall always measure the loss allowance at an amount equal to lifetime ECLs for trade receivables that do not contain a significant financing component.
- (3) In adopting the new standards ("IFRSs") endorsed by the FSC effective from 2018, Longchen P&P did not restate the previous financial statements and applied the new rules under IFRS 9 retrospectively from January 1, 2018 (hereinafter referred to as "Modified Retrospective Approach"), with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarized below. Please refer to Footnotes XII (IV).

2. IFRS 15 - "Revenue from Contracts with Customers" and Amendments

- (1) IFRS 15 - "Revenue from Contracts with Customers" substitutes IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations and SICs. Subject to the standards, revenue shall be recognized after a customer has control over commodities or services. When the customer has the capacity to manage the use of an asset and acquire almost all the remaining benefit of such asset, it is indicated that the customer has control over commodities or services.

The core principle of the standard is that "an entity's revenue recognized describes the transfer of commodities or services promised to customer(s) and its amount indicates the consideration of such commodities or services in exchange which the entity shall be entitled to as expected." An entity shall decide the timing and amount in the five steps below during revenue recognition based on such core principle:

Step 1: Identify a contract with the customer;

Step 2: Identify the obligations to be performed under the contract;

Step 3: Define the transaction value;

Step 4: Amortize the transaction value into the obligations to be performed under the contract; and

Step 5: Recognize the revenue when/as the entity meets the conditions for obligations performance.

Besides, these standards also include the rules for the disclosure of integrated reporting; accordingly, the entity shall provide the users of its financial statements with the general information on the nature, amount, time and uncertainty of revenues and cash flows from its contracts with customers.

(2) IFRS 15 has no significant impact on Longchen P&P's financial position or business performance based on Longchen P&P's assessment.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC, but not yet adopted by the Company and its subsidiaries

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date announced by the International Accounting Standards Board (IASB)
Amendments to IFRS 9 - "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16 - "Leases"	January 1, 2019
Amendments to IAS 19 - "Plan Amendment, Curtailment or Settlement"	January 1, 2019
IFRIC 23 - "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 28 - "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact on Longchen P&P's financial condition or business performance based on Longchen P&P's assessment:

1. IFRS 16 - "Leases"

IFRS 16 - "Leases" replaces IAS 17 - "Leases" and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company will adopt IFRS 16 - "Leases" using the modified retrospective approach and apply the standard to leases where the Company is a lessee. The right-of-use asset and the lease liability to be increased on January 1, 2019 will be NT\$86.64 million.

2. IFRIC 23 - "Uncertainty over Income Tax Treatments"

It is clarified in this interpretation that, in case of uncertainty over income tax treatments, 1) an entity shall decide its taxable income (income tax), tax base, income excluded from taxation, earned income excluded from tax credit and tax rate pursuant to this interpretation; and 2) the entity shall recognize and measure its deferred income tax assets/liabilities pursuant to IAS 12.

3. Amendments to IAS 28 - "Long-term Interests in Associates and Joint Ventures"

It is clarified in these amendments that any long-term interests that constitute part of an entity's investments in associates or joint ventures shall be governed first by IFRS 9 and then by IAS 28 regarding the recognition of losses.

(III) Effect of IFRSs issued by the IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by the IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date announced by the International Accounting Standards Board (IASB)
Amendments to IAS 1 and IAS 8 - "Disclosure Initiative - Definition of Material"	January 1, 2020
Amendments to IFRS 3 - "Definition of a Business"	January 1, 2020
IFRS 17 - "Insurance Contracts"	January 1, 2021
Amendments to IFRS 10 and IFRS 28 - "Sales or Contribution of Assets between and Investor and its Associate or Joint Venture"	To be determined by the IASB

Longchen P&P's assessment will continue concerning the effect of the above standards and interpretations on Longchen P&P's financial position and business performance. The details of such assessment will be disclosed after it is completed.

IV. Summary of significant accounting policies

Below is a summary of significant accounting policies used for the preparation of standalone financial statements. Unless otherwise stated, the following policies were applied consistently in all reporting periods.

(I) Statement of compliance

This standalone financial report has been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and FSC-approved IFRS, IAS and interpretations thereof (collectively referred to as IFRSs below).

(II) Basis of preparation

1. This standalone financial report was prepared based on historical cost except for the following key items.
 - (1) Financial assets and liabilities at fair value through profit and loss. (including derivatives)
 - (2) Financial assets at fair value through other comprehensive income
 - (3) Defined benefit liabilities, which are recognized by deducting the present value of defined benefit obligations from pension plan assets
2. Preparation of IFRSs-compliant financial report involves use of critical accounting estimates, and the management is required to exercise some judgment when applying the Company's accounting policies. Please refer to Footnotes V for highly complex and significant assumptions and estimates made in relation to the standalone financial report.
3. In adopting IFRS 9 effective January 1, 2018, Longchen P&P has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with the "International Accounting Standard 39" ("IAS 39"), the "International Accounting Standard 11" ("IAS 11"), the "International Accounting Standard 18" ("IAS 18") and related financial reporting interpretations. Please refer to Footnotes XII (IV) and (V) for details of significant accounting policies and accounts.

(III) Foreign currency transaction

All items listed in the standalone financial report have been measured using the currency of the main economic environment where the Company operates in (i.e. the functional currency). This standalone financial report is presented using the Company's functional currency - "NTD."

1. Foreign currency transaction and balance

- (1) Foreign currency transactions are converted into the functional currency using spot exchange rate as of the transaction date. Differences arising from conversion of such transactions are recognized in current profit and loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are converted using spot exchange rate as of the balance sheet date. Differences arising from exchange rate fluctuation are recognized as current period gain or loss.
- (3) For non-monetary assets and liabilities denominated in foreign currencies, those that are carried at fair value through profit and loss will have balances converted using spot exchange rate as of the balance sheet date, and any exchange differences arising from the adjustment will be recognized in current profit and loss; those that are carried at fair value through other comprehensive income will have balances converted using spot exchange rate as of the balance sheet date, and any exchange differences arising from the adjustment will be recognized in other comprehensive income; those that are not carried at fair value will have balances converted using the historical exchange rate when the transaction was initiated.
- (4) All gains and losses on exchange are presented as "Other gains and losses" in the income statement.

2. Currency conversion for foreign operations

- (1) For entities, associated companies and joint ventures that have functional currency different to the presentation currency, performance results and financial positions are converted into the presentation currency using the following methods:
 - A. Every asset and liability in the balance sheet is converted using exchange rate as of the balance sheet date;
 - B. Every income, expense and loss in the statement of comprehensive income is converted using average exchange rate for the given period; and
 - C. All exchange differences are recognized in other comprehensive income.

(2) In a partial disposal or sale of foreign operation, associated company or joint venture, exchange differences previously recognized in other comprehensive income are reclassified proportionally into current profit and loss and are treated as part of the gain or loss on sale. However, if the Company still retains partial equity ownership over the former associated company or joint venture but loses significant influence or joint control over them, the foreign operation is accounted as if all equity ownership has been disposed.

(3) In a partial disposal or sale of a foreign subsidiary, cumulative exchange differences previously recognized under Other comprehensive income are reclassified proportionally and made attributable to non-controlling shareholders of foreign operation. However, if the Company still retains partial equity ownership but loses control over the former subsidiary, the exchange differences are accounted as if the Company has disposed all equity of the foreign operation.

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

1. Assets that satisfy any of the following criteria are classified as current assets; assets that are not classified as current are classified as non-current assets:
 - (1) Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle.
 - (2) Assets that are held mainly for the purpose of trading.
 - (3) Assets that are expected to be realized within 12 months after balance sheet date.
 - (4) Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the balance sheet date, and those with restricted uses.
2. Any of the following criteria are classified as current liabilities; liabilities that are not classified as current are classified as non-current liabilities:
 - (1) Liabilities that are expected to be settled over the normal operating cycle.
 - (2) Held mainly for the purpose of trading.
 - (3) Liabilities that are due to be settled within 12 months after the balance sheet date.
 - (4) Liabilities where the repayment terms can not be extended unconditionally beyond 12 months after the balance sheet date. Classification of liability is unaffected even if there are terms that give counterparties the option to be repaid in the form of equity instruments.

(V) Cash and cash equivalents

Cash equivalent refers to reserve cash, bank deposit and short-term and highly liquid investments that are readily convertible into known amounts of cash, and are prone to insignificant risk of changes in value.

(VI) Financial instruments

1. Financial assets

Regular transactions of financial asset are recognized on or removed from balance sheet using trade date accounting.

(1) Financial assets at fair value through profit and loss

Refers to financial assets that are not carried at cost after amortization or financial assets that are carried at fair value through other comprehensive income.

They are recognized at fair value at initiation with transaction costs recognized through profit and loss at the time of occurrence. Subsequent assessments are measured at fair value with gains or losses recognized through profit and loss.

Dividend income is recognized in profit and loss when the entitlement to receive dividend has been established, when economic benefits relating to dividends are very likely to be realized, and that the amount of dividend can be measured reliably.

(2) Financial assets at fair value through other comprehensive income

They represent investments in equity instruments that the Company had designated at initiation (a discretionary and irrevocable choice) as not held for trading with fair value changes recognized through other comprehensive income, or investments in debt instruments that meet all of the following criteria:

- A. Financial assets that are held for the purpose of collecting contractual cash flow and sale.
- B. Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are recognizes at fair value at initiation inclusive of transaction cost, and are subsequently measured at fair value:

- A. Changes in the fair value of equity instruments are recognized through other comprehensive income. When the asset is removed from balance sheet, all cumulative gains/losses previously recognized through other comprehensive income cannot be reclassified to profit and loss and are transferred to retained earnings instead. Dividend income is recognized in profit and loss when the entitlement to receive dividend has been established, when economic benefits relating to dividends are very likely to be realized, and that the amount of dividend can be measured reliably.
- B. Changes in the fair value of debt instruments are recognized through other comprehensive income. All impairment loss, interest income and gain/loss on currency exchange prior to to removal are recognized through profit and loss. When the asset is removed from balance sheet, all cumulative gains/losses previously recognized through other comprehensive income are reclassified from equity to profit and loss.

(3) Accounts and notes receivable

Refers to proceeds and notes that the Company collects unconditionally as a consideration for the transfer of merchandise or rendering of service, according to the terms of the respective contracts.

However, short-term accounts and notes receivable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

2. Impairment on financial assets

Debt instruments at fair value through other comprehensive income and financial assets carried at cost after amortization are evaluated on every balance sheet date by taking into account all reasonable and verifiable information (including prospective information). Assets that exhibit no significant increase in credit risk after initial recognition have loss reserves measured based on 12-month expected credit loss; those that exhibit significant increase in credit risk after initial recognition have loss reserves measured based on expected credit loss over the remaining duration. Accounts receivable or contractual assets that do not include significant financial components have loss reserves measured based on expected credit loss over the remaining duration.

3. Removal of financial assets

Financial assets are removed from balance sheet when entitlement to contractual cash inflow has ended.

Financial assets that satisfy any of the following criteria are removed:

- (1) When entitlement to contractual cash inflow has ended.
- (2) When the contractual right to collect cash flow on the financial asset has been transferred along with virtually all risks and returns associated with ownership of the financial asset.
- (3) When the contractual right to collect cash flow on the financial asset has been transferred, and the Company does not retain control over the financial asset.

4. Financial liabilities and equity instruments

(1) Loans

Refers to long-term and short-term funding borrowed from banks and other lenders. Loans are recognized at fair value less transaction costs at initiation. Any subsequent differences between proceeds net of transaction cost and the redemption value are recognized as interest expenses in profit and loss using the effective interest rate method throughout the duration.

Expenses paid for setting up loan limits are treated as transaction cost if the Company is very likely to utilize part or all of the limits, and are recognized on a deferred basis as an adjustment to the effective interest rate at the time of utilization. If the Company is unlikely to utilize part or all of the limits, these expenses are recognized as prepayments and amortized over the duration of the limit instead.

(2) Accounts and notes payable

Refers to liabilities arising from purchases of raw material, merchandise or service on credit, and notes payable on operating and non-operating activities.

However, short-term accounts and notes payable that bear no interest are subsequently measured at the original invoice amount as the effect of discounting is insignificant.

(3) Corporate bonds payable

Corporate bonds issued by the Company are recognized at fair value less transaction costs at initiation. Any differences between proceeds net of transaction cost and the redemption value are recognized as additions or deductions to corporate bond payable. These differences are subsequently amortized using the effective interest method and recognized in profit and loss as "Financial cost" throughout the duration.

5. Removal of financial liabilities

Financial liabilities are removed from balance sheet upon fulfillment, cancellation or expiry of contractual obligation.

For renegotiations or modifications to cash flow of existing financial liabilities that result in no significant difference (less than 10%), the book value of financial liability is re-calculated based on the renegotiated or modified cash flow using the initial effective interest rate. Any differences from the former book value are recognized as gain or loss on modification through profit and loss.

6. Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the Company is legally entitled to do so and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

(VII) Inventory

The basis of accounting for inventories is the cost of an acquisition. The perpetual inventory system is adopted. The costing of inventories is on the weighted average basis. Inventories are stated at the lower of cost or net realizable value. Except inventories of the same class, the comparison between cost and net realizable value is based on individual items. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale under normal conditions.

(VIII) Equity-accounted investments

1. A subsidiary refers to an entity in which the Company exercises control. The Company is considered to exercise control if it is exposed or entitled to variable returns generated by the entity and has the power to influence such return.
2. Any transactions and unrealized gains/losses between the Company and subsidiaries have been eliminated. The subsidiaries have made the necessary adjustments to align their accounting policies with that of the Company.
3. Share of profits/losses from subsidiary after acquisition is recognized in current profit and loss; share of other comprehensive income after acquisition is recognized in other comprehensive income. If share of losses on a subsidiary equals or exceeds the Company's equity ownership, the Company will continue recognizing additional losses at the current shareholding percentage.
4. Transfers of equity ownership in a subsidiary with non-controlling shareholders that do not result in a loss of control are accounted as equity transactions, and treated as transactions between business owners. Difference between the adjusted amount of non-controlling equity and the fair value of consideration paid/received is directly recognized as equity.
5. When the Company loses control in a subsidiary, remaining investments in the former subsidiary are remeasured at fair value and presented as the initial fair value of the reclassified financial asset or the cost of the reclassified associated company or joint venture. Differences between the fair value and the book value are recognized in current period profit and loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted on the same basis as if the Company had directly disposed the relevant assets or liabilities. In other words, if gains or losses previously recognized in other comprehensive income are to be reclassified into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified into profit and loss when the Company loses control in the subsidiary.
6. Associated company refers to an entity in which the Company exercises significant influence but no control, which generally means 20% direct or indirect voting interest or above. The Company accounts for associated companies using the equity method. Value at initial acquisition is accounted at cost.

7. Share of profits/losses from associated company after acquisition is recognized in current profit and loss; share of other comprehensive income after acquisition is recognized in other comprehensive income. If the Company's share of losses in an associated company equals to or exceeds its equity interest in the associated company (including any other non-guaranteed receivables), the Company will not recognize the extra losses unless the Company has a legal obligation or constructive obligation to pay, or has paid liabilities, on behalf of the associated company.
8. If an associated company undergoes a change of equity that has no impact on profit and loss, other comprehensive income and shareholding percentage, Longchen P&P recognizes the changes in equity that are attributable to Longchen P&P and have the shares of associates as "Capital Reserves" in the shareholding ratio.
9. Unrealized gains arising from transactions between the Company and an associated company are eliminated proportionally based on ownership percentage. Unrealized losses are also eliminated unless there is evidence to suggest impairment in the transferred assets. All associated companies have made the necessary adjustments to align their accounting policies with that of the Company.
10. In the event that an associated company issues new shares that the Company decides not to subscribe/acquire proportionally, and therefore result in a change of shareholding percentage while retaining significant influence, the change in net worth is adjusted into "Capital reserve" and "Equity-accounted investor." If ownership percentage reduces as a result, all gains/losses relating to the reduction of ownership percentage and gains/losses previously recognized through other comprehensive income that need to be reclassified into profit and loss upon disposal of asset or liability shall be reclassified proportionally by the percentage of ownership reduction, in addition to the above adjustments.
11. In the event that the Company loses significant influence in an associated company, remaining investments in the former associated company shall be re-measured at fair value, and the difference between the fair value and book value of investment is recognized in current profit and loss.
12. If the Company disposes an associated company in a manner that causes it to lose significant influence, all amounts previously recognized in other comprehensive income in relation to the associated company are accounted on the same basis as if the Company had directly disposed the relevant assets or liabilities. In other words, if gains or losses previously recognized in other comprehensive income are to be reclassified

into profit and loss upon disposal of relevant assets or liabilities, such gains or losses shall be reclassified into profit and loss when the Company loses significant influence in the associated company. If the Company still retains significant influence in the associated company, the above amounts previously recognized in other comprehensive income are reclassified proportionally in the manner mentioned above.

13. When the Company disposes an associated company, the Company reclassifies all capital reserves on the associated company into profit and loss if it loses significant influence, or proportionally into profit and loss if it retains significant influence.
14. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the amount of current profit and loss and other comprehensive income attributable to parent company shareholders should be consistent between standalone and consolidated financial reports; the amount of equity attributable to parent company shareholders should also be consistent between standalone and consolidated financial reports.

(IX) Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost and presented net of accumulated depreciation and cumulative impairment. The abovementioned cost includes the cost of uninstalling, removing and restoring property, plant and equipment at the given location, and any interest costs incurred on construction-in-progress. Significant compositions of property, plant, and equipment are depreciated separately. When making regular replacements for major component of property, plant and equipment, the Company treats the replacement as a separate asset and recognizes depreciation based on the specified useful years and depreciation method. Book values of replaced assets are removed from balance sheet in accordance with IAS 16 - "Property, plant and equipment." Major repair costs that satisfy the recognition criteria are treated as replacement costs and recognized as part of the book value of property, plant and equipment. All other repair and maintenance expenditures are recognized through profit and loss.

Depreciation is provided on a straight-line basis over the useful lives mentioned below:

Buildings	5~55 years
Machinery	5~25 years
Transport equipment	1~6 years
Other equipment	1~15 years
Lease improvements	Depreciation is provided over the lease tenor or useful life, whichever the shorter

The Company removes property, plant and equipment or any of its major components from balance sheet and recognizes differences through profit and loss when it disposes the asset or expects no further inflow of economic benefits from utilization or disposal of the asset.

Residual value, useful life and depreciation method of property, plant and equipment are evaluated on every balance sheet date. If the expected value differs from previous estimates, the difference is treated as a change of accounting estimate.

(X) Investment Property

Investment properties are measured at cost at initiation, which includes the transaction costs required for acquiring the asset. The book value of investment property includes any cost of repair and any addition to existing investment property that meets the recognition criteria, but excludes general, routine maintenance expenses. Investment properties are measured using the cost approach at initiation and accounted according to IAS 16 - "Property, Plant and Equipment." However, this excludes assets that meet the criteria to be classified as pending sale (or group of assets pending sale) under IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations."

The calculation of depreciation should be based on the estimated service life of the following assets by straight-line method:

Houses and buildings	32 years
----------------------	----------

Investment properties are removed from balance sheet with gains or losses recognized through profit and loss if they are disposed, never to be used, or are no longer expected to generate future economic benefits through disposal.

Assets are transferred into and out of the investment property category depending on their actual uses.

(XI) Intangible assets

Intangible assets that are acquired separately are measured at cost at initiation. After initial recognition, book value of intangible assets is subsequently presented at cost less accumulated amortization and impairment. Intangible assets generated internally that do not meet the recognition criteria are not capitalized, but expensed through profit and loss at the time occurred.

Intangible assets are distinguished into those with finite useful lives and those with indefinite useful lives.

Finite-life intangible assets are amortized over the number of useful lives, and subjected to impairment tests if there are signs to suggest impairment. The term and method of amortization for finite-life intangible assets are re-examined at the end of each financial year. If an asset's expected useful life differs from the previous estimate or if there is a change to how future economic benefits are realized, the Company will adjust the term and method of amortization and account for the adjustment as a change of accounting estimate.

Indefinite-life intangible assets are not amortized, but are subjected to impairment tests on a yearly basis either on a standalone basis or as part of the cash-generating unit. Indefinite-life intangible assets are evaluated each year to determine whether there are events or circumstances that continue to support the assets' indefinite-useful-life classification. Changes from indefinite useful life to finite useful life are applied prospectively.

Gains or losses arising from the removal of intangible assets are recognized through profit and loss.

1. Intangible assets under development - research and development costs

Research costs are expensed when incurred. Individual projects are recognized as intangible assets when they progress into a stage that meets the following criteria:

- A. The intangible asset under development has achieved technical feasibility that enables it to be used or sold in the future.
- B. The Company has the intention to complete the asset and the capability to use or sell the asset.
- C. The asset will generate economic benefit in the future.
- D. The Company has adequate resource to complete the asset.
- E. Expenditures in the development stage can be measured reliably.

Research and development expenditures are capitalized at initiation using the cost approach, meaning that book value is determined as cost less accumulated amortization and cumulative impairment. This category of assets are subjected to annual impairment tests during the development stage, and are amortized over the duration in which they are expected to generate future benefits, starting from the time development is completed and that the project reaches its usable state.

2. Computer software

Cost of computer software is amortized on a straight-line basis over the estimated useful life.

3. Patent

Patents are amortized over the number of years granted by relevant government agencies.

4. Trademark

Trademarks acquired on a standalone basis are recognized at acquisition cost. Trademarks are finite-life assets, and are amortized on a straight-line basis over the estimated useful life.

(XII) Impairment of non-financial assets

On the closing date of each reporting period, Longchen P&P assesses whether there is an indication that all assets subject to IAS 36 - "Impairment of Assets" are impaired. If there is an indication of impairment or an asset needs annual impairment test at regular intervals, Longchen P&P carries out testing on individual assets or based on the cash-generating unit of such asset. An impairment loss is recognized for the amount by which the carrying amount of such asset or its cash-generating unit exceeds its recoverable amount as indicated by the impairment test result. The recoverable amount is the higher of the net fair value or the value in use.

On the closing date of each reporting period, Longchen P&P assesses whether there is an indication that the impairment loss previously recognized for an asset, except for goodwill, may no longer exist or diminish; if there is any such indication, Longchen P&P estimates the recoverable amount of such asset or the cash-generating unit. If the recoverable amount has increased as a result of the increase in the estimated service potential of the assets, Longchen P&P reverses the impairment loss so that the resulting carrying amount of the asset does not exceed the amount (net of amortization or depreciation) that would otherwise result had no impairment loss been recognized for the assets in prior years; any such impairment loss and reversal amount are recognized in profit or loss.

(XIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured as non-discounted amounts expected to be paid in the future, and are recognized as expenses when relevant service is rendered.

2. Pension

(1) Defined contribution plan

For defined contribution plan, the contributions payable to pension fund are recognized as pension costs in the year occurred on an accrual basis. Prepaid contributions that are refundable in cash or can be offset against future payments are recognized as assets.

(2) Defined benefit plan

A. Net obligations under a defined benefit plan are calculated by discounting employees' future benefits earned from current or previous services rendered, and by deducting the fair value of plan assets from the present value of defined benefit obligations as of the balance sheet. Net defined benefit obligations are calculated by actuaries on a yearly basis using the projected unit credit method. The discount rate is determined in reference to the market yield rate of a high-quality corporate bond of equivalent currency and tenor as the defined benefit plan as of the balance sheet date. In countries where transactions of high-quality corporate bonds are scarce, the market yield of government bond (as of the balance sheet date) is used instead.

B. Remeasurement of defined benefit plan is recognized in other comprehensive income in the period occurred, and presented under retained earnings.

C. Past service costs are recognized immediately in profit or loss.

3. Employee/director/supervisor remuneration

Employee/director/supervisor remuneration are recognized as expense and liability when the Company becomes legally obligated or is deemed obligated to pay, and that the amount can be reasonable estimated. Any differences between the amount estimated

and the amount resolved/paid are treated as a change of accounting estimate. Where employee remuneration is paid in shares, the number of shares to be distributed is calculated based on the closing share price one day before the board of directors resolution date.

(XIV) Transaction of Share-based Payments

Share-based payments to employees are measured at fair value as of the vesting date. These payments are recognized as employment cost with a corresponding increase in equity in the period when employees become entitled to receive them unconditionally. The amount of remuneration is continually adjusted as service conditions and non-market value vesting conditions are met, and the final amount recognized is determined by the fulfillment of service conditions and non-market value vesting conditions on the vesting date.

Non-vesting conditions of share-based payment have been reflected in fair value assessment on the vesting date, and no adjustment was required for the differences between expected and actual results.

Should the Company decide to reserve part of its cash issue for subscription by employees, the vesting date is determined as the day when the Company is able to confirm number of shares to be subscribed by employees.

(XV) Revenue recognition

1. Sales of goods

Longchen P&P is specialized in the manufacturing and distribution of industrial paper, paperboard and cartons to downstream manufacturers. The sales revenue should be recognized when the control over products is transferred to downstream manufacturers; specifically, products are delivered to downstream manufacturers, who, therefore, will have the discretionary power to decide the marketing channels and prices of products; and Longchen P&P does not fail to perform its obligations, which may prevent downstream manufacturers from accepting such products. Once products are delivered to the designated place, the risks of obsolescence and loss thereof will be transferred to downstream manufacturers, who accept products subject to the sales contracts; or if any objective evidence supports that all acceptance criteria are satisfied, it can be considered that commodity delivery is completed.

The sales revenue of industrial paper, paperboard and cartons should be recognized at the contract price less the estimated price reduction. The calculation of the price reduction for downstream manufacturers is generally based on the international market price of pulp in the month of sale. Longchen P&P estimates the price reduction by the expectancy method according to the previous experience. The amount of recognized revenue is subject to the revenue, for which no significant reversal will probably occur in the future, and the estimation should be updated on each balance sheet date. The estimated price reduction payable to customers relating to sale as at the balance sheet date is recognized as refund liability. The collection terms for sales expire within 30-180 days upon shipment, which is consistent with the market practice. Thus, it is determined that no significant financing component is included in contracts.

The accounts receivable should be recognized when the commodities are delivered to customers. Since then, Longchen P&P will have the unconditional entitlement to the contract price and can receive the consideration from customers after that.

2. Financing component

For any contracts between Longchen P&P and downstream manufacturers, no interval from the transfer of commodities or services to downstream manufacturers as promised to downstream manufacturers' payment exceeds one year. Therefore, Longchen P&P does not adjust any transaction value to reflect the time value of money.

3. Costs of acquisition of contracts with customers

The incremental costs incurred to Longchen P&P for acquiring contracts with customers are recoverable as expected. However, the term of related contracts remains valid within one year. Thus, such costs are recognized as expenses when they are incurred.

(XVI)Government subsidies

Government subsidies are recognized at fair value when the Company has reasonable assurance towards fulfilling the government's subsidy criteria and receiving the subsidy. For government subsidies that are aimed to reimburse expenses incurred, the Company will recognize government subsidies through current profit and loss in a systematic manner in the period when the relevant expenses are incurred.

(XVII) Income tax

1. Income tax expenses include current and deferred income tax. Income taxes are recognized in profit and loss, except for certain items that must be recognized in other comprehensive income or presented directly as equity item.
2. The Company calculates current income tax based on statutory tax rate applicable at countries of operation and where it generates taxable income as of the balance sheet date. The management regularly assesses income tax filing based on applicable income tax laws, and estimates income tax liabilities for the estimated amount of tax payable to the authority. Undistributed earnings are subject to additional income tax according to the Income Tax Act. This additional tax is recognized in the year after earning is made, when the earnings appropriation resolution is passed during the shareholder meeting and the amount of earnings retained can be ascertained.
3. Deferred income tax is accounted using the balance sheet method, and recognized on taxable temporary differences between the taxable basis and book value of assets and liabilities shown in the balance sheet. Deferred income tax liabilities arising from initial goodwill are not recognized. Existing deferred income taxes on transacted assets or liabilities (excluding corporate M&A) are not recognized if they do not affect accounting profit or taxable income (taxable loss) at the time of transaction. Temporary differences arising from investment in subsidiaries are not recognized as income tax asset/liability if the Company is able to control the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future. Deferred income taxes are calculated using the tax rate (and tax law) applicable on the day deferred income tax assets/liabilities are expected to be realized/settled, based on prevailing laws as of the balance sheet date.
4. Deferred income tax assets are recognized to the extent that temporary differences are likely to offset future taxable income. Unrecognized and recognized deferred income tax assets are re-assessed on each balance sheet date.
5. The Company will offset current income tax asset against current income tax liability and settle on a netted basis or realize both at the same time only if it has the intent and is legally entitled to do so. The Company will offset deferred income tax assets against deferred income tax liabilities and settle on a netted basis or realize both at the same time only if it has the intent and is legally entitled to do so, and that the deferred income tax assets/liabilities are attributable to the same tax authority and the same taxpayer, or

different taxpayers with mutual intent to settle on a netted basis.

6. Unused tax credits arising from equipment or technology purchase, research and development expenditure, and equity investment that are deferred until later periods can be recognized as deferred tax assets, to the extent that the Company is very likely to earn taxable income to offset the unused credits in the future.

(XVIII) Earnings per common share

Basic earnings per share are calculated by dividing the amount of profits attributable to common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after adjusting the effect of potentially dilutive common shares to income attributed to common shareholders based on the weighted average number of outstanding common shares. Longchen P&P's dilutive potential ordinary shares include the estimated figure of employee bonuses.

(XIX) Dividend distribution

Dividends to Company's shareholders are recognized in financial statement in the year the shareholder meeting resolution is passed. Cash dividends pending payment are recognized as liability.

(XX) Segment information

The Company's segment information is prepared in a manner consistent with what the decision makers rely on for internal management. The decision maker is responsible for allocating resources to the various segments and evaluating performance, and the board of directors has been identified as the Company's decision maker.

V. Main source of uncertainty for major accounting judgments, estimates and assumptions

The management had exercised judgment to determine the accounting policies to adopt when the standalone financial report was prepared, and made accounting estimates and assumptions based on prevailing circumstances and reasonable expectations toward future events as of the balance sheet date. The significant accounting estimates and assumptions made can differ from the actual result, which the management will continually evaluate and adjust based on historical experience and other factors. These estimates and assumptions may result in significant adjustments to the book value of assets and liabilities in the next financial year. Please refer to the following explanation on uncertainties associated with significant accounting judgments, estimates and assumptions:

(I) Significant judgments adopted for accounting policies

Investment property

Some of the real estate properties are held by the Company for rental income and capital gain, whereas others are held for self-occupation. Any parts that can be sold individually are separated between investment property and property, plant and equipment.

(II) Significant accounting estimates and assumptions

1. Revenue recognition

For any return/refund liability related to sales revenue, possible product return should be estimated according to the previous experience and other known reasons. Such liability should be recognized as decrease in sales revenue for the current period of product sale. The Group shall regularly inspect the reasonability of such estimation.

The Group recognized NT\$16.287 million as refund liability related to product return as at December 31, 2018.

2. Realizability of deferred income tax assets

Deferred income tax assets are recognized under the condition that the Company is very likely to generate taxable income to realize the assets in the future. When assessing realizability of deferred income tax assets, the management is required to make a number of significant accounting judgments and estimates including: future sales growth, profit margin, available income tax credit, and tax plan. Any changes in the global economic, industrial or regulatory environment may cause significant adjustments to deferred income tax asset in the future. As at December 31, 2018, the Company had deferred income tax assets outstanding at NT\$338,538,000

3. Valuation of inventory

Due to the fact that inventory is presented at the lower of cost or net realizable value, the Company is required to exercise judgment and make estimates in order to determine the net realizable value of inventory as of the balance sheet date. Inventory as of the balance sheet may be susceptible to normal wear, obsolescence, or loss of market value due to rapidly changing technologies. The Company estimates the above losses and reduces inventory cost down to the net realizable value. This inventory valuation is made by estimating product demand within a specific period of time in the future, which may give rise to significant changes. Book value of the Company's inventory as of December 31, 2018 totaled NT\$614,895,000.

4. Calculation of net defined benefit liabilities

When calculating present value of defined benefit obligations, the Company is required to exercise judgments and make estimates in order to determine actuarial assumptions as of the balance sheet date. These assumptions include the discount rate and future salary growth. Any changes in actuarial assumptions may cause significant impacts on the Company's defined benefit obligations. Book value of the Company's net defined benefit liability as of December 31, 2018 totaled NT\$60,141,000.

VI. Details of significant accounts

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Reserve cash	\$3	\$405
Petty cash	1,097	1,097
Bank deposit	61,075	63,418
Total	<u>\$62,175</u>	<u>\$64,920</u>

1. Financial institutions that the Company deals with all exhibit sound credit quality. The Company also diversifies credit risk by dealing with multiple financial institutions at the same time, and therefore is unlikely to suffer from the default of a financial institution.
2. For disclosure of interest rate risk and sensitivity analysis on the Company's financial assets and liabilities, please refer to Footnotes XII (II).

(II) Financial assets at fair value through profit and loss

Current:	December 31, 2018
Financial assets mandatory to be carried at fair value through profit and loss	
TWSE/TPEX listed shares	\$179
Valuation adjustment	113
Total	<u>\$292</u>
Non-current:	December 31, 2018
Financial assets designated to be carried at fair value through profit and loss	
Shares of non-public companies	\$8,756
Private equity funds	160,411
Valuation adjustment	-
Total	<u>\$169,167</u>

1. Details of financial assets at fair value through profit and loss:

	2018
Financial assets mandatory to be carried at fair value through profit and loss	\$(158)
Financial assets designated to be carried at fair value through profit and loss	3,065
Total	<u>\$2,907</u>

2. For information relating to credit risk of financial assets carried at fair value through profit and loss, please refer to Footnotes XII (II).
3. For information of financial assets at fair value through profit and loss as of December 31, 2017, please refer to Note Footnotes XII (IV).

(III) Receivables

1. Receivables and overdue receivables

	December 31, 2018	December 31, 2017
Notes receivable - arising from business activities	\$438,326	\$482,319
Provision for losses - Notes receivable	(5,275)	(5,275)
Total	<u>\$433,051</u>	<u>\$477,044</u>
	December 31, 2018	December 31, 2017
Accounts receivable - arising from business activities	\$988,425	\$878,189
Provision for losses - Accounts receivable	(12,480)	(12,785)
Subtotal	975,945	865,404
Accounts receivable - related parties - arising from business activities	147,846	652,668
Total	<u>\$1,123,791</u>	<u>\$1,518,072</u>
	December 31, 2018	December 31, 2017
Overdue receivables (presented as other non-current assets)	\$326	\$326
Provision for losses - Overdue receivable	(326)	(326)
Total	<u>\$-</u>	<u>\$-</u>

(1) Aging analysis for receivables and overdue receivables:

	December 31, 2018	December 31, 2017
Current	\$1,571,184	\$2,013,028
Within 30 days	1,921	108
31 to 90 days	2	40
91 to 180 days	1,490	-
181 days and above	326	326
Total	<u>\$1,574,923</u>	<u>\$2,013,502</u>

The above aging analysis has been prepared based on the number of days overdue.

(2) In the absence of collaterals and other credit enhancements, maximum credit risk is represented by the book value of asset. For credit risk information on receivables, please refer to Footnotes XII (II).

(2) Other receivables

	December 31, 2018	December 31, 2017
Other receivables	\$158	\$1,006
Other receivables - Dividends	118,554	55,699
Other receivables - Others	13	64
Provision for losses - Other receivables	(-)	(-)
Subtotal	118,725	56,769
Other receivables - Related parties	1,611,994	-
Total	<u>\$1,730,719</u>	<u>\$56,769</u>

In the absence of collaterals and other credit enhancements, maximum credit risk is represented by the book value of asset.

(IV) Inventory

	December 31, 2018	December 31, 2017
Raw materials	\$515,319	\$554,058
Work-in-progress	8,411	8,025
Finished goods	93,902	113,676
Allowance for inventory devaluation and obsolescence	(2,737)	(2,737)
Total	<u>\$614,895</u>	<u>\$673,022</u>

Changes in allowance for inventory devaluation:

	2018	2017
Opening balance	\$2,737	\$2,737
Less: Loss (recovery) of net realizable value in the current period	-	-
Total	<u>\$2,737</u>	<u>\$2,737</u>

Apart from amounts that were reclassified into operating cost in relation to sales activities, the Company has recognized the following expenses and losses directly in operating costs:

	2018	2017
Manufacturing overheads unallocated due to low production capacity	\$13,237	\$16,005
Income from sale of scrap	(5,375)	(7,613)
Cost of power sold	67,221	49,034
Total	<u>\$75,083</u>	<u>\$57,426</u>

(V) Other current assets

	December 31, 2018	December 31, 2017
Other financial assets - Current - Restricted assets (within 1 year)	\$-	\$1,020
Guarantee deposits paid (within one year)	1,746	-
Other current assets	7,037	22,981
Total	<u>\$8,783</u>	<u>\$24,001</u>

For restricted assets (within one year) for which collaterals have been provided as bank loans, please refer to Footnotes VIII for details.

(VI) Equity-accounted investments

Investee's name	December 31, 2018		December 31, 2017	
	Amount	Shareholding percentage	Amount	Shareholding percentage
L&C CO., (B.V.I.) LTD.	\$18,530,557	96.92	\$19,430,422	96.92
Long Chen Investment & Development Co., Ltd.	946,911	99.57	2,004,268	99.57
Long Sheng Investment Co., Ltd.	1,236,417	46.86	2,397,586	46.86
Long Hwa Developing Investment Co., Ltd.	545,897	26.84	1,004,135	26.84
Yuema Engineering Co., Ltd.	325,779	21.41	985,253	21.41
Yuema International Co., Ltd.	106,079	22.63	177,259	22.63
Yuema Investment Co., Ltd.	-	-	-	-
Yuma Investment Co., Ltd.	5,338	20.95	6,226	20.95
Baolong International Co., Ltd.	739,379	25.95	2,347,670	25.95
Total	<u>\$22,436,357</u>		<u>\$28,352,819</u>	

1. Subsidiaries

(1) Investments in subsidiaries are presented as "Equity-accounted investments" in the standalone financial report, with necessary valuation adjustments made. For information relating to the Company's subsidiaries, please refer to Footnotes IV (III) of the 2018 consolidated financial statements.

(2) To support operations of Suzhou Manguo Packaging Co., Ltd., one of the Company's Mainland subsidiaries, the Company invested indirectly a sum of US\$2,425,000 and channeled the proceeds through L&C CO., (B.V.I.) LTD. and Long Chen Packaging Company (Cayman) to Suzhou Manguo Packaging Co., Ltd. This arrangement was completed in April 2017. Following the cash issue, the Company's shareholding in L&C CO., (B.V.I.) LTD. increased from 96.91% to 96.92%.

2. Associated companies

(1) In July 2018, Longchen P&P completed the liquidation procedure for companies not listed in TWSE/TPEX regarding the equity instruments of financial assets at fair value through other comprehensive income held by associates. Consequently, other related equity (i.e. carrying amount of unrealized gain or loss on FVTOCIFA) accounted for using the equity method was decreased by NT\$16,000, and the retained earnings were increased by NT\$20,000.

(2) Yuema Investment Co., Ltd. made a resolution on March 31, 2017 to undergo dissolution. The closure procedures were completed with the residual properties distributed on May 23, 2017. The Company received proceeds totaling NT\$281,923,000 and recognized gain on disposal of long-term investment totaling NT\$48,895,000 from the transaction. Considering that gains on the disposal of long-term investment were attributed to the sale of available-for-sale financial assets and financial assets carried at cost by Yuema Investment Co., Ltd. to other associated companies of the Company prior to Yuema's dissolution, the transaction should be treated as part of an internal re-organization, which is why the Company has accounted for gains from the disposal of long-term investment as an unrealized gain on sale and presented it as other non-current liability. This gain can only be recognized when shares are sold to a third party in the future.

(3) Book value of individually non-significant associated companies as of December 31, 2018 and 2017, totaled NT\$2,958,889,000 and NT\$6,918,129,000, respectively.

(4) The following is a summary of operating performance of the Company's individually non-significant associated companies:

	December 31, 2018	December 31, 2017
Income tax expense (gain)	<u>\$(10,494)</u>	<u>\$119,098</u>
Current net income from continuing operations	\$1,004,435	\$1,797,885
Other comprehensive income (net, after-tax)	<u>(15,487,180)</u>	<u>12,220,300</u>
Total comprehensive income/loss for the current period	<u>\$(14,482,745)</u>	<u>\$14,018,185</u>

3. Share of gain from subsidiaries and associated companies accounted using the equity method:

Name of investee	2018	2017
L&C CO., (B.V.I.) LTD.	\$(476,470)	\$2,986,028
Long Chen Investment & Development Co., Ltd.	62,447	109,666
Long Sheng Investment Co., Ltd.	83,452	73,433
Long Hwa Developing Investment Co., Ltd.	32,949	159,569
Yuema Engineering Co., Ltd.	38,974	70,982
Yuema International Co., Ltd.	5,519	5,091
Yuema Investment Co., Ltd.	-	81,857
YumaInvestment Co., Ltd.	(1,027)	(329)
Baolong International Co., Ltd.	111,740	109,311
Total	<u>\$(142,416)</u>	<u>\$3,595,608</u>

Share of profits recognized on subsidiaries and associated companies using the equity method amounted to (NT\$142,416,000) in 2018 and NT\$3,595,608,000 in 2017. Share of profits from investees that did not have financial reports audited by the primary CPA amounted to (NT\$503,741,000) in 2018 and NT\$2,951,912,000 in 2017. As at December 31, 2018 and 2017, outstanding balances of the above long-term equity investments totaled NT\$18,853,209,000 and NT\$19,737,154,000, respectively.

4. Information of associates on Level 1 fair value for quoted price on open market:

	December 31, 2018	December 31, 2017
Baolong International Co., Ltd.	\$575,955	\$1,146,034

(VII) Property, plant and equipment

	Land and land improvements	Buildings	Machinery	Transport equipment	Lease improvements	Other equipment	Construction in progress	Total
Cost:								
January 1, 2018	\$1,929,165	\$2,366,500	\$8,113,565	\$110,054	\$9,767	\$105,830	\$49,872	\$12,684,753
Additions	93,000	9,899	101,917	8,317	-	2,335	149,080	364,548
Disposals	-	(5,358)	(77,991)	(6,996)	-	(479)	-	(90,824)
Other changes	-	59,028	193,693	1,884	-	347	(79,627)	175,325
December 31, 2018	\$2,022,165	\$2,430,069	\$8,331,184	\$113,259	\$9,767	\$108,033	\$119,325	\$13,133,802
January 1, 2017	\$1,929,165	\$2,240,682	\$8,337,116	\$107,515	\$9,767	\$104,473	\$84,570	\$12,813,288
Additions	-	19,882	103,886	2,767	-	5,026	83,842	215,403
Disposals	-	-	(728,385)	(228)	-	(3,885)	(5,519)	(738,017)
Other changes	-	105,936	400,948	-	-	216	(113,021)	394,079
December 31, 2017	\$1,929,165	\$2,366,500	\$8,113,565	\$110,054	\$9,767	\$105,830	\$49,872	\$12,684,753
Depreciation and impairment loss:								
January 1, 2018	\$7,093	\$965,470	\$3,675,776	\$79,049	\$9,767	\$84,541	\$-	\$4,821,696
Depreciation	149	72,328	336,500	10,513	-	6,276	-	425,766
Disposals	-	(5,358)	(75,961)	(5,801)	-	(479)	-	(87,599)
December 31, 2018	\$7,242	\$1,032,440	\$3,936,315	\$83,761	\$9,767	\$90,338	\$-	\$5,159,863
January 1, 2017	\$6,944	\$896,883	\$4,075,208	\$69,359	\$9,767	\$82,336	\$-	\$5,140,497
Depreciation	149	68,587	328,553	9,918	-	6,089	-	413,296
Disposals	-	-	(727,985)	(228)	-	(3,884)	-	(732,097)
December 31, 2017	\$7,093	\$965,470	\$3,675,776	\$79,049	\$9,767	\$84,541	\$-	\$4,821,696
Book value:								
December 31, 2018	\$2,014,923	\$1,397,629	\$4,394,869	\$29,498	\$-	\$17,695	\$119,325	\$7,973,939
December 31, 2017	\$1,922,072	\$1,401,030	\$4,437,789	\$31,005	\$-	\$21,289	\$49,872	\$7,863,057

1. Some of the property, plant and equipment have been placed as collaterals to secure bank borrowings. For details, please refer to Footnotes VIII.

2. The Company's machinery equipment mainly comprises corrugation machines, printing/cutting machines, paper machines, and anaerobic wastewater treatment, which are depreciated over 15, 9, 25 and 15 years, respectively.
3. Some of the Company's lands are agricultural lands, which are temporarily held under the names of third parties due to their inability to be transferred. The Company has obtained certificates of entitlement on the lands and arranged for third-party owners to sign affidavits as a form of security.

(VIII) Investment property

	Land	Buildings	Total
Cost:			
January 1, 2018	\$4,493	\$5,953	\$10,446
December 31, 2018	\$4,493	\$5,953	\$10,446
January 1, 2017	\$4,493	\$5,953	\$10,446
December 31, 2017	\$4,493	\$5,953	\$10,446
Depreciation and impairment:			
January 1, 2018	\$-	\$2,718	\$2,718
Depreciation	-	110	110
December 31, 2018	\$-	\$2,828	\$2,828
January 1, 2017	\$-	\$2,608	\$2,608
Depreciation	-	110	110
December 31, 2017	\$-	\$2,718	\$2,718
Book value:			
December 31, 2018	\$4,493	\$3,125	\$7,618
December 31, 2017	\$4,493	\$3,235	\$7,728

1. Rent income and direct expenses associated with investment property:

	2018	2017
Rent income from investment property	\$-	\$-
Less: Direct expenses incurred in relation to current rent income generated from investment property	(110)	(110)
Total	\$(110)	\$(110)

2. The Company did not perform fair value measurement for the fair values of investment properties held. Instead, the Company merely disclosed fair value information using level 3 input. Fair values of the Company's investment properties as of December 31, 2018 and 2017, were NT\$10,407,000 and NT\$9,251,000, respectively. The abovementioned fair values were established based on the latest deal prices of similar real estate located near the investment properties.

(IX) Other non-current assets

	December 31, 2018	December 31, 2017
Prepaid equipment purchase	\$300,663	\$126,595
Guarantee deposits paid	21,224	21,718
Other non-current assets		
Others	2,421	1,598
Total	<u>\$324,308</u>	<u>\$149,911</u>

(X) Short-term loan

	December 31, 2018	December 31, 2017
Loan on credit	<u>\$1,780,000</u>	<u>\$2,270,000</u>
Interest rate range for the end-of-period balance	<u>1.050%-1.295%</u>	<u>1.14%-1.78%</u>
Unused limit	<u>\$2,500,000</u>	<u>\$1,710,000</u>

(XI) Short-term bills payable

	December 31, 2018	December 31, 2017
Commercial paper	\$1,300,000	\$950,000
Commercial paper discount	(569)	(953)
Total	<u>\$1,299,431</u>	<u>\$949,047</u>
Interest rate range for the end-of-period balance	<u>1.051%-1.182%</u>	<u>1.13%-1.19%</u>

(XII) Corporate Bonds Payable

	December 31, 2018	December 31, 2017
Domestic first unsecured convertible corporate bonds in 2014	\$-	\$-
Amount of accumulated converted accounts	-	-
Accumulated redemption amount	-	-
Subtotal	-	-
Domestic first secured ordinary corporate bonds in 2018	2,500,000	-
Less: the portion due within one year	-	-
Ending corporate bonds payable	<u>\$2,500,000</u>	<u>\$-</u>

1. First secured ordinary corporate bonds in 2018

In order to ensure the working capital turnover, repay debts and improve the financial structure, the board of directors decided to raise money for offering the domestic secured ordinary corporate bonds, which was approved by the Taipei Exchange on August 16, 2018 and completed on August 23, 2018.

Major conditions on the issuance of this corporate bond:

- (1) Grant period: as of August 23, 2018 till August 23, 2023, i.e. five years in total;
- (2) Total amount of issuance: NT\$2,500 million, i.e. NT\$1,000 per coupon, at par value;
- (3) Coupon rate: 0.85% of fixed annual rate;
- (4) Interest calculation and payment: annual payment with a coupon rate as of the issue date; simple interest is payable annually;
- (5) Principal repayment schedule: repay on the expiry date five years later as of the issue date

Longchen P&P has provided the property, plant and equipment as collaterals of such corporate bonds payable. Please refer to Footnotes VIII for details.

2. Domestic first unsecured convertible corporate bonds in 2014

Longchen P&P issued its domestic first unsecured convertible corporate bonds (hereinafter referred to as "Convertible Bonds") on August 5, 2014.

(1) Major conditions on the issuance of this corporate bond:

- A. Grant period: three years as of August 5, 2014 (hereinafter referred to as "Issue Date") till August 5, 2017 (hereinafter referred to as "Expiry Date");
- B. Total amount of issuance: NT\$1,600, million, i.e. NT\$100 per coupon, at par value;
- C. Interest rate of bond: 0% of the annual coupon rate;
- D. Date and terms of principal repayment and interest payment: 0% coupon rate; no date or terms of interest payment Repayment will be made at par value in cash on the expiry date, unless the bondholder converts such bonds into Longchen P&P's common shares pursuant to the "Rules Governing Issuance and Conversion of Unsecured Convertible Corporate Bond" (the "Rules for Conversion"), or Longchen P&P calls such bonds according to the "Rules for Conversion".
- E. Guarantee: unsecured bonds When Longchen P&P separately issues other secured corporate bonds with warrant or convertible corporate bonds upon such issuance, the creditor's right of the same level or the real rights granted by way of security in the same sequential order shall be set for such convertible bonds in comparison with the secured corporate bonds with warrant or convertible corporate bonds.

- F. Subject matter of transfer: the bondholder shall request Longchen P&P pursuant to the "Rules for Conversion" for converting such convertible bonds into Longchen P&P's common shares at par value and the conversion price at the request; in turn, Longchen P&P will fulfill such conversion in the form of new share issuance. For the conversion of the above corporate bonds payable into Longchen P&P's capital stock, please refer to Footnotes VI (XVI) for details.
- G. Conversion period: the bondholder may request Longchen P&P at any time for converting such convertible bonds into Longchen P&P's common shares pursuant to the "Rules for Conversion" as of the following day when three months have passed since the issuance thereof till the tenth day prior to the expiry date thereof, except of: (1) the duration of closure of books according to law; (2) as of the 15th business day prior to the book closure date of Longchen P&P's stock dividends, or cash dividends, or subscription of new shares for raising capital, till the base date of rights distribution; and (3) as of the base date of capital reduction till the day before bond conversion to shares upon decrease and transaction start.
- H. Conversion price and adjustment: the conversion pricing of such convertible bonds was based on the base date of conversion pricing, i.e. July 28, 2014; any one of simple arithmetic means of closing prices of Longchen P&P's common shares on the business day, three business days and five business days prior to such base date (exclusive), was multiplied by the convertible premium rate (i.e. 116.5%); and the calculation of the conversion price (rounded off to NT\$0.1) was based on the result. In case of ex-dividend or ex-rights prior to the base date, sampling should be performed to calculate the closing price for the conversion price, and the price after ex-dividend or ex-rights should be calculated. In case of ex-dividend or ex-rights after determination of the conversion price and prior to the actual issue date, adjustment should be performed by the adjustment formula of conversion price. The conversion price at issuance was NT\$18 per share. June 20, 2017 was the last conversion date. The conversion price before closing of conversion was NT\$15.4 per share. The conversion price may be subject to downward adjustment as provided in the "Rules for Conversion."
- I. Rights and obligations after conversion: the rights and obligations of the bondholder of such convertible bonds for common stocks after effectiveness of the requested conversion thereof are the same as the common shares already

issued by Longchen P&P.

- J. Longchen P&P's right of redemption of such convertible bonds: (1) As of the following day when three months have passed since the issue date of such convertible bonds, till the 40th day prior to the grant period thereof, where the closing price of Longchen P&P's common stocks on the TWSE's centralized market exceeds thirty percent (30%) of the current conversion price for thirty (30) consecutive business days, Longchen P&P shall send to the bondholder by registered mail a "Notice of Bond Callback" which will expiry one month later, within thirty (30) business days thereafter, and shall also inform the Taipei Exchange in writing for announcement; Longchen P&P shall call such outstanding convertible bonds back in cash within five (5) business days after the base date of bond callback. (2) As of the following day when three months have passed since the issue date of such convertible bonds, till the 40th day prior to the grant period thereof, where the balance of such outstanding convertible bonds is less than 10% of the original par value thereof, Longchen P&P shall send to the bondholder by registered mail a "Notice of Bond Callback" which will expiry one month later, at any time thereafter, and shall also inform the Taipei Exchange in writing for announcement; Longchen P&P shall call such outstanding convertible bonds back in cash within five (5) business days after the base date of bond callback.
- K. Such convertible bonds expired on August 5, 2017. Subject to Article 9 of the "Rules Governing Issuance and Conversion of Unsecured Convertible Corporate Bond", the conversion thereof should be closed as of July 27, 2017 till August 5, 2017, and the trading thereof at TWSE or TPEx should be terminated as of the following business day (i.e. August 7, 2017) of the expiry date thereof. Longchen P&P handled such cases as the proceeds from new issues for 2017 (closing period of conversion: as of July 7, 2017 till August 1, 2017) and the distribution of earnings for 2016 (closing period of conversion: as of June 21, 2017 till July 16, 2017). Consequently, the conversion of such convertible bonds was closed as of June 21, 2017. Longchen P&P delivered such accrued payables to the creditors, who did not exercise their right of conversion, in the form of remittance or mailed cheque on August 17, 2017.
- (2) During issuance of such convertible bonds, Longchen P&P separated the right of conversion of equity from components of liabilities and recognized NT\$91.280 million as "Capital Reserves - Warrant" pursuant to IAS 32.

(XIII) Long-term Loans

1. Statement of long-term loans:

Nature of loan	Lender	Contract term	December 31, 2018	December 31, 2017	Repayment terms
Secured loan	First Commercial Bank (the 9 th syndicated loan)	From December 2014 to December 2019	\$-	\$2,600,000	Please refer to Footnotes VI (XIII) 2 for details.
Secured loan	First Commercial Bank (the 12 th syndicated loan)	From March 2016 to March 2021	4,200,000	3,050,000	Please refer to Footnotes VI (XIII) 2 for details.
Fiduciary loan	Jih Sun International Bank	From May 2017 to May 2019	-	140,000	Revolver, monthly interest payment, principal repayment at expiry
Fiduciary loan	Mizuho Bank	From July 2017 to July 2019	-	450,000	Revolver, monthly interest payment, principal repayment at expiry
Fiduciary loan	Mizuho Bank	From July 2018 to July 2020	450,000	-	Revolver, monthly interest payment, principal repayment at expiry
Fiduciary loan	The Export-Import Bank of the Republic of China	From October 2013 to October 2018	-	150,000	The principal for the first installment should be repaid on the date when a loan has been issued for the first time since 18 months ago, and subsequent principal repayment should be made per six months, i.e. 8 installments. The interest should be paid on the following day (i.e. the 21 st day) after the loan has been issued for the first time, and subsequent interest should be paid on a monthly basis.
Fiduciary loan	The Export-Import Bank of the Republic of China	From April 2017 to April 2022	210,000	270,000	The principal for the first installment should be repaid on the date when a loan has been issued for the first time since six months ago, and subsequent principal repayment should be made per six months, i.e. 10 installments. The interest should be paid on the following day (i.e. the 21 st day) after the loan has been issued for the first time, and subsequent interest should be paid per three months.
Fiduciary loan	E.SUN BANK	From April 2018 to April 2020	180,000	-	Monthly interest payment, principal repayment at expiry

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Nature of loan	Lender	Contract term	December 31, 2018	December 31, 2017	Repayment terms
Fiduciary loan	Yuanta Bank	From April 2018 to April 2020	400,000	-	Monthly interest payment; disbursement and repayment at any time within the validity period of the limit; maximum load term no longer than 90 days
Fiduciary loan	Cooperative Bank	From May 2018 to May 2020	200,000	-	Revolver, monthly interest payment, principal repayment at expiry
Fiduciary loan	Entie Commercial Bank	From December 2018 to December 2020	150,000	-	Monthly interest payment; scheduled principal repayment by installment; maximum load term no longer than 90 days
Long-term loans due within one year or an operating cycle			(1,050,000)	(1,170,000)	
Total			<u>\$4,740,000</u>	<u>\$5,490,000</u>	
Interest rate collars of ending balance			<u>1.10%-1.7895%</u>	<u>1.15%-1.7895%</u>	
Limit not used			<u>\$620,000</u>	<u>\$2,860,000</u>	

2. Key terms of the abovementioned syndicated loan contracts

Summary	The 9th syndicated loan	The 12th syndicated loan
Lead arranger/manager bank	First Commercial Bank Ltd.	First Commercial Bank Ltd.
Bank syndicate	12 lenders including First Commercial Bank Ltd.	10 lenders including First Commercial Bank Ltd.
Credit limit	Facilitate A: Medium (secured) borrowing; NT\$320,000,000 credit limit; non-revolving Facilitate B: Medium (secured) borrowing; NT\$1,280,000,000 credit limit; non-revolving Facilitate C: Medium borrowing; NT\$2,000,000,000 credit limit; revolving within the loan tenor	Facilitate A: Medium (secured) borrowing; NT\$1,900,000,000 credit limit; non-revolving Facilitate B: Medium borrowing; NT\$2,300,000,000 credit limit; revolving within the loan tenor
Utilization	Facilitate A: NT\$0 Facilitate B: NT\$0 Facilitate C: NT\$0	Facilitate A: NT\$1,900,000,000 Facilitate B: NT\$2,300,000,000
Loan tenor	Facilitate A: 5 years from the first drawdown Facilitate B: 5 years from the first drawdown Facilitate C: 5 years from the first drawdown 2014.12.23-2019.12.23	Facilitate A: 5 years from the first drawdown Facilitate B: 5 years from the first drawdown 2016.3.16-2021.3.16
Interest rate	Facilitate A: -% Facilitate B: -% Facilitate C: -%	Facilitate A: 1.7895% Facilitate B: 1.7895%
Collateral	Land, factory building and accessory facilities and machinery of Taichung Shengang Plant, Kaohsiung Luzhu Plant and Zhanghua Erlin Plant	Land and factory building of Yunlin Plant located in Douliu City, Yunlin County. Land and factory building of Nankan Plant located in Luzhu District, Taoyuan City. Land, factory building, machinery and accessory facilities of Longtan Plant located in Longtan District, Taoyuan City

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Summary	The 9th syndicated loan	The 12th syndicated loan
Commitments	Current ratio $\geq$ 100% (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq$ 210% (2014.12.23~2014.12.31) Leverage ratio $\leq$ 200% (2015.1.1~2015.12.31) Leverage ratio $\leq$ 210% (2016.1.1~2017.12.31) Leverage ratio $\leq$ 230% (2018.1.1 and after) Interest coverage ratio $\geq$ 250% Tangible net worth $\geq$ NT\$10 billion Financial ratios are based on semi-annual and annual consolidated financial reports. If the Company is unable to meet the financial ratio requirements, improvements are to be made before the next financial report date. Borrower is not considered to be in default if improvements are made. Borrower is considered to be in default if improvements are not made, in which case, a default charge shall accrue at 0.10% per annum on principal balance outstanding as of the date of financial report (i.e., the first financial report that the borrower fails to meet the financial ratios and standards) for the number of days starting from the day the financial covenant is breached until one day before the financial ratios and standards are met. This default charge is to be paid to the management bank, which will be further distributed to syndicated lenders.	Current ratio $\geq$ 100% (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq$ 210% (2016.1.1~2017.12.31) Leverage ratio $\leq$ 230% (2018.1.1 and after) Interest coverage ratio $\geq$ 250% Tangible net worth $\geq$ NT\$10 billion Financial ratios are based on semi-annual and annual consolidated financial reports. If the Company is unable to meet the financial ratio requirements, improvements are to be made before the next financial report date. Borrower is not considered to be in default if improvements are made. Borrower is considered to be in default if improvements are not made, in which case, a default charge shall accrue at 0.10% per annum on principal balance outstanding as of the date of financial report (i.e., the first financial report that the borrower fails to meet the financial ratios and standards) for the number of days starting from the day the financial covenant is breached until one day before the financial ratios and standards are met. This default charge is to be paid to the management bank, which will be further distributed to syndicated lenders.
Repayment terms	Facilitate A: The first principal repayment is due 3 years after the first drawdown, whereas subsequent repayments occur once every 6 months. Balances outstanding at the end of the drawdown period on Facility A is scheduled to be repaid over 5 equal instalments. Facilitate B: The first principal repayment is due 3 years after the first drawdown, whereas subsequent repayments occur once every 6 months. Balances outstanding at the end of the drawdown period on Facility B is scheduled to be repaid over 5 equal installments. Facilitate C: Bullet repayment for each loan on the agreed maturity date as specified in the drawdown request.	Facilitate A: The first principal repayment is due 3 years after the first drawdown, whereas subsequent repayments occur once every 6 months. Balances outstanding at the end of the drawdown period on Facility A is scheduled to be repaid over 5 equal installments. Facilitate B: Bullet repayment for each loan on the agreed maturity date as specified in the drawdown request.

3. Some of the Company's other financial assets and property, plant and equipment have been placed as collaterals to long-term borrowings. Please refer to Footnotes VIII.

(XIV) Refund liability - current

Sales return and discount

The Company estimates sales return and discount based on historical experience and other known factors. Returns and discounts are presented as contra items to operating revenues when merchandise is sold. Estimate the refund liability related to product return.

	January 1, 2018	Additions in current period	Reversals in current period	December 31, 2018
Sales return and discount - current	\$28,287	\$329,310	\$341,310	\$16,287

For details of the "liability reserves - current" as at December 31, 2017, please refer to Footnotes XII (V).

(XV) Pension

1. Determination of the retirement benefits plan

- (1) The Company has implemented a defined benefit pension plan in accordance with the "Labor Standards Act." The plan takes into account years of service of all permanent employees accumulated prior to the "Labor Pension Act" implemented on July 1, 2005, as well as years of service of employees who continue to opt for the legacy pension scheme of the "Labor Standards Act" after the new "Labor Pension Act" came to effect. For employees who meet the retirement criteria, the Company pays pension benefits based on employees' years of service and their 6-month average salary prior to retirement. Employees are awarded 2 basis points for every year of service up to (including) 15 years, and 1 basis point for every year of service above 15 years, subject to a maximum of 45 basis points. The Company makes monthly pension contributions equivalent to 15% of employees' monthly gross salaries. These contributions are deposited into the dedicated account held with the Bank of Taiwan in the name of Labor Pension Supervisory Committee. According to Paragraph 2, Article 56 of the Labor Standards Act, employers are required to evaluate the balance of the labor pension fund account balance before the end of each year. In the event that the account is estimated to be short of balance to pay the amount of estimated pension benefits to workers who are expected to meet their retirement criteria in the following year, Longchen P&P will fund the difference before the end of March of the next year.

(2) Amounts recognized in the standalone balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$154,074	\$147,401
Fair value of plan assets	(93,933)	(91,521)
Net defined benefit liabilities - non-current	<u>\$60,141</u>	<u>\$55,880</u>

(3) Changes in present value of defined benefit obligation:

	2018	2017
Present value of defined benefit obligation as of January 1	\$147,401	\$174,250
Current period service costs	3,571	4,242
Interest costs	1,621	2,352
Remeasurement		
Actuarial loss (gain) - change in financial assumption	-	2,696
Actuarial loss (gain) - adjustment based on past experience	10,090	3,238
Contribution for plan participants	-	(2,579)
Benefits paid from plan assets	(8,609)	(36,798)
Present value of defined benefit obligation as of December 31	<u>\$154,074</u>	<u>\$147,401</u>

(4) Changes in the fair value of plan assets:

	2018	2017
Fair value of plan assets on January 1	\$91,521	\$1,489
Interest income	1,046	151
Remeasurement		
Return on plan assets (excluding net interests on net defined benefit liability)	2,511	579
Contribution by employer	7,464	126,100
Benefits paid from plan assets	(8,609)	(36,798)
Fair value of plan assets as of December 31	<u>\$93,933</u>	<u>\$91,521</u>

(5) Changes in net defined benefit liability:

	2018	2017
Net defined benefit liability as of January 1	\$55,880	\$172,761
Defined benefit costs recognized in profit and loss	4,146	6,443
Contribution for plan participants	-	(2,579)
Contribution by employer	(7,464)	(126,100)
Defined benefit costs recognized in other comprehensive income	7,579	5,355
Net defined benefit liability as of December 31	<u>\$60,141</u>	<u>\$55,880</u>

(6) Details of pension expense (income) recognized in the statement of comprehensive income:

	2018	2017
Current period service costs	\$3,571	\$4,242
Interest cost of defined benefit obligation	1,621	2,352
Interest income on plan assets	(1,046)	(151)
Pension cost for the current period	<u>\$4,146</u>	<u>\$6,443</u>

Presentation of the above expenses in the standalone statement of comprehensive income, by cost and expense categories:

	2018	2017
Operating cost	\$3,043	\$4,502
Selling expense	309	482
Administrative expense	794	1,459
	<u>\$4,146</u>	<u>\$6,443</u>

(7) Remeasurement of defined benefit plan recognized in other comprehensive income

	2018	2017
Remeasurement		
Return on plan assets (excluding net interests on net defined benefit liability)	\$(2,511)	\$(579)
Actuarial loss (gain) - change in financial assumption	-	2,696
Actuarial loss (gain) - adjustment based on past experience	10,090	3,238
Recognized in other comprehensive income	<u>\$7,579</u>	<u>\$5,355</u>

- (8) Assets of the Company's defined benefit plan have been placed under mandated management of the Bank of Taiwan according to Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (concerning investments in local/foreign listed securities, privately placed equity securities, and real estate-backed securities placed with a local or foreign financial institution), and are being allocated for the uses and within the percentages and amounts outlined in the bank's Labor Pension Fund Annual Investment Plan. Utilization of the fund is being monitored by the Labor Pension Fund Supervisory Committee. Plan assets shall pay annual yields at rates no less than the 2-year time deposit rates offered by local banks in Taiwan. Shortfalls to the above may be reimbursed by the treasury subject to the authority's approval. Since the Company is not involved in the operation and management of the fund, it is unable to disclose the fair value of plan assets according to IAS 19 Section 142. For a fair value percentage breakdown of plan assets as of December 31, 2018 and 2017, please refer to government-published labor pension fund utilization reports for the respective years.

(9) Actuarial assumptions for the pension calculation are as follows:

	2018	2017
Discount rate	1.10%	1.10%
Rate of future salary growth	1.00%	1.00%

The mortality is estimated according to the "Taiwan Standard Ordinary Experience Mortality Table" (TSO).

The following shows impact of changes in actuarial assumption on the present value of defined benefit obligations:

	Discount rate		Rate of future salary growth	
	0.25% increase	0.25% decrease	1.00% increase	1.00% decrease
December 31, 2018				
Present value of defined benefit obligations	\$(2,502)	\$2,580	\$10,720	\$(9,690)
December 31, 2017				
Present value of defined benefit obligations	\$(2,696)	\$2,785	\$11,573	\$(10,547)

The above sensitivity analysis assumes changes to one variable at a time while keeping all other variables constant. In reality, however, multiple assumptions may change at the same time and are related to each other. The sensitivity analysis was conducted using the same method as how net defined benefit liabilities - net are presented in the balance sheet.

Methodology and assumption for current period's sensitivity analysis are consistent with those of the previous period.

(10) The Company expects to make contributions totaling NT\$7,500,000 to the pension plan within the one year after December 31, 2018.

(11) As at December 31, 2018, the pension plan had an average duration of 7.4 years.

2. Defined contribution plan

Starting from July 1, 2005, a defined contribution plan was introduced in accordance with the "Labor Pension Act" and applied to employees of local nationality. For employees who are subject to the pension scheme introduced under the "Labor

Pension Act," the Company contributes an amount equal to 6% of employees' monthly salary to their individual accounts held with the Bureau of Labor Insurance on a monthly basis. Upon retirement, employees are paid the balance of their pension account plus cumulative gains either in monthly instalments or in one lump sum. Total pension costs recognized according to the above policies amounted to NT\$29,218,000 in 2018 and NT\$28,021,000 in 2017.

Presentation of the above expenses in the standalone statement of comprehensive income, by cost and expense categories:

	2018	2017
Operating cost	\$18,831	\$17,013
Selling expense	4,320	4,282
Administrative expense	5,599	6,077
R&D expense	468	649
	<u>\$29,218</u>	<u>\$28,021</u>

(XVI) Capital stock and capital increase

1. Detailed breakdown of share capital:

	December 31, 2018	December 31, 2017
Authorized shares (thousands)	<u>1,300,000</u>	<u>1,300,000</u>
Authorized capital	<u>\$13,000,000</u>	<u>\$13,000,000</u>
Shares issued and fully paid up (thousands)	<u>1,167,686</u>	<u>1,133,686</u>
Issued share capital	<u>\$11,676,857</u>	<u>\$11,336,857</u>

The outstanding share capital above consists entirely of common shares, which have been approved for issue.

- Longchen P&P's board of directors decided to issue 34,000,000 common shares in the form of proceeds from new issues on August 8, 2018, with the par value of NT\$10 per share, the issue price of NT\$16.2 per share. As a result, NT\$550.8 million was raised in total, and the premium of NT\$210.8 million was reclassified as capital reserves - share premium. Such fund was necessary to refund bank loans and improve the financial structure. The details of capital increase are provided below:

Base date of capital increase	Nature	Increased amount	Number of shares for capital increase	Number of competent authority's approval
November 23, 2018	Proceeds from new issues	NT\$340 million	34,000,000 shares	Jin-Guan-Zheng-Fa No. 1070337224

In 2018, Longchen P&P allocated ten percent (10%) of the number of shares issued this time as employee stock options because of the aforesaid proceeds from new issues, and the fair value thereof was evaluated on the grant date. The retained compensation cost from employee stock ownership was NT\$2.09 million as at December 31, 2018. After completion of the proceeds from new issues, the "capital reserves - employee stock ownership" originally recognized was reclassified as "capital reserves - share premium" (NT\$1.684 million) and as "capital reserves - expired stock options" (NT\$406 thousand).

3. Longchen P&P's board of directors decided to issue 24,000,000 common shares in the form of proceeds from new issues on May 10, 2017, with the par value of NT\$10 per share, the issue price of NT\$33.5 per share. As a result, NT\$804 million was raised in total, and the premium of NT\$564 million was reclassified as capital reserves - share premium. Such fund was necessary to refund bank loans and improve the financial structure. The details of capital increase are provided below:

<u>Base date of capital increase</u>	<u>Nature</u>	<u>Increased amount</u>	<u>Number of shares for capital increase</u>	<u>Number of competent authority's approval</u>
August 1, 2017	Proceeds from new issues	NT\$240 million	24,000,000 shares	Jin-Guan-Zheng-Fa No. 1060020763

In 2017, Longchen P&P allocated ten percent (10%) of the number of shares issued this time as employee stock options because of the aforesaid proceeds from new issues, and the fair value thereof was evaluated on the grant date. The retained compensation cost from employee stock ownership was NT\$12.219 million as at December 31, 2017. After completion of the proceeds from new issues, the "capital reserves - employee stock ownership" originally recognized was reclassified as "capital reserves - share premium" (NT\$9.381 million) and as "capital reserves - expired stock options" (NT\$2.838 million).

4. In 2017, as Longchen P&P issued 103,318,000 new shares for the convertible corporate bonds holders' exercise of their right of conversion, the capital stock was increased by NT\$1,033,179,000, the convertible premium of "capital reserves - convertible corporate bonds" was increased by NT\$631,643,000, and NT\$90.773 million was amortized as "capital reserves - stock options". The legal registration procedures of the conversion above were completed appropriately.

(XVII) Capital reserve

	December 31, 2018	December 31, 2017
Share premium	\$1,859,968	\$1,647,484
Premium from corporate bond conversion	767,352	767,352
Treasury stock	494,993	494,993
Difference between actual and book value of equity of subsidiaries acquired/disposed	327,996	327,996
Change of equity interest in subsidiaries	(6,316)	(6,316)
Net change of equity interest in associated companies	10,235	10,235
Equity component of convertible corporate bonds payable - knock-out option	450	450
Employee warrants	43,317	43,317
Voided employee warrants	14,960	14,554
Total	<u>\$3,512,955</u>	<u>\$3,300,065</u>

Pursuant to The Company Act, the amount of premiums received on shares issued above the face value plus any capital reserves arising from gifts received may be used to reimburse previous losses. If the Company has not accumulated losses, this amount may be distributed to shareholders in the form of cash or new shares based on shareholders' exiting ownership percentage. Furthermore, according to the Securities and Exchange Act, the amount of capital reserves converted into share capital is capped at 10% of paid up capital per year. Companies may not, however, utilize capital reserves to offset losses when there is still positive balance in the earning reserves.

(XVIII) Retained earnings

1. Legal reserve

Pursuant to The Company Act, companies are required to make legal reserve provisions at 10% of after-tax profit until the balance of legal reserves equals paid-up capital. The legal reserve can only be used to reimburse losses. If the Company has no cumulative losses, the amount of legal reserve that exceeds 25% of paid-up capital can be distributed in cash or capitalized into share capital, subject to shareholder meeting resolution.

2. Special reserve

Pursuant to the rules imposed by the Securities and Futures Bureau, Financial Supervisory Commission, TWSE/TPEX listed companies are required not only to make provisions for legal reserve according to legal requirements, but also to make

provisions for special reserve from current year's after-tax earnings and undistributed earnings from previous years for any change in other equity items occurred during the year, such as unrealized gains/losses on available-for-sale financial assets, cumulative translation adjustments etc, as specified in Article 41 of the Securities and Exchange Act. Contra equity items accumulated from previous periods require provision for special reserve of equivalent amount from undistributed earnings. This special reserve is unavailable for distribution. If contra equity items are reversed on a later date, the Company may distribute the amount of reversal back to shareholders.

Pursuant to Letter No. Jin-Guan-Zheng-Fa-1010012865 issued by the Financial supervisory Commission on April 6, 2012, companies may opt for the exemptions specified in IFRS 1 to convert shareholders' equity items - unrealized gain on revaluation and cumulative translation adjustments (gains) into retained earnings during first-time adoption of IFRSs, and make provision for the same amount of special reserve at the same time. However, if a company generates insufficient amount of incremental retained earnings on the conversion date to meet the provision requirement for first-time IFRSs adoption, the company may simply make provisions for the amount of additional retained earnings that are generated from the adoption of IFRSs. The amount of special reserve previously provided can be reversed proportionally back into retained earnings when the Company utilizes, disposes or reclassifies the asset. Where the above asset is an investment property, reserves for the land portion are reversed at the time the land is disposed or reclassified; reserves for non-land portions are reversed over the duration of use.

3. Dividend policy

Article 23 of the Articles of Incorporation outlines the Company's special reserve and dividend policies as follows:

- (1) The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic/foreign competition, and shareholders' interests. No less than 20% of distributable earnings shall be paid as dividend per year. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 50% (inclusive) of total dividends. Dividends can be entirely paid in shares in years when the Company has capital requirement for investment projects such as new factory construction, factory renewal, or expansion.

(2) The Company's annual earnings net of income tax and loss reimbursement are subject to the following provisions in the stated priority:

- A. 10% provision for legal reserve.
- B. Provision or reversal of special reserve, as stipulated by law.
- C. The remainder plus undistributed earnings carried from previous years are available to shareholders, for which the board of directors will propose an earnings appropriation plan to be resolved during shareholder meeting.

4. Earnings appropriation plan

(1) The Company's 2017 and 2016 earnings appropriations were resolved during annual general meetings held on June 12, 2018 and June 14, 2017, respectively. It is the same as the board resolution. The dividends distributed are as follows:

	2017		2016	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal reserve	\$388,282		\$240,742	
Cash dividend	1,983,950	\$1.75	1,652,840	\$1.50
Total	<u>\$2,372,232</u>		<u>\$1,893,582</u>	

(2) Appropriation of 2018 earnings has been proposed and passed by the board of directors during the meeting held on March 18, 2019; details are as follows:

	Earnings appropriation plan	Dividends per share (NT\$)
Legal reserve	\$93,469	
Cash dividend	583,843	\$0.50
Total	<u>\$677,312</u>	

Appropriation of 2018 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 12, 2019.

(3) For details of employee bonus and remuneration to directors and supervisors, please refer to Footnotes VI (XXIV).

(XIX) Other equity items

	Translation differences arising from foreign operations	Investment in equity instruments		Total
		Unrealized gain or loss on FVTOCIFA	Unrealized gains and losses on available-for-sale financial assets	
Balance as at January 1, 2018	\$(747,066)	\$-	\$5,523,538	\$4,776,472
Effects of modified retrospective approach	-	5,978,814	(5,523,538)	455,276
Share of other comprehensive income on equity-accounted associated companies and joint ventures	(271,974)	(5,669,634)	-	(5,941,608)
Disposal of equity instruments at fair value through other comprehensive income (FVTOCI)	-	(16)	-	(16)
Balance as at December 31, 2018	<u>\$(1,019,040)</u>	<u>\$309,164</u>	<u>\$-</u>	<u>\$(709,876)</u>
Balance as at January 1, 2017	\$(643,816)	\$-	\$1,059,998	\$416,182
Share of other comprehensive income on equity-accounted associated companies and joint ventures	(103,250)	-	4,463,540	4,360,290
Balance as at December 31, 2017	<u>\$(747,066)</u>	<u>\$-</u>	<u>\$5,523,538</u>	<u>\$4,776,472</u>

(XX) Income tax

1. Components of income tax expenses:

(1) Income tax recognized as current profit and loss

	Year 2018	Year 2017
Current income tax expenses:		
Income tax from current income	\$293,650	\$143,093
Overvalued/undervalued income tax for the preceding year	5,028	8,061
Deferred income tax expenses:		
Generation and reversal of temporary difference	(263,163)	538,691
Change in the income tax rate	155,632	-
Surtax on undistributed earnings	150,614	46,728
Income tax expenses	<u>\$341,761</u>	<u>\$736,573</u>

(2) Income tax recognized as other comprehensive income

	Year 2018	Year 2017
Items not reclassified into profit and loss:		
Losses on remeasurements of defined benefit plans	\$(1,515)	\$(910)
Change in the income tax rate	(3,274)	-
Items likely to be reclassified into profit and loss:		
Exchange differences on translation of foreign financial statements (EXDF)	(74,744)	(21,148)
Change in the income tax rate	(27,002)	-
Income tax related to the components of other comprehensive income	<u>\$(106,535)</u>	<u>\$(22,058)</u>

2. Adjustment of relationship between income tax expenses and accounting profit:

	Year 2018	Year 2017
Pre-tax profit	\$1,276,455	\$4,619,388
Income tax of pre-tax profit calculated at statutory tax rate	255,291	785,296
Effects of income tax with some items excluded as per the tax act	(64,804)	(104,643)
Overvalued/undervalued income tax amount for the preceding year	5,028	8,061
Change in the income tax rate	155,632	-
Effects of overvalued/undervalued deferred income tax assets/liabilities	(160,000)	1,131
Surtax on undistributed earnings	150,614	46,728
Income tax expenses	\$341,761	\$736,573

3. Amount of deferred income tax assets/liabilities from temporary difference:

	Year 2018			
	January 1	Recognition into loss (gain)	Recognition into other comprehensive loss (gain)	December 31
Deferred Income Tax Assets				
Unrealized gross margin from sale	\$-	\$(11,130)	\$-	\$11,130
Unrealized sales discounts and allowances	4,809	1,552	-	3,257
Depreciation ultralimit of property, plant and equipment	5	-	-	5
Ultralimit amount of loss from doubtful account	1,374	(182)	-	1,556
Loss from unrealized overseas investments	32,261	(5,693)	-	37,954
Allowance for reduction of inventory to market	465	(82)	-	547
Impairment losses on property, plant and equipment	3,060	(540)	-	3,600
Losses on remeasurements of defined benefit plans	20,581	(359)	(4,789)	25,729
Loss (gain) from exchange differences on translation of foreign financial statements (EXDF)	153,014	-	(101,746)	254,760
Subtotal	215,569	(16,434)	(106,535)	338,538
Deferred income tax liabilities				
Unrealized foreign exchange losses (gains)	8	801	-	809
Overseas interests recognized under the equity method	925,913	(91,898)	-	834,015
Subtotal	925,921	(91,097)	-	834,824
Total	\$710,352	\$(107,531)	\$(106,535)	\$496,286

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

	Year 2017			
	January 1	Recognition into loss (gain)	Recognition into other comprehensive loss (gain)	December 31
Deferred income tax assets				
Unrealized sales discounts and allowances	\$6,314	\$1,505	\$-	\$4,809
Depreciation ultralimit of property, plant and equipment	7	2	-	5
Ultralimit amount of loss from doubtful account	1,374	-	-	1,374
Ultralimit of pension expenses	19,036	19,036	-	-
Loss from unrealized overseas investments	28,749	(3,512)	-	32,261
Allowance for reduction of inventory to market	465	-	-	465
Impairment losses on property, plant and equipment	3,060	-	-	3,060
Losses on remeasurements of defined benefit plans	19,671	-	(910)	20,581
Unrealized foreign exchange losses (gains)	14,027	14,027	-	-
Loss (gain) from exchange differences on translation of foreign financial statements (EXDF)	131,866	-	(21,148)	153,014
Subtotal	<u>224,569</u>	<u>31,058</u>	<u>(22,058)</u>	<u>215,569</u>
Deferred income tax liabilities				
Unrealized foreign exchange losses (gains)	-	8	-	8
Overseas interests recognized under the equity method	418,288	507,625	-	925,913
Subtotal	<u>418,288</u>	<u>507,633</u>	<u>-</u>	<u>925,921</u>
Total	<u>\$(193,719)</u>	<u>\$538,691</u>	<u>\$(22,058)</u>	<u>\$710,352</u>

4. In accordance with the current applicable tax act:

The statutory tax rate of profit-seeking enterprise income tax applicable in R.O.C. in 2017 was 17%. The income basic tax was calculated pursuant to the "Income Basic Tax Act" of R.O.C. The "Amendment to the Income Tax Act" of R.O.C. was published and became effective on February 7, 2018. The profit-seeking enterprise income tax rate was adjusted from 17% to 20% since 2018. Longchen P&P assessed the impact of such change in the tax rate on income tax. Besides, the amended tax rate applicable to the undistributed earnings was reduced from 10% to 5%.

5. For Longchen P&P's application for profit-seeking enterprise income tax settlement for the preceding year, the taxing authority determined a period ended 2015.

(XXI) Earnings per share

	2018	2017
Basic earnings per share		
Current net income attributable to the Company	\$934,694	\$3,882,815
Weighted average outstanding common shares	1,137,139	1,110,115
Basic earnings per share (unit: NTD)	\$0.82	\$3.50
Diluted earnings per share		
Current net income attributable to the Company	\$934,694	\$3,882,815
Dilutive effect of potential common shares-convertible corporate bonds	-	1,365
Net income attributable to common share holders of the Company	\$934,694	\$3,884,180
Weighted average outstanding common shares	1,137,139	1,110,115
Dilutive effect of potential common shares (Note)		
Effects of employee remuneration	2,404	3,026
Effects from conversion of convertible corporate bonds	-	18,674
Weighted average outstanding common shares	1,139,543	1,131,815
Diluted earnings per share (unit: NTD)	\$0.82	\$3.43

Note: As Longchen P&P is a listed company, the number diluted shares for employee bonus is calculated respectively based on the closing price of the preceding day of the balance sheet date and the board resolution.

(XXII) Income from customers' contracts

	2018	2017
Income from sale of merchandise	\$10,651,655	\$10,050,753
Less: sales return and discount	(365,265)	(316,023)
Total	\$10,286,390	\$9,734,730

1. Breakdown of income from contracts with customers

Longchen P&P's income from commodities and services transferred at a specified time can be divided into the following production lines and geological areas:

Main regions and markets	Year 2018					Total
	Industrial paper	Corrugated container	Waste paper	Paper distribution	Others	
Taiwan	\$4,991,459	\$4,513,987	\$-	\$-	\$90,263	\$9,595,709
China	690,681	-	-	-	-	690,681
Total	\$5,682,140	\$4,513,987	\$-	\$-	\$90,263	\$10,286,390

2. For detailed disclosure on 2017 operating revenues, please refer to Footnotes XII (X).

(XXIII) Non-operating income and expenses

1. Other incomes

	Year 2018	Year 2017
Rental income	\$1,575	\$1,559
Interest income	3,536	90,796
Dividend income	8,198	22,334
Government subsidy income	4,931	9,223
Other incomes - others	21,858	9,628
Total	<u>\$40,098</u>	<u>\$133,540</u>

2. Other profits and losses

	Year 2018	Year 2017
Gain (loss) on disposal of property, plant and equipment	\$430	\$5,304
Gain (loss) on disposal of financial assets at cost	-	42,356
Gain on financial assets at fair value through profit or loss	2,907	50
Impairment losses on financial assets at cost	-	(27,307)
Net foreign exchange gain (loss)	7,178	(37,175)
Others	(35,924)	(6,554)
Total	<u>\$(25,409)</u>	<u>\$(23,326)</u>

3. Financial cost

	Year 2018	Year 2017
Service Charges	\$15,130	\$4,811
Interest expense		
Interest of bank loans	133,549	195,345
Corporate bonds payable	-	1,645
Total financial cost	<u>\$148,679</u>	<u>\$201,801</u>

(XXIV) Employee benefit expenses

1. Summary of employee benefit expenses, depreciation and amortization by function of expense:

Function Nature	Year 2018			Year 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$513,475	\$254,678	\$768,153	\$491,396	\$281,066	\$772,462
Labor and medical insurance premiums	43,615	24,015	67,630	41,798	24,853	66,651
Pension expenses	25,862	12,935	38,797	24,048	14,041	38,089
Remuneration to Director	-	15,555	15,555	-	11,736	11,736
Other employee benefit expenses	16,326	7,286	23,612	13,322	7,441	20,763
Depreciation	387,147	38,729	425,876	375,198	38,208	413,406
Distribution cost	-	7,935	7,935	-	5,748	5,748

The number of Longchen P&P's employees in 2018 and as at December 31, 2017 was 1,153 and 1,181, and the number of non-employee directors was seven.

2. According to the Company's Articles of Incorporation, any profits remaining after reimbursing cumulative losses in a given year shall be subject to employee remuneration of no less than 2% of pre-tax profit, which can be distributed in shares or in cash. Directors are compensated based on the level of participation and contribution to the Company's operations. Directors are compensated at a range of NT\$50,000 to NT\$150,000 per month, furthermore, an annual bonus amounting to 2~6 months of the above monthly compensation is payable at the end of each year, regardless of whether the Company generates profit or incurs loss.
3. Amounts of employee remuneration estimated for 2018 and 2017 totaled NT\$26,050,000 and NT\$92,388,000, respectively, and were presented as part of salary expense.
4. Amounts of regular director compensation were estimated at NT\$13,800,000 for 2018 and NT\$10,920,000 for 2017. These amounts were determined by the board of directors with the authorization under the Articles of Incorporation, and were between NT\$50,000 and NT\$150,000 per month depending on individual directors' contribution. The respective estimated amount of changes in remuneration to directors was NT\$1,755 thousand and NT\$816 thousand, which should be paid regardless of profit or loss and recognized as Longchen P&P's operating expenses in 2018 and 2017.
5. Information relating to employee and director remuneration in 2018 and 2017:

	2018		2017	
	Approval by the board of directors on March 18, 2019	Reporting at the shareholder meeting on June 12, 2019	March 21, 2018 Resolved by the board of directors	June 12, 2018 Reported during shareholder meeting
Employee remuneration in cash	\$26,050	\$-	\$92,388	\$92,388
Director remuneration	\$13,800	\$-	\$10,920	\$10,920

Information regarding employee and director remuneration resolved by the board of directors and reported in the shareholder meeting can be found on Taiwan Stock Exchange Corporation's "Market Observation Post System."

VII. Related party transactions

(I) Names and relations of related parties

Related party's name	Relation with the Group
L&C CO., (B.V.I.) LTD.(L&C)	Longchen P&P's subsidiary
Jiangsu Longchen Greentech Co., Ltd. ("Longchen Greentech")	Longchen P&P's subsidiary
Pinghu Longchen Greentech Co., Ltd. ("Pinghu Longchen")	Longchen P&P's subsidiary
Wuxi Longchen Greentech Co., Ltd. ("Wuxi Longchen")	Longchen P&P's subsidiary
Hubei Longchen Greentech Co., Ltd. ("Hubei Longchen")	Longchen P&P's subsidiary
Metis International, Inc. ("Metis")	Longchen P&P's subsidiary
Long Chen Paper Japan Co., Ltd. ("Long Chen Paper Japan")	Longchen P&P's subsidiary
Baolong International Co., Ltd. ("Baolong Intl. ")	Longchen P&P's associate
Yuema Engineering Co., Ltd. ("Yuema Engineering")	Longchen P&P's associate
Hwa Fong Paper Product Co., Ltd. ("Hwa Fong Paper")	Longchen P&P is its corporate director. (Note)
Handy Carton Co., Ltd. ("Handy Carton")	Close relative of Longchen P&P's Chairman

Note: Longchen P&P disposed its shares in the related party "Hwa Fong Paper Product Co., Ltd." and lost the power in it on April 7, 2017.

(II) Items of material transactions between Longchen P&P and related parties

1. Revenue

	Year 2018	Year 2017
Subsidiary - Wuxi Longchen	\$128,273	\$-
Subsidiary - Pinghu Longchen	107,598	-
Subsidiary - Hubei Longchen	454,810	-
Associate - Baolong Intl.	1,907,570	1,758,344
Other related party - Hwa Fong Paper	-	89,937
Other related party - Handy Carton	14,663	12,797
Total	<u>\$2,612,914</u>	<u>\$1,861,078</u>

The above sale is subject to the general terms of sale (i.e. market prevailing price). Generally, it is agreed that the collection term should range between one and four months, except that associates' fund utilization is taken into consideration regarding the collection terms for sale to related parties to make flexible adjustments

subsequently. There is no significant difference from the transaction value of commodity sale, collection terms or non-related parties.

2. Purchase

	Year 2018	Year 2017
Subsidiary - Metis	\$68,507	\$-
Subsidiary - Long Chen Paper Japan	99,620	597
Other related party - Hwa Fong Paper	-	3,027
Total	<u>\$168,127</u>	<u>\$3,624</u>

The above purchase is subject to the general terms of purchase (i.e. market prevailing price). Generally, it is agreed that the payment term should range between one and two months, except that associates' fund utilization is taken into consideration regarding the collection terms for purchase from related parties to make flexible adjustments subsequently. There is no significant difference from ordinary manufacturers.

3. Accounts receivable from related parties (lending to related parties excluded)

Recognized item	Category of related party	December 31, 2018	December 31, 2017
Accounts receivable	Associate - Baolong Intl.	\$141,388	\$641,287
	Other related party - Handy Carton	6,458	11,381
Total		<u>\$147,846</u>	<u>\$652,668</u>

Outstanding accounts receivable from related parties were not received. No provision for bad debts expense was made for the accounts receivable from related parties in 2018 and 2017.

4. Lending to related parties

Recognized item	Category of related party	December 31, 2018	December 31, 2017
Other receivables	Subsidiary - Wuxi Longchen	\$1,028,560	\$-
	Subsidiary - Pinghu Longchen	491,920	-
	Subsidiary - Hubei Longchen	89,440	-
	Total	<u>\$1,609,920</u>	<u>\$-</u>

Recognized item	Category of related party	Year 2018	Year 2017
Interest income	Subsidiary - Longchen Greentech	\$-	\$15,096
	Subsidiary - Wuxi Longchen	1,746	-

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Recognized item	Category of related party	Year 2018	Year 2017
Interest income	Subsidiary - Longchen Greentech	\$-	\$15,096
	Subsidiary - Wuxi Longchen	1,746	-
	Subsidiary - Pinghu Longchen	1,186	9,706
	Subsidiary - Hubei Longchen	58	-
	Total	<u>\$2,990</u>	<u>\$24,802</u>

Longchen P&P's lending to related parties was based on an interest rate no less than Longchen P&P's average borrowing rate of the current year and was unsecured. It was confirmed through Longchen P&P's evaluation that no provision for bad debts expense was necessary. The interest receivable recognized as at December 31, 2018 was NT\$2,074 thousand.

5. Acquisition of property, plant and equipment

Category of related party	Acquisition price	
	Year 2018	Year 2017
Associate - Baolong Intl.	<u>\$91,800</u>	<u>\$-</u>

6. Acquisition of financial assets

Category of related party	Recognized item	Year 2017		
		Number of shares for trading	Transaction subject	Acquisition price
L&C	Investments accounted for using equity method	1,250,000 shares	Stock	<u>\$73,138</u>

7. Transactions with other related parties

(1) Endorsement and guarantee

For details of the balance of endorsements/guarantees made by Longchen P&P as at December 31, 2018 and 2017, please refer to Form II. The detailed commission income from endorsements and guarantees are listed below:

Category of related party	Nature	Year 2018	Year 2017
---------------------------	--------	-----------	-----------

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Category of related party	Nature	Year 2018	Year 2017
Subsidiary - Wuxi Longchen	Commission income from endorsements and guarantees	\$-	\$1,390
Subsidiary - Pinghu Longchen	Commission income from endorsements and guarantees	-	246
Associate - Yuema Engineering	Commission income from endorsements and guarantees	-	256
Total		<u>\$-</u>	<u>\$1,892</u>

(2) Longchen P&P held the membership of New Tamsui Golf Club with the carrying amount of NT\$1,065 thousand (recognized as other non-current assets) as at December 31, 2018 and 2017. Its ownership was vested in the close relative of Longchen P&P's Chairman. Longchen P&P obtained the letter of commitment for security.

(III) Compensation of key management staff

	2018	2017
Salary and other short-term employee benefits	<u>\$35,675</u>	<u>\$39,596</u>

Compensation to directors and members of the executive management is determined by the Remuneration Committee based on individual performance and market trends.

VIII. Pledged assets

The Company provides the following assets as collaterals to secure borrowings:

	December 31, 2018	December 31, 2017
Other financial assets - current	\$-	\$1,020
Property, plant and equipment - land	1,496,934	1,496,934
Property, plant and equipment - buildings	1,397,629	1,401,030
Property, plant and equipment - machinery	4,268,414	4,326,779
Total	<u>\$7,162,977</u>	<u>\$7,225,763</u>

Pledged assets are presented at book value.

IX. Major contingent liabilities and unrecognized contractual commitments

(I) Unused balance on usance L/C issued for purchase of raw materials or machinery:

	December 31, 2018	December 31, 2017
Usance L/C issued but unused	<u>\$39,077</u>	<u>\$72,357</u>

(II) Utilization of endorsement/guarantee limit:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Endorsement/guarantee limit	\$31,791,045	\$26,402,341
Amount utilized	(23,657,345)	(21,614,351)
Unused limit	<u>\$8,133,700</u>	<u>\$4,787,990</u>

(III) Summary of contracted major equipment purchases:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Contract sum	\$4,286,757	\$1,749,617
Amount billed	(4,149,016)	(1,199,697)
Unbilled amount	<u>\$137,741</u>	<u>\$549,920</u>

X. Losses from major disasters: None.

XI. Major post-balance sheet events

It was decided by Longchen P&P's board of directors at the meeting held on March 14, 2019 that Longchen P&P would acquire 100% shares of Long Chen Paper Japan Co., Ltd. and Metis International, Inc. from its overseas subsidiary Hong Kong Long Chen Paper Co., Ltd. at the approximate transaction value of NT\$80 million in Q1 of 2019.

XII. Others

(I) Capital management

The primary goals of capital management are to maintain robust credit rating and sound capital ratios in ways that support business operation and maximization of shareholders' equity. The Company manages and adjusts capital structure based on changes in economic circumstances. The Company maintains and adjusts capital structure through: adjustment of dividend payment, refund of share capital, or issuance of new shares.

(II) Financial instrument

1. Types of financial instrument

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatory to be carried at fair value through profit and loss	\$292	(Note)

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Financial assets designated to be carried at fair value through profit and loss	169,167	(Note)
Financial assets held for trading	(Note)	\$457
Financial assets carried at cost	(Note)	114,646
Financial assets carried at cost after amortization/loans and receivables		
Cash and cash equivalents	62,175	64,920
Notes receivable (including related parties)	433,051	477,044
Accounts receivable (including related parties)	1,123,791	1,518,072
Other receivables (including related parties)	1,730,719	56,769
Guarantee deposits paid (including the portion due within one year)	22,970	21,718
Other financial assets (recognized as other current assets)	-	1,020
Total	<u>\$3,542,165</u>	<u>\$2,254,646</u>

Note: The Company adopted IFRS 9 in January 1, 2018, and has opted for the transition rules of IFRS 9 to forgo restating financial figures for comparative periods.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities</u>		
Financial liabilities carried at cost after amortization		
Short-term loans	\$1,780,000	\$2,270,000
Short-term bills payable	1,299,431	949,047
Notes payable	89	89
Accounts payable (including related parties)	750,129	727,652
Other payables	515,239	489,801
Corporate bonds payable	2,500,000	-
Long-term loans (including portions due within 1 year or 1 business cycle)	5,790,000	6,660,000
Guarantee deposits received (recognized as other current liquidities)	5,073	5,073
Total	<u>\$12,639,961</u>	<u>\$11,101,662</u>

2. Risk management policy

- A. The Company's day-to-day operations are susceptible to multiple forms of financial risk, including market risks (exchange rate risk, interest rate risk and price risk), credit risks and liquidity risks. Longchen P&P's overall risk management plan focuses on unforeseeable matters in the financial market. Longchen P&P strives for minimizing the potential adverse impact of such matters on its financial performance.
- B. Risk management is performed by the Company's Finance Department according to board-approved policies. The Finance Department is responsible for identifying, assessing and mitigating financial risks, and it achieves this by working closely with other departments within the Company. The board of directors has implemented written principles on risk management practices, and outlined policies for specific matters such as exchange rate risk, interest rate risk, credit risk, use of derivative/non-derivative instruments, and investment of residual liquid capital.

3. Characteristics and level of significant financial risks

A. Market risk

Exchange rate risks

Longchen P&P has multinational operations, so it is exposed to the exchange rate risk arising from transactions relatively different from its own transactions in functional currency (generally US dollars and RMB). Related exchange rate risks originate from business transactions in the future and any assets and liabilities already recognized.

Longchen P&P's management have developed relevant policies and requested its business units (BU) to control exchange rate risks relative to its functional currency.

Some of the Company's business activities involve non-functional currencies Longchen P&P's functional currency is the NTD.), and are therefore susceptible to exchange rate fluctuations. Information on foreign currency-denominated assets and liabilities susceptible to significant exchange rate fluctuation is presented below:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$446	30.715	\$13,699	\$13	29.76	\$376
RMB	361,132	4.472	1,614,982	1,746	4.565	7,970

Note: Exchange rate is presented in amounts of NTD per unit of foreign currency.

The above exchange rate risk generally originates from cash and cash equivalents and other receivables valued in foreign currency, as foreign exchange gains/losses will occur during exchange. When the appreciation or depreciation of the NTD relative to US dollars and RMB was up to 1% as as December 31, 2018 and 2017, and all other factors remained unchanged, Longchen P&P's losses and gains in 2018 and 2017 would respectively decrease/increase by NT\$16,287 thousand and NT\$84 thousand. Analyses for the two periods were conducted using the same basis.

Furthermore, the total amount of all foreign exchange losses and gains (including those realized and unrealized) from Longchen P&P's monetary items with significant impact of exchange rate fluctuations in 2018 and 2017 was respectively NT\$7,178 thousand and NT\$37,175 thousand.

Price risk

Longchen P&P's equity instruments exposed to price risks are financial assets at fair value through profit or loss held and recognized. Longchen P&P has split its investment portfolio to control the price risks in investments in equity instruments. The specific method is subject to Longchen P&P's policies.

Typically, Longchen P&P invests in equity instruments issued by domestic companies. Prices of such equity instruments will be affected by the uncertain values of such investment subjects in the future. If the price of such equity instrument increases or decreases by 1% and all other factors remain unchanged, the gains/losses of the net profit after tax from equity instruments at fair value through profit or loss in 2018 and 2017 will decrease/increase by NT\$3,000 and NT\$5,000 respectively.

Cash flow and fair value risk of interest rate

Longchen P&P's interest rate risks typically originate from short-term borrowings, short-term notes and bills payable and long-term loans (including those due within one year or one operating cycle) issued at floating interest rates. Therefore, Longchen P&P is exposed to interest rate risks of cash flows.

Loans of the Company are measured at cost after amortization. Interest rates on loans are subject to repricing on a yearly basis according to the terms of the respective contract. As a result, the Company is exposed to the risk of changes in the market interest rate.

A 1% rise/fall in the borrowing interest rate would reduce/increase net income by NT\$1,191 for 2018 and NT\$1,559,000 for 2017.

B. Credit risk management

Credit risk refers to the possibility of losses suffered by the Company due to its customers or financial instrument counterparties becoming unable to fulfill contractual obligations. These risk events mostly involve the counterparties being

unable to settle the amount collectible or the contractual cash flow according to the payment terms agreed.

The Company has developed credit risk management practices from a corporate perspective. According to the Company's internal credit policy, all operating entities are required to perform credit risk management and analysis on every new customer before establishing payment and delivery terms. The Company adopts an internal risk management system that assesses credit quality by taking into account customers' financial position, previous conducts and other relevant factors. Individual counterparty risk limits are set by the board of directors based on internal or external assessments. Uses of credit limit are monitored on a regular basis.

Only banks, financial institutions, and organizations of good credit standing are accepted as counterparties.

The Company has adopted the following assumptions mentioned in IFRS 9 to provide the basis for identifying significant increase in the credit risk of financial instruments held after initial recognition:

- (A) A financial asset is considered to have exhibited significant increase in credit risk after initial recognition when contractual payment (according to the terms and nature of the underlying contract) becomes more than 30 days past due up to 1 year.
- (B) A counterparty is considered to be in default when contractual payment is reclassified into overdue receivables for non-recoverability.

The Company distinguishes accounts from customers by geographic location, and uses a simplified, matrix-based approach to estimate expected credit loss.

The Company takes into account multiple considerations including future prospects, historical and current information etc to determine loss given default, which is used for estimating losses on accounts receivable. Matrix as of December 31, 2018 is as follows:

		Overdue				Total
		Within 30 days	31-90 days	91-180 days	181 days and above	
December 31, 2018	Current					
Expected losses	0.92%	97.10%	100.00%	100.00%	100.00%	1.15%
Total book value	\$1,571,184	\$1,921	\$2	\$1,490	\$326	\$1,574,923
Loss provisions	\$14,397	\$1,866	\$2	\$1,490	\$326	\$18,081

Change of loss provisions on receivables:

	2017			
	2018	Individually assessed impairment loss	Group-assessed impairment loss	Total
Opening balance (IAS 39)	\$18,386	\$326	\$17,307	\$17,633
Adjustments for first-time adoption of IFRS 9	-	-	-	-
Opening balance (IFRS 9)	18,386	326	17,307	17,633
Impairment loss on accounts receivable	-	-	753	753
Reversal of impairment loss	(305)	-	-	-
Closing balance	<u>\$18,081</u>	<u>\$326</u>	<u>\$18,060</u>	<u>\$18,386</u>

C. Liquidity risk

Cash flow projections are made by individual operating entities within the Company, and consolidated by the Finance Department. The Company's Finance Department monitors cash flow requirements to ensure that adequate funding is obtained to finance various operations. The Finance Department also maintains adequate level of committed borrowing limits available at all times to prevent the Company from violating terms of loan.

The following table shows non-derivative financial liabilities and derivative financial liabilities settled on a netted or gross basis, classified by maturity date. An analysis of remaining timespan from balance sheet date until contract maturity is presented below:

December 31, 2018	Less than 1 year	2 to 3 years	4 to 5 years	5 years and above	Total
Short-term loans	\$1,780,000	\$-	\$-	\$-	\$1,780,000
Short-term bills payable	1,300,000	-	-	-	1,300,000
Payables	750,218	-	-	-	750,218
Other payables	515,239	-	-	-	515,239
Corporate bonds payable	-	-	2,500,000	-	2,500,000
Long-term loans (including portions due within 1 year or 1 business cycle)	1,050,000	4,710,000	30,000	-	5,790,000
December 31, 2017	Less than 1 year	2 to 3 years	4 to 5 years	5 years and above	Total
Short-term loans	\$2,270,000	\$-	\$-	\$-	\$2,270,000
Short-term bills payable	950,000	-	-	-	950,000
Payables	727,741	-	-	-	727,741
Other payables	489,801	-	-	-	489,801

December 31, 2017	Less than 1 year	2 to 3 years	4 to 5 years	5 years and above	Total
Long-term loans (including portions due within 1 year or 1 business cycle)	1,170,000	4,100,000	1,390,000	-	6,660,000

Longchen P&P has not expected earlier occurrence of the cash flow analyzed on the due date or any significant difference from the actual amount.

(III) Fair value information

1. Fair value assessment techniques for financial and non-financial instruments are explained. Definition for the different levels of input:

Level 1: Quotations (unadjusted) that the Company is able to obtain from an active market on the measurement date for asset or liability of equivalent nature. An active market is one where assets or liabilities are transacted in sufficient frequency and quantity, and where price information is provided on an ongoing basis. Investments in public-listed shares and beneficiary certificates all have fair values determined using this input.

Level 2: Refers to inputs that can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input.

Level 3: Refers to inputs that cannot be observed for an asset or liability. Such case applies to the equity instruments of Longchen P&P's investments without active market.

2. For fair value information of investment properties carried at cost, please refer to Note 6(8).

3. Financial instruments not measured at fair value

(1) Except for the items listed below, other accounts including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term loans, short-term bills payable, notes payable, accounts payable and other payables all have book values closely resembling to their fair values. Long-term loans (including portions due within 1 year or 1 business cycle) were borrowed at interest rates close to the market rate,

therefore their book values should provide a reasonable estimate for the fair value:

	<u>Book value</u>	<u>Level 1 input</u>	<u>Level 2 input</u>	<u>Level 3 input</u>
December 31, 2018				
Corporate bonds payable	<u>\$2,500,000</u>	<u>\$-</u>	<u>\$2,506,655</u>	<u>\$-</u>
December 31, 2017				
Corporate bonds payable	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(2) Methods and assumptions used for estimating fair value:

Corporate bonds payable: Refers to common corporate bonds issued by the Company. Since the coupon rates closely resemble the market interest rate, fair value is measured by discounting expected cash flows at the market interest rate on the balance sheet date.

4. Information on financial and non-financial instruments measured at fair value, classified by asset, liability, nature, characteristics, risks and levels of fair value input:

	<u>Level 1 input</u>	<u>Level 2 input</u>	<u>Level 3 input</u>	<u>Total</u>
December 31, 2018				
Financial assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$292	\$-	\$8,756	\$9,048
Private equity funds	-	-	160,411	160,411
Total	<u>\$292</u>	<u>\$-</u>	<u>\$169,167</u>	<u>\$169,459</u>
December 31, 2017				
Financial assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
Equity securities	<u>\$457</u>	<u>\$-</u>	<u>\$-</u>	<u>\$457</u>

5. Methods and assumptions used for measuring fair value:

A. Instruments using market quotation as fair value input (i.e. level 1), distinguished by characteristics:

	<u>TWSE/TPEX listed shares</u>	<u>Open-ended fund</u>
Market quotation	Closing price	Net value

B. Except for financial instruments traded in active markets, as shown above, fair values of all other financial instruments were obtained either by applying valuation techniques or by making reference to counterparties' quotations. The fair value

through valuation may be obtained through model calculation by reference to the current fair value of financial instruments with substantially similar conditions and characteristics, cash flow discounting or other evaluation methods, including the market information available on the balance sheet date.

6. There had been no transfer between level 1 and level 2 input in 2018 or 2017.
7. There was no significant change in Level 3 financial instruments held during 2018 and 2017.
8. The valuation procedure of Longchen P&P's fair value classification of Level 3 is verified by the independent fair value of financial instruments. Data from independent sources are used to ensure that the valuation result is close to the market state. Periodic review is also carried out to ensure the reasonability of such valuation result. In addition, Longchen P&P has also developed the valuation policy for fair values of financial instruments, the valuation procedure, and the procedure for confirming the compliance with the IFRSs.
9. Quantitative information and sensitivity of significant and unobservable inputs used for level 3 fair value measurement are explained below:

	December 31, 2018 Fair value	Assessment technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Non-listed shares	\$8,756	Net asset value approach	Not applicable	-	Not applicable
Private equity funds	\$160,411	Net asset value approach	Not applicable	-	Not applicable

10. The Company exercises a high level of discretion and evaluation in the choice of valuation models and parameters. However, uses of different valuation model or parameter may produce different valuation results. With respect to financial assets and financial liabilities classified into level 3 input, the impacts on profit and loss or other comprehensive income in the event of a change in the valuation parameter are as follows:

Input	Variation	December 31, 2018			
		Recognized through profit and loss		Recognized in other comprehensive income	
		Favorable	Adverse	Favorable	Adverse

			variation	variation	variation	variation
Financial assets						
Equity securities	Net asset value	±1%	\$88	\$(88)	\$-	\$-
Private equity funds	Net asset value	±1%	1,604	(1,604)	-	-
			<u>\$1,692</u>	<u>\$(1,692)</u>	<u>\$-</u>	<u>\$-</u>

(IV) Impacts of first-time adoption of IFRS 9 and information on the application of IAS 39 in 2017

1. Below are significant accounting policies used in 2017:

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to a financial instrument contract.

Financial assets and liabilities subject to IAS 39 - "Financial Instruments: Recognition and Measurement" are measured at fair value at initiation. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (except for financial assets and liabilities at fair value through profit and loss) are added to or deducted from the fair value of the respective asset/liability.

(1) Financial assets

Regular transactions of financial asset are recognized on or removed from balance sheet using trade date accounting.

The Company's financial assets are classified into two categories: financial assets at fair value through profit and loss, and loans and receivables. Classification is determined at initial recognition based on the nature and purpose of each financial asset.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include assets that are held for trading and designated to be carried at fair value through profit and loss at initiation.

Asset is classified as held for trading if it satisfies any of the following criteria:

- A. Acquired mainly for resale in the short term.
- B. Having been recognized at initiation as part of a portfolio of identifiable financial instruments under collective management, and there is evidence to suggest that the portfolio is being traded for short-term profits; or
- C. Exhibits the characteristics of a derivative instrument (except for financial guarantee contracts or derivative instruments designated for or perform as effective hedge).

This category of financial assets is measured at fair value. Gains and losses arising from remeasurement are recognized through profit and loss. The amount of gains and losses recognized through profit and loss includes all dividends and interests collected on the financial asset (including amounts received in the year of investment).

(2) Loans and receivables

Loans and receivables refer to non-derivative financial assets that are without open quotation in an active market, characterized by fixed or determinable amount of receivables, and meet all of the following conditions: not classified as asset at fair value through profit and loss, not designated as available-for-sale, and do not put holders at risk of not being able to recover almost all initial investments for reasons other than credit deterioration.

This category of financial assets is presented separately on the balance sheet as receivables and debt instruments without active market. After initial recognition, these financial assets are subsequently measured at cost after amortization and impairment using the effective interest rate method. Calculation of cost after amortization takes into consideration discounts, premiums and transaction costs. Amortizations made using the effective interest rate method are recognized through profit and loss.

(3) Impairment on financial assets

Except for financial assets at fair value through profit and loss, all other financial assets are assessed for signs of impairment at the end of every reporting period. A financial asset is deemed impaired if there is objective evidence to suggest that estimated future cash flow may have been lost due to single or multiple events. Reductions to the financial asset book value are made using a provision account;

losses are recognized through profit and loss.

For loans and receivables, the Company first assesses individually significant financial assets for objective evidence of impairment; individually non-significant financial assets are assessed on a group basis. If there is no objective evidence to suggest impairment of financial asset on an individual basis, all financial assets that share similar credit risk characteristics are then consolidated and assessed for impairment as a group, regardless of the significance of the amount. If there is objective evidence to suggest impairment loss, the amount of loss is measured as the difference between the asset's book value and the estimated present value of future cash flows. Present value of estimated future cash flows is calculated by discounting at the asset's original effective interest rate. For floating rate loans, however, the discount rate used for measuring impairment losses is determined as the prevailing effective interest rate. Interest income is continually estimated and recognized based on the reduced asset book value, using the cash flow discount rate adopted for calculating impairment losses. Interest income is recognized through profit and loss. Loans are charged off against provisions whenever they are expected to be unrecoverable and that all collaterals have been realized or transferred to the Company. If an event occurs after impairment loss is recognized that increases or reduces the amount of estimated impairment in a subsequent year, the Company will increase/decrease the amount of impairment losses previously recognized by adjusting the provision accounts. Amounts recovered after charge-off are recognized through profit and loss.

(4) Removal of financial assets

Financial assets that satisfy any of the following criteria are removed:

- A. When entitlement to contractual cash inflow has ended.
- B. When ownership of the financial asset has been transferred along with virtually all risks and returns associated with the ownership.
- C. When control of the asset has been transferred, even if the Company does not transfer or retain virtually all risks and returns associated with the asset.

When a financial asset is removed, the difference between book value and the sum of consideration received/receivable plus any cumulative gains or losses previously recognized under other comprehensive income is recognized in profit and loss.

(5) Financial liabilities and equity instruments

A. Classification of liability and equity

Debt and equity instruments issued by the Company are classified into financial liabilities and equity based on the contractual terms and definitions of the respective instruments.

B. Equity instruments

Equity instrument refers to any contract that represents the Company's entitlement to assets net of liabilities. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

C. Financial liabilities

Financial liabilities subject to IAS 39 - "Financial Instruments: Recognition and Measurement" are distinguished between financial liabilities at fair value through profit and loss and financial liabilities carried at cost after amortization at initiation.

D. Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss include liabilities that are held for trading and designated to be carried at fair value through profit and loss at initiation.

Liability is classified as held for trading if it satisfies any of the following criteria:

- (A) Acquired mainly for resell in the short term.
- (B) Having been recognized at initiation as part of a portfolio of identifiable financial instruments under collective management, and there is evidence to suggest that the portfolio is being traded for short-term profits; or
- (C) Exhibits the characteristics of a derivative instrument (except for financial guarantee contracts or derivative instruments designated for or perform as effective hedge).

Gains and losses arising from remeasurement of this category of financial

liabilities are recognized through profit and loss. The amount of gains and losses recognized through profit and loss includes all interests paid on the financial liability.

In the absence of open quotation from an active market and in circumstances where fair value can not be measured reliably, this category of financial liabilities shall be measured at cost and presented on the balance sheet as financial liabilities carried at cost at the end of the reporting period.

Financial liabilities carried at cost after amortization

Financial liabilities carried at cost after amortization include payables and loans, which are subsequently measured using the effective interest rate method after initial recognition. When financial liabilities are removed from balance sheet and when amortization is provided using the effective interest rate method, the corresponding gains, losses and amortizations are recognized through profit and loss.

Calculation of cost after amortization takes into consideration discounts, premiums and transaction costs.

(6) Removal of financial liabilities

The Company removes financial liabilities from balance sheet when obligations have been relieved, canceled or voided.

When the Company engages its creditor in a swap of debt instruments of significantly different terms, or makes significant modification to some or all terms of existing financial liability (whether due to financial distress), the changes are accounted by removing the existing liability and recognizing the new liability at the same time. When removing financial liability, differences between the book value and the considerations paid/payable (including non-cash assets transferred or liabilities assumed) are recognized through profit and loss.

(7) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the Company is legally entitled to do so and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

2. Explanation and reconciliation on the conversion of financial asset book values from IAS 39 (as of December 31, 2017) to IFRS 9 (as of January 1, 2018):

(1) NT\$114,646,000 of financial assets carried at cost were reclassified into financial assets at fair value through profit and loss according to the classification rules of IFRS 9.

(2) Equity-accounted investments recognized at the Company's shareholding percentage were affected by the classification rules of IFRS 9. As a result, equity-accounted investments were increased by NT\$455,276,000 against an NT\$455,276,000 increase in other equity as of January 1, 2018.

3. Disclosure of key accounts as of December 31, 2017:

(1) Financial assets at fair value through profit and loss

Item	December 31, 2017
Non-derivative financial assets:	
Financial assets held for trading	
Shares of listed companies	\$186
Valuation adjustment	271
Total	<u>\$457</u>

The profit from financial assets at fair value through profit or loss recognized in 2017 was NT\$50 thousand.

(2) Financial assets carried at cost - non-current

Name of investee	December 31, 2017	
	Amount	Shareholding percentage
Hwa Feng Paper Co., Ltd.	\$-	-
Asia Technology 3 LTD.	2,411	16.66
OTC Daily News Co., Ltd.	1,800	4.17
New Venture Capital Investment Co., Ltd.	-	-
Everterminal Co., Ltd.	10,785	0.46

Name of investee	December 31, 2017	
	Amount	Shareholding percentage
Cheng Hong Chemical Co., Ltd.	-	0.002
Linkou International Golf & Country Club	5,071	-
Taichung International Entertainment Corporation	4,000	-
Zoyi Capital Fund I,L.P.	115,868	3.145
ARM IoT Fund,L.P.	15,130	10
Subtotal	155,065	
Cumulative impairment	(40,419)	
Total	<u>\$114,646</u>	

- A. The above shares were not publicly traded on any active market; furthermore, financial information on the investees and industry information from companies of similar nature are too limited to provide any reliable measurement on the fair value. As a result, the Company has classified the investments as "financial assets carried at cost."
- B. The Company has an invested business, Asia Tech Ventures Limited, a fund management company registered in Hong Kong. The investee has raised a fund registered in the British Virgin Islands called Asia Technology 3 LTD. with a target size of US\$64,000,000 and a target duration of 7 years (extendable to 10
- C. The Company's board of directors resolved a decision to invest US\$5,000,000 into Zoyi Capital Fund I,L.P. in 2013. As at December 31, 2017, Longchen P&P's investment balance was NT\$115,868 thousand (US\$3,860 thousand), accounting for 3.145% of the fund scale.

Changes in the above investments in 2017:

Changes	2017		Account
	NTD	USD	
Amount invested	<u>\$27,726</u>	<u>\$909</u>	Financial assets carried at cost
Cash dividends received	<u>\$22,123</u>	<u>\$723</u>	Dividend income
Impairment loss provided	<u>\$27,307</u>	<u>\$-</u>	Impairment loss

For details on the above dividend income, please refer to Footnotes VI (XXIII)

- 1. "Other income." After assessing the future prospects and profit opportunities of the fund, the Company recognized impairment losses totaling NT\$27,307,000 in the first quarter of 2017. Please refer to Footnotes VI (XXIII)

- 2. "Other gains and losses" for details.

- D. Liquidation of New Venture Capital Investment Co., Ltd. was completed in the second quarter of 2017, from which the Company received liquidation proceeds totaling NT\$4,565,000 and recognized an NT\$4,565,000 gain on disposal of financial assets carried at cost. Please refer to Footnotes VI (XXIII) - 2. "Other gains and losses" for details.
- E. The Company disposed all shareholding in Hwa Feng Paper Co., Ltd. and completed the disposal procedures in the second quarter of 2017. A gain on disposal of financial assets carried at cost totaling NT\$39,422,000 was recognized following the transaction. Please refer to Footnotes VI (XXIII) - 2. "Other gains and losses" for details.
- F. Longchen P&P received the capital decrease refund of NT\$2,696 thousand for withdrawal share from Everterminal Co., Ltd. In 2017. The recognized loss from disposal of financial assets at cost was NT\$1,631 thousand. Please refer to Footnotes VI (XXIII) - "2. Other profits and losses" for details.
- G. The Company invested US\$500,000 into ARM IoT Fund, L.P. in 2017. Balance of this investment amounted to NT\$15,130,000 (US\$500,000) as of December 31, 2017, which represented 10% of the fund's size.
- H. Details of cumulative impairment on long-term investment carried at cost:

	December 31, 2017
Asia Technology 3 LTD.	\$2,411
OTC Daily News Co., Ltd.	1,800
Everterminal Co., Ltd.	7,101
Taichung International Entertainment Corporation	1,800
Zoyi Capital Fund I,L.P	27,307
Total	<u>\$40,419</u>

(V) Impacts of first-time adoption of IFRS 1 and information on the application of IAS 11 and IAS 18 in 2017

1. Below are significant accounting policies on revenues used in 2017:

(1) Sale of merchandise

Revenue is recognized when the Company becomes very likely to realize the associated economic benefits, and that the sum can be measured reliably. Revenues are recognized in the amounts received or the fair value of consideration receivable.

Revenues from sale of merchandise are recognized when all of the following criteria are satisfied: (1) The majority of risks and returns associated with ownership has been transferred to the buyer; (2) The Company no longer manages and possesses no real control over the sold merchandise; (3) The amount of revenue can be reliably measured; (4) Economic benefits associated with the transaction are likely to be realized by the Company; and (5) The amount of costs incurred in relation to the transaction can be reliably measured.

(2) Liability reserves - current

Liability reserves are provided on current obligations (legally or deemed liable) given rise by a past event, for which the Company is very likely to incur an outflow of economic benefit or resource to settle such an obligation, and that the amount of obligation can be estimated reliably. When the Company expects some or all of its liability reserves to be reimbursed, the Company will recognize assets separately only when the reimbursement is almost confirmed. In circumstances where time value of money has a significant impact, the liability reserve is discounted using the pre-tax interest rate that can appropriately reflects the specific risk characteristics of the liability. When discounting, any increase in the amount of liability due to passage of time is recognized as borrowing cost.

2. Amounts of revenues and liability reserves - current recognized based on the abovementioned accounting policy in 2017:

(1) Revenue recognition

	2017
Income from sale of merchandise	\$10,050,753
Less: sales return and discount	(316,023)
Total	<u>\$9,734,730</u>

(2) Liability reserves - current

	January 1, 2017	Additions in current period	Reversals in current period	December 31, 2017
Sales return and discount - current	\$37,143	\$288,733	\$297,589	\$28,287

3. Balance sheet impacts had the Company continued to apply the above accounting policy in 2018 are explained below:

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated in Footnotes)

Balance sheet item	December 31, 2018		
	Balance recognized for adopting IFRS 15	Balance recognized based on existing accounting policies	Impact of change in accounting policy
Refund liabilities - current	\$16,287	\$-	\$16,287
Liability reserves - current	-	16,287	(16,287)

XIII. Disclosures relating to the footnotes

(I) Information relating to significant transactions

Serial No.	Item	Form
1	Loans to third parties	Form I
2	Endorsements/guarantees to third parties	Form II
3	End-of-period marketable securities holding position (excluding investment in subsidiaries, associated companies and joint ventures)	Form III
4	Cumulative amount of the same marketable securities purchased or sold amounting to NT\$300 million or 20% of the paid-up capital or above	None
5	Acquisition of real estate amounting to NT\$300 million or 20% of paid-up capital or above	None
6	Disposal of real estate amounting to NT\$300 million or 20% of paid up capital or above	None
7	Sales and purchases with related parties amounting to NT\$100 million or 20% of paid up capital or above	Form VI
8	Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above	Form V
9	Trading of derivatives	None
10	Names, locations and information of investees	Form VI

(II) Supplementary disclosure regarding investee companies

Serial No.	Item	Form
1	Loans to third parties	Form VII
2	Endorsements/guarantees to third parties	Form VIII
3	End-of-period marketable securities holding position (excluding investment in subsidiaries, associated companies and joint ventures)	Form IX
4	Cumulative amount of the same marketable securities purchased or sold amounting to NT\$300 million or 20% of the paid-up capital or above.	Form X
5	Acquisition of real estate amounting to NT\$300 million or 20% of paid-up capital or above	None
6	Disposal of real estate amounting to NT\$300 million or 20% of paid up capital or above	None
7	Sales and purchases with related parties amounting to NT\$100 million or 20% of paid up capital or above	Form X
8	Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above	Form XI
9	Trading of derivatives	None

(III) Investments in the Mainland

Serial No.	Item	Form
1	Names, primary business activities, paid-up capital, terms of investment and information relating to Mainland investees	Form XII
2	Significant transactions with Mainland investees through directly or indirectly held businesses in another country:	
	(1) Amount and percentage of purchases made and balance and percentage of corresponding payables at the end of period.	None
	(2) Amount and percentage of sales made and balance and percentage of corresponding receivables at the end of period.	None
	(3) Property transactions and the resulting gains and losses	None
	(4) Closing balances and purposes of endorsed notes, guarantees, or pledged collaterals	Form II, Form VIII
	(5) Maximum loan balance, closing loan balance, interest rate range, and total interests in the current period	None
	(6) Other transactions with material impact to the current profit and loss or financial position.	None

XIV. Segment information

The Company has already disclosed segment information in the consolidated financial reports, therefore no segment information is disclosed in the standalone financial reports.

Form I. Endorsements and Guarantees Made to Others:

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 3 & 9)	Ending balance (Note 8 & 9)	Actual amount of disbursement (Note 9)	Interest rate collars (Note 10)	Characteristic of fund lent to others (Note 4)	Business transaction amount (Note 5)	Reason for short-term loans (Note 6)	Provision for credit loss	Collateral		Limit of individual lending (Note 7)	Total limit of funds lent to others (Note 7)
													Item	Value		
0	Longchen Paper & Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	\$1,640,950 (RMB 370 million)	\$1,640,950 (RMB 370 million)	\$1,028,560 (RMB 230 million)	1.65%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen P&P should not exceed thirty percent (30%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$6,448,459,000)	The ceiling on total loans granted to others by Longchen P&P should not exceed forty percent (40%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$8,597,945,000)
0	Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	1,064,400 (RMB 240 million)	1,064,400 (RMB 240 million)	491,920 (RMB 110 million)	1.65%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen P&P should not exceed thirty percent (30%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$6,448,459,000)	The ceiling on total loans granted to others by Longchen P&P should not exceed forty percent (40%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$8,597,945,000)
0	Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	310,450 (RMB 70 million)	310,450 (RMB 70 million)	89,440 (RMB 20 million)	1.65%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen P&P should not exceed thirty percent (30%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$6,448,459,000)	The ceiling on total loans granted to others by Longchen P&P should not exceed forty percent (40%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$8,597,945,000)

Note 1: Complete the "Number" column as described below:

(1) Fill "0" in the issuer field.

(2) An Arabic numeral starting from "1" should be filled in the investee field by the company type.

Note 2: If any recorded account receivable from an associate or a related party, account with shareholder, prepayment or provisional payment has the characteristic of fund lent to others, fill it into this column.

Note 3: Maximum balance of funds lent to others in the current year

Note 4: In the "Characteristic of fund lent to others" column, fill "1" in case of a business transaction, or fill "2" in case of a short-term loan.

Note 5: If the characteristic of fund lent to other is business transaction, the business transaction amount should be entered; "Business Transaction Amount" refers to the amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the characteristic of fund lent to other is short-term loan, the reason for and purpose of such loan issued to the borrower should be specified, such as repayment, equipment acquisition, and operation financing, etc.

Note 7: It is required to fill the limit of individual lending and the total limit of funds lent to others as stated in Longchen P&P's "Procedures for Lending of Capital" and to explain the calculation methods of such limit and total limit in the "Note" field.

Note 8: If a public company reported such fund lending to the board of directors for resolution on a trade-by-trade basic pursuant to Article 14.1 of the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies", the amount approved by the board of directors should be included in the announced balance to disclose the risk thereof, although such loan has not been issued yet. For subsequent repayment, the balance after repayment should be disclosed to indicate the risk-based adjustment. If the publish company obtains the resolution of the board of directors and the Chairman is authorized to handle the matter within the specific amount of fund lending approved by the board of directors and the lending is authorized in installment or revolver within one year, pursuant to Article 14.2 of the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies", the limit of fund lending approved by the board of directors should be deemed as the balance to be announced and reported. In spite of subsequent refundment, further fund authorization can be considered. Therefore, the limit of fund lending approved by the board of directors should be deemed as the balance to be announced and reported.

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Form II. Endorsements and Guarantees Made to Others:

Number (Note 1)	Endorsed and guaranteed company		Limit for endorsement and guarantee made by the endorsing and guarantee company (Note 3)	Maximum outstanding endorsement amount during the current period (Note 4)	Ending balance of endorsement and guarantee (Note 5)	Actual amount of disbursement (Note 6)	Property-backed endorsement and guarantee	The ratio of accumulated endorsement amount in the net worth of the latest financial statements	Maximum limit of endorsement and guarantee (Note 3)	Provision of endorsements and guarantees by parent company to subsidiary (Note 7)	Provision of endorsements and guarantees to parent company (Note 7)	Provision of endorsements and guarantees to the party in Mainland China (Note 7)
	Endorsing and guarantee company	Name of company	Relationship (Note 2)									
0	Longchen Paper & Packaging Co., Ltd.	Long Chen Paper (China) Holdings Co., Ltd.	3	\$847,717	\$397,930	\$-	—	1.85%	The total limit of endorsements and guarantees made by Longchen P&P to other entities should be two hundred percent (200%) of its net worth. (Amount: NTS42,989,724,000)	Y	N	N
0	Longchen Paper & Packaging Co., Ltd.	Long Chen Paper Japan Co., Ltd.	3	318,480	318,480	107,487	—	1.48%		Y	N	N
0	Longchen Paper & Packaging Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	3	1,623,650	1,623,650	-	—	7.55%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	3	7,258,192	7,258,192	5,425,758	—	33.77%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	3	8,386,953	8,386,953	6,456,885	—	39.02%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	3	13,805,840	13,805,840	11,667,215	—	64.23%		Y	N	Y

Note 1: Complete the "Number" column as described below:

(1) Fill "0" in the issuer field.

(2) An Arabic numeral starting from "1" should be filled in the investee field by the company type.

Note 2: There are seven types of the relationship between an endorsing and guarantee company and an endorsed and guaranteed company; fill in the number of type each case belongs to:

(1) A company with business transaction;

(2) A company in which Longchen P&P holds more than 50% voting shares directly or indirectly;

(3) A company which holds more than 50% voting shares of Longchen P&P directly or indirectly;

(4) A company in which Longchen P&P holds 90% or more voting shares directly or indirectly;

(5) A company which should make mutual guarantees with its peer or joint building constructor for the purpose of construction project as agreed;

(6) A company to which all shareholders make endorsements and guarantees based on the proportion of shareholding due to the joint investment relationship; or

(7) Peers making joint and several guarantee for a contract for pre-sale housing pursuant to the "Consumer Protection Act"

Note 3: It is required to fill the limit for endorsement and guarantee for single enterprise made by the endorsing and guarantee company and the maximum limit of endorsement and guarantee as stated in Longchen P&P's "Procedures for Making Endorsements/Guarantees" and to explain the calculation methods of such limit and total limit of endorsements and guarantees in the "Note" field.

Note 4: Maximum balance of endorsements and guarantees made to others in the current year

Note 5: The amount approved by the board of directors should be filled. Where the board of directors authorizes the Chairman to make a decision pursuant to Article 12.8 of the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies", it should be the amount approved by the Chairman.

Note 6: Fill the actual amount of disbursement of the endorsed and guaranteed company within the balance limit.

Note 7: In case of provision of endorsements and guarantees by a TWSE/TPEX-listed parent company to a subsidiary, or by the subsidiary to such parent company, or provision of endorsements and guarantees to the party in mainland China, fill "Y".

Form III. Securities held at the end of period (excluding investments in subsidiaries, associates or any portion controlled by joint ventures):

Name of company which holds securities	Securities (Note 1)		Relationship between the issuer of securities and the company (Note 2)	Account	Ending			Note (Note 4)
	Category	Name			Number of shares	Book value (Note 3)	Percentage of ownership (%)	Fair value
Longchen Paper & Packaging Co., Ltd.	Stocks	Hon Hai Precision Industry Ind. Co., Ltd.	—	Financial assets at fair value through profit or loss - current	3,504 shares	\$248	—	\$248
Longchen Paper & Packaging Co., Ltd.	Stocks	Taiwan Cement Corp.	—	Financial assets at fair value through profit or loss - current	1,194 shares	42	—	42
Longchen Paper & Packaging Co., Ltd.	Preferred shares	Taiwan Cement Corp.	—	Financial assets at fair value through profit or loss - current	37 shares	2	—	2
Longchen Paper & Packaging Co., Ltd.	Stocks	Asia Technology 3 LTD.	—	Financial assets at fair value through profit or loss - non-current	700 common shares; 6,300 preferred shares	—	16.66%	—
Longchen Paper & Packaging Co., Ltd.	Stocks	OTC Daily News Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	180,000 shares	—	4.17%	—
Longchen Paper & Packaging Co., Ltd.	Stocks	Everterminal Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	456,325 shares	3,685	0.47%	—
Longchen Paper & Packaging Co., Ltd.	Stocks	Cheng Fong Chemical Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	2,325 shares	—	0.002%	—
Longchen Paper & Packaging Co., Ltd.	Stocks	Linkou International Golf & Country Club	—	Financial assets at fair value through profit or loss - non-current	1 piece	5,071	—	—
Longchen Paper & Packaging Co., Ltd.	Funds	ZoYi Capital Fund I,L.P.	—	Financial assets at fair value through profit or loss - non-current	—	115,634	3.145%	—
Longchen Paper & Packaging Co., Ltd.	Funds	ARM IoT Fund,L.P.	—	Financial assets at fair value through profit or loss - non-current	—	44,777	15.38%	—

Note 1: "Securities" herein refer to stocks, bonds, beneficiary certificates, and derivative securities from them as defined in IFRS 9 - "Financial Instruments".

Note 2: If the issuer of securities is not a related party, please leave this column blank.

Note 3: In case of measurement at fair value, please fill in the "Book Value" column the book balance after valuation adjustment at fair value and deduction of loss allowance. In other cases, fill in the "Book Value" column the book balance of the amortized cost (with loss allowance deducted).

Note 4: If any securities are restricted due to the provision of security or secured borrowings, or subject to other agreements, specify the number of shares or amount for such security or secured borrowings and restriction of use.

Form IV. Amount of Purchase/Sale Transaction with a Related Party Exceeding NT\$100 Million or 20% of the Paid-up Capital:

Purchaser/Seller	Name of counterpart	Relationship	Transaction details				Transaction conditions different from general transaction and reason(s) (Note 1)		Notes and accounts receivable/payable		Note (Note 2)
			Purchase/sale	Amount	Ratio in total purchases/sales	Period of credit granting	Unit price	Period of credit granting	Balance	Ratio in total notes and accounts receivable/payable	
Longchen Paper & Packaging Co., Ltd.	Baolong International Co., Ltd.	Investee accounted for using equity method	Sale	\$1,907,570	17.91%	1 month	Subject to a distribution agreement	1 month	Accounts receivable	\$141,388	8.98%
Longchen Paper & Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Investee in which Longchen P&P's subsidiary holds more than 50% shares indirectly	Sale	128,273	1.20%	2-3 months	Subject to a distribution agreement	2-3 months	Accounts receivable	-	-
Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Investee in which Longchen P&P's subsidiary holds more than 50% shares indirectly	Sale	107,598	1.01%	2-3 months	Subject to a distribution agreement	2-3 months	Accounts receivable	-	-
Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Investee in which Longchen P&P's subsidiary holds more than 50% shares indirectly	Sale	454,810	4.27%	2-3 months	Subject to a distribution agreement	2-3 months	Accounts receivable	-	-

Note 1: If the conditions of a transaction with a related party are different from the general transaction conditions, please specify such difference and reason(s) in the "Unit Price" and "Period of credit granting" columns.

Note 2: In case of any advance or prepayment, please specify the reason, covenant, amount and difference from general transaction in the "Note" column.

Note 3: "Paid-up Capital" herein refers to the paid-up capital of the parent company. If the issuer's stocks are no-par stocks or the par value per share is not NT\$10, the transaction amount, which should account for twenty percent (20%) of the paid-up capital, should be calculated at ten percent (10%) of the equity attributable to owners of the parent company as stated in the balance sheet.

Form V. Amount of Accounts Receivable from Related Parties Exceeding NT\$100 Million or 20% of the Paid-up Capital:

Creditor	Name of counterpart	Relationship	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Amount overdue of accounts receivable from related parties		Accounts receivable from related party	Amount of provision for loss allowance
					Amount	Action taken		
Longchen Paper & Packaging Co., Ltd.	Palong International Co., Ltd.	Investee accounted for using equity method	Accounts receivable \$141,388	4.87 times	—	—	—	—
Longchen Paper & Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Investee in which Longchen P&P's subsidiary holds more than 50% shares indirectly	Other receivables 1,030,309 (RMB 230,391,000) (千元)	—	—	—	—	—
Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Investee in which Longchen P&P's subsidiary holds more than 50% shares indirectly	Other receivables 492,188 (RMB 110,060,000)	—	—	—	—	—

Note 1: Please fill the accounts and notes receivable and other receivables from related parties separately.

Note 2: "Paid-up Capital" herein refers to the paid-up capital of the parent company. If the issuer's stocks are no-par stocks or the par value per share is not NT\$10, the transaction amount, which should account for twenty percent (20%) of the paid-up capital, should be calculated at ten percent (10%) of the equity attributable to owners of the parent company as stated in the balance sheet.

Form VI. Information on Investees (e.g. name, address) (excluding investees in mainland China):

Name of investor	Name of investee (Note 1 & 2)	Address	Major business activities	Original investment amount		Ending shareholding		Book value	Current loss/ gain of investee (Note 2 (2))	Loss/gain from investments recognized for the current period (Note 2 (3))	Note
				End of the current period	End of last year	Number of shares	Percentage (%)				
Longchen Paper & Packaging Co., Ltd.	L&C CO., (B.V.I) LTD.	The Lake Building, 1 st Floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	General investment	USD 395,215,000	USD 395,215,000	263,384,215	96.92%	\$18,530,557	\$ (488,882)	\$ (476,470)	Subsidiary
Longchen Paper & Packaging Co., Ltd.	Long Chen Investment Developing Co., Ltd.	10F, No. 337, Fuxing N. Rd., Taipei City	General investment	564,500	564,500	70,084,789	99.57%	946,911	69,825	62,447	Subsidiary
Longchen Paper & Packaging Co., Ltd.	Long Sheng Investment Co., Ltd.	10F, No. 337, Fuxing N. Rd., Taipei City	General investment	453,864	453,864	87,068,220	46.86%	1,236,417	178,087	83,452	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Long Hwa Developing Investment Co., Ltd.	10F, No. 337, Fuxing N. Rd., Taipei City	Investment in productive enterprises	314,270	314,270	46,247,430	26.84%	545,897	122,760	32,949	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Yuema Engineering Co., Ltd.	10F, No. 337, Fuxing N. Rd., Taipei City	International trade and venture capital (VP)	80,083	80,083	4,835,009	21.41%	325,779	182,000	38,974	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Yuema International Co., Ltd.	10F, No. 337, Fuxing N. Rd., Taipei City	Manufacturing, processing, trading, import and export of papermaking materials and paper products	61,534	61,534	5,178,202	22.63%	106,079	24,391	5,519	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Yuma Investment Co., Ltd.	10F, No. 337, Fuxing N. Rd., Taipei City	General investment	43,832	43,832	2,724,000	20.95%	5,338	(4,902)	(1,027)	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Palong International Co., Ltd.	No. 25, Shisan N. Rd., Douliu City, Yunlin County	Merchandising business	630,171	630,171	39,180,636	25.95%	739,379	502,099	111,740	Investee accounted for using equity method

Note 1: If a public company has established its foreign holding company and submitted its consolidated statements as major financial statements as stipulated by local regulations, it can only disclose the information on such holding company regarding its foreign investee.

Note 2: In cases other than that described in Note 1, the following rules should be followed:

(1) "Name of investee", "Address", "Major business activities", "Original investment amount" and "Ending shareholding" should be filled in in sequence based on the (public) Company's reinvestment and the further reinvestment of each investee controlled directly or indirectly.

The relationship (e.g. subsidiary or sub-subsidiary) between the investee and the (public) Company should also be specified in the "Note" column.

(2) The amount of each investee's current loss/gain should be filled in the "Current loss/gain of investee" column.

(3) Only the amount of losses/gains of each subsidiary recognized by the (public) Company for direct reinvestment and of each investee accounted for using equity method should be filled in the "Loss/gain from investments recognized for the current period" column, and the rest can be omitted.

When filling in the "Amount of current losses/gains of each subsidiary recognized for direct reinvestment" column, confirm whether such amount includes its loss/gain from investment to be recognized for further reinvestment.

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Form VII. Funds Lent to Others

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 3 & 9)	Ending balance (Note 8 & 9)	Actual amount of disbursement (Note 9)	Interest rate collars (Note 10)	Characteristic of fund lent to others (Note 4)	Business transaction amount (Note 5)	Reason for short-term loans (Note 6)	Amount of provision for loss allowance	Collateral		Limit of individual lending (Note 7)	Total limit of funds lent to others (Note 7)
													Name	Value		
1	Pinghu Dushan Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Other receivables -related parties	Yes	\$96,954 (RMB 22,000,000)	\$- (RMB - thousand)	\$- (RMB - thousand)	-	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen P&P should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Pinghu Dushan Greentech Co., Ltd. (Amount: NT\$102,461,000)	The limit to loans granted to a single party by Longchen P&P should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Pinghu Dushan Greentech Co., Ltd. (Amount: NT\$102,461,000)
2	Pinghu Longchen Greentech Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	Other receivables -related parties	Yes	89,440 (RMB 20,000,000)	89,440 (RMB 20,000,000)	42,484 (RMB 9,500,000)	4.785%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen P&P should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Pinghu Longchen Greentech Co., Ltd. (Amount: NT\$2,696,614,000)	The limit to loans granted to a single party by Longchen P&P should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Pinghu Longchen Greentech Co., Ltd. (Amount: NT\$3,595,486,000)
3	Pinghu Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Other receivables -related parties	Yes	174,840 (RMB 40,000,000)	174,840 (RMB 40,000,000)	98,384 (RMB 22,000,000)	4.35%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen P&P should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Pinghu Longchen Greentech Co., Ltd. (Amount: NT\$2,696,614,000)	The limit to loans granted to a single party by Longchen P&P should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Pinghu Longchen Greentech Co., Ltd. (Amount: NT\$3,595,486,000)

Note 1: Complete the "Number" column as described below:

(1) Fill "0" in the issuer field.

(2) An Arabic numeral starting from "1" should be filled in the investee field by the company type.

Note 2: If any recorded account receivable from an associate or a related party, account with shareholder, prepayment or provisional payment has the characteristic of fund lent to others, fill it into this column.

Note 3: Maximum balance of funds lent to others in the current year

Note 4: In the "Characteristic of fund lent to others" column, fill "1" in case of a business transaction, or fill "2" in case of a short-term loan.

Note 5: If the characteristic of fund lent to other is business transaction, the business transaction amount should be entered; "Business Transaction Amount" refers to the amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the characteristic of fund lent to other is short-term loan, the reason for and purpose of such loan issued to others as stated in Longchen P&P's "Procedures for Lending of Capital" and to explain the calculation methods of such limit and total limit in the "Note" field.

Note 7: It is required to fill the limit of individual lending and the total limit of funds lent to others as stated in Longchen P&P's "Procedures for Lending of Capital" and to explain the calculation methods of such limit and total limit in the "Note" field.

Note 8: If a public company reported such fund lending to the board of directors for resolution on a trade-by-trade basis pursuant to Article 14.1 of the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies", the amount approved by the board of directors should be included in the announced balance to disclose the risk thereof, although such loan has not been issued yet. For subsequent repayment, the balance after repayment should be disclosed to indicate the risk-based adjustment. If the public company obtains the resolution of the board of directors and the Chairman is authorized to handle the specific amount of fund lending approved by the board of directors and the lending is authorized in installment or revolver within one year, pursuant to Article 14.2 of the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies", the limit of fund lending approved by the board of directors should be deemed as the balance to be announced and reported. In spite of subsequent refundment, further fund authorization can be considered. Therefore, the limit of fund lending approved by the board of directors should be deemed as the balance to be announced and reported.

Note 9: The actual amount of disbursement should be converted into the amount in NTD at the exchange rate applicable on the date of authorization for issuance of financial statements. The maximum balance at current period and the ending balance should be converted at the exchange rate applicable on the date of board resolution.

Note 10: The disclosure during the interest rate collars should be based on the ending balance.

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Form VIII. Endorsements and Guarantees Made to Others:

Number (Note 1)	Endorsing and guaranteee company	Endorsed and guaranteed company		Maximum outstanding endorsements and guarantee amount during the current period (Note 4)	Ending balance of endorsement and guarantee (Note 5)	Actual amount of disbursement (Note 6)	Property- backed endorsement and guarantee	The ratio of accumulated guarantee amount in the net worth of the latest financial statements	Maximum limit of endorsement and guarantee (Note 3)	Provision of endorsements and guarantees by parent company to subsidiary (Note 7)	Provision of endorsements and guarantees by subsidiary to parent company (Note 7)	Provision of endorsements and guarantees to the party in Mainland China (Note 7)
		Name of company	Relationship (Note 2)									
1	Pinghu Longchen Greentech Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	3	\$325,472	\$223,950	\$89,580	-	2.49%	The total limit to loans granted to a single party by Longchen P&P should not exceed three hundred percent (300%) of the net worth of the latest audited/reviewed financial statements of Pinghu Longchen Greentech Co., Ltd. (Amount: NT\$26,966,142,000)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	2	5,238,900	5,236,550	2,316,132	-	28.49%	The total limit to loans granted to others by Longchen P&P should not exceed three hundred percent (300%) of the net worth of the latest audited/reviewed financial statements of Jiangsu Longchen Greentech Co., Ltd. (Amount: NT\$55,139,046,000)	N	N	Y
		Wuxi Longchen Greentech Co., Ltd.	2	3,115,425	2,661,725	596,787	-	14.48%		N	N	Y
		Xiantao Longchen Greentech Co., Ltd.	2	230,050	224,000	220,182	-	1.22%		N	N	Y
		Hubei Longchen Greentech Co., Ltd.	3	1,232,235	1,008,235	651,187	-	5.49%		N	N	Y
		Wuhan Longchen Greentech Co., Ltd.	2	358,400	358,400	-	-	1.95%		N	N	Y
3	Long Chen Paper (China) Holdings Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	2	229,700	224,000	224,000	-	1.22%		N	N	Y
		Long Chen Paper Japan Co., Ltd.	3	163,560	163,560	23,171	-	0.89%		N	N	N
		Hong Kong Long Chen Paper Co., Ltd.	2	291,950	291,950	-	-	1.59%		N	N	Y
		Pinghu Longchen Greentech Co., Ltd.	3	153,125	153,125	-	-	0.83%	The total limit to loans granted to a single party by Longchen P&P should not exceed one hundred percent (100%) of the net worth of the latest audited/reviewed financial statements of Long Chen Paper (China) Holdings Co., Ltd. (Amount: NT\$33,307,731,000)	N	N	Y
		Hubei Longchen Greentech Co., Ltd.	3	306,250	306,250	-	-	1.66%		N	N	Y
		Jiangsu Longchen Greentech Co., Ltd.	2	459,375	459,375	-	-	2.48%		N	N	Y

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Note 1: Complete the "Number" column as described below:

- (1) Fill "0" in the issuer field.
- (2) An Arabic numeral starting from "1" should be filled in the investee field by the company type.

Note 2: There are seven types of the relationship between an endorsing and guarantee company and an endorsed and guaranteed company; fill in the number of type each case belongs to:

- (1) A company with business transaction;
- (2) A company in which Longchen P&P holds more than 50% voting shares directly or indirectly;
- (3) A company which holds more than 50% voting shares of Longchen P&P directly or indirectly;
- (4) A company in which Longchen P&P holds 90% or more voting shares directly or indirectly;
- (5) A company which should make mutual guarantees with its peer or joint building constructor for the purpose of construction project as agreed;
- (6) A company to which all shareholders make endorsements and guarantees based on the proportion of shareholding due to the joint investment relationship; or
- (7) Peers making joint and several guarantee for a contract for pre-sale housing pursuant to the "Consumer Protection Act"

Note 3: It is required to fill the limit for endorsement and guarantee for single enterprise made by the endorsing and guarantee company and the maximum limit of endorsement and guarantee as stated in Longchen P&P's "Procedures for Making Endorsements/Guarantees" and to explain the calculation methods of such limit and total limit of endorsements and guarantees in the "Note" field.

Note 4: Maximum balance of endorsements and guarantees made to others in the current year

Note 5: The amount approved by the board of directors should be filled. Where the board of directors authorizes the Chairman to make a decision pursuant to Article 12.8 of the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies", it should be the amount approved by the Chairman.

Note 6: Fill the actual amount of disbursement of the endorsed and guaranteed company within the balance limit.

Note 7: In case of provision of endorsements and guarantees by a TWSE/TPEx-listed parent company to a subsidiary, or by the subsidiary to such parent company, or provision of endorsements and guarantees to the party in mainland China, fill "Y".

Form IX. Securities held at the end of period (excluding investments in subsidiaries, associates or any portion controlled by joint ventures):

Name of company which holds securities	Securities (Note 1)		Relationship between the issuer of securities and the company (Note 2)	Account	Ending			Note (Note 4)
	Category	Name			Number of shares (1,000 shares)	Book value (Note 3)	Shareholding percentage	
L&C CO., (B.V.I.) LTD.	Equity investment	Long Chen Paper (China) Holdings Co., Ltd.	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	294,908	\$18,743,161	99.59%	\$18,435,272
	Equity investment	Dalton International Limited	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	USD 1,300	502	100%	502
	Equity investment	Long Chen Packaging Company (Cayman)	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	USD 2,525	114,228	100%	114,228
	Equity investment	LongChen Paper Trading Limited	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	USD 160	2,664	80%	2,664
Long Chen Investment Developing Co., Ltd.	Funds	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss - current	174	2,580	-	2,580
	Stocks	PYXIS GROUP	—	Financial assets at fair value through profit or loss - non-current	2,598	-	0.11%	-
	Stocks	Sheng Ying Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	1 share	-	0.06%	-
	Stocks	Yuema Engineering Co., Ltd.	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	3,004 shares	204,240	13.30%	204,148
	Stocks	Baolong International Co., Ltd.	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	14,929 shares	362,270	9.89%	219,458
	Stocks	Yuema International Co., Ltd.	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	3,704 shares	81,987	16.19%	81,162
	Stocks	L&C CO., (B.V.I.) LTD.	The Company's investee accounted for using equity method	Long-term equity investment accounted for using equity method	3,685	264,074	1.36%	260,485

Note 1: "Securities" herein refer to stocks, bonds, beneficiary certificates, and derivative securities from them as defined in IFRS 9 - "Financial Instruments".

Note 2: If the issuer of securities is not a related party, please leave this column blank.

Note 3: In case of measurement at fair value, please fill in the "Book Value" column the book balance after valuation adjustment at fair value and deduction of loss allowance. In other cases, fill in the "Book Value" column the book balance of the amortized cost (with loss allowance deducted).

Note 4: If any securities are restricted due to the provision of security or secured borrowings, or subject to other agreements, specify the number of shares or amount for such security or secured borrowings and restriction of use.

Form X. Amount of Purchase/Sale Transaction with a Related Party Exceeding NT\$100 Million or 20% of the Paid-up Capital:

Purchaser/Seller	Name of counterpart	Relationship	Transaction details				Transaction conditions different from general transaction and reason(s) (Note 1)		Notes and accounts receivable/payable		Note (Note 2)
			Purchase/sale	Amount	Ratio in total purchases/sales	Period of credit granting	Unit price	Period of credit granting	Balance	Ratio in total notes and accounts receivable/payable (%)	
Wuxi Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) \$308,072 67,607,000)	2.06%	Prepayment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB) \$14,409 3,222,000)	0.49%	
Wuxi Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) 3,262,938 716,059,000)	21.82%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB) 299,490 66,970,000)	10.17%	
			Purchase	(RMB) 1,197,208 262,730,000)	10.40%	Prepayment or monthly settlement within 30 days			Accounts payable (RMB) 71,275 15,938,000)	5.80%	
Wuxi Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) 379,344 83,248,000)	2.54%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB) 74,405 16,638,000)	2.53%	
Wuxi Longchen Greentech Co., Ltd.	Wuxi Longchen Resources Co., Ltd.	Longchen P&P's sub-subsiary	Purchase	(RMB) 1,552,880 340,783,000)	13.48%	Prepayment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts payable (RMB) 198,619 44,414,000)	16.17%	
Wuxi Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) 244,035 53,554,000)	1.63%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Notes receivable (RMB) 13,416 3,000,000)	0.46%	
								-	Accounts receivable (RMB) 87,504 19,567,000)	2.97%	
Wuxi Longchen Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) 903,235 198,217,000)	6.04%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB) 178,106 39,827,000)	6.05%	
Wuxi Longchen Greentech Co., Ltd.	Hubei Longchen Resources Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) 966,479 212,096,000)	6.46%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	-	-	
Wuxi Longchen Greentech Co., Ltd.	Metis International, Inc.	Longchen P&P's sub-subsiary	Purchase	(RMB) 111,988 24,576,000)	0.97%	Payment against L/C at sight	Subject to a distribution agreement	-	Accounts payable (RMB) 32,847 7,345,000)	2.67%	
Wuxi Longchen Greentech Co., Ltd.	Long Chen Paper Japan Co., Ltd.	Longchen P&P's sub-subsiary	Purchase	(RMB) 217,523 47,736,000)	1.89%	Payment against L/C at sight	Subject to a distribution agreement	-	Accounts payable (RMB) 89,100 19,924,000)	7.25%	
Pinghu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiary	Sale	(RMB) 560,213 122,940,000)	3.18%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB) 87,159 19,490,000)	1.83%	

Separate Accompanying Footnotes (Contd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Purchaser/Seller	Name of counterpart	Relationship	Transaction details				Transaction conditions different from general transaction and reason(s) (Note 1)		Notes and accounts receivable/payable		Note (Note 2)
			Purchase/sale	Amount	Ratio in total purchases/sales	Period of credit granting	Unit price	Period of credit granting	Balance	Ratio in total notes and accounts receivable/payable (%)	
Pinghu Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiary	Sale	\$4,752,925 (RMB 1,043,040,000)	26.97%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB 97,415,000)	9.13%	
			Purchase	1,145,001 (RMB 251,273,000)	8.25%	Prepayment or monthly settlement within 30 days	Subject to a distribution agreement		Accounts payable (RMB 1,892,000)	0.61%	
Pinghu Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	Longchen P&P's sub-subsiary	Sale	714,087 (RMB 156,708,000)	4.05%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Accounts receivable (RMB 123,320 27,576,000)	2.58%	
Pinghu Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiary	Sale	469,893 (RMB 103,119,000)	2.67%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement	-	Notes receivable (RMB 109,618 24,512,000)	2.30%	
									Accounts receivable (RMB 150,863 33,735,000)	3.16%	
Pinghu Longchen Greentech Co., Ltd.	Zhejiang Longchen Resources Co., Ltd.	Longchen P&P's sub-subsiary	Purchase	374,943 (RMB 82,282,000)	2.70%	Prepayment or monthly settlement within 30 days	Subject to a distribution agreement		Accounts payable (RMB 68,162 15,242,000)	4.93%	
Pinghu Longchen Greentech Co., Ltd.	Metis International, Inc.	Longchen P&P's sub-subsiary	Purchase	684,472 (RMB 150,209,000)	4.93%	Payment against L/C at sight	Subject to a distribution agreement	-	Accounts payable (RMB 28,643 6,405,000)	2.07%	
Pinghu Longchen Greentech Co., Ltd.	Long Chen Paper Japan Co., Ltd.	Longchen P&P's sub-subsiary	Purchase	561,156 (RMB 123,147,000)	4.04%	Payment against L/C at sight	Subject to a distribution agreement	-	Accounts payable (RMB 10,854 2,427,000)	0.79%	
Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiary	Sale	854,190 (RMB 187,454,000)	6.95%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement		Accounts receivable (RMB 464,422 103,851,000)	17.91%	
			Purchase	556,732 (RMB 122,176,000)	4.76%	Prepayment or monthly settlement within 30 days	Subject to a distribution agreement		Accounts payable (RMB - thousand)	0.00%	
Hubei Longchen Greentech Co., Ltd.	Xiantao Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiary	Sale	\$296,397 (RMB 65,045,000)	3.09%	Advance payment or monthly settlement within 30 days	Subject to a distribution agreement		Notes receivable (RMB \$116,657 26,086,000)	7.60%	
									Accounts receivable (RMB 126,343 28,252,000)	8.23%	

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Purchaser/Seller	Name of counterpart	Relationship	Transaction details				Transaction conditions different from general transaction and reason(s) (Note 1)		Notes and accounts receivable/payable		Note (Note 2)
			Purchase/sale	Amount	Ratio in total purchases/sales	Period of credit granting	Unit price	Period of credit granting	Balance	Ratio in total notes and accounts receivable/payable (%)	
Hubei Longchen Greentech Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Sale	107,864 (RMB 23,671,000)	1.12%	Advance payment or monthly settlement within 30 days monthly settlement within 30 days	Subject to a distribution agreement		Notes receivable (RMB 11,973,000) Accounts receivable (RMB 51,187 11,446,000)	3.49% 3.34%	
			Purchase	1,263,806 (RMB 277,345,000)	13.79%	Prepayment or monthly settlement within 30 days	Subject to a distribution agreement		Accounts payable (RMB 7,303 1,633,000)	0.52%	

Note 1: If the conditions of a transaction with a related party are different from the general transaction conditions, please specify such difference and reason(s) in the "Unit Price" and "Period of credit granting" columns.

Note 2: In case of any advance or prepayment, covenant, amount and difference from general transaction in the "Note" column.

Note 3: "Paid-up Capital" herein refers to the paid-up capital of the parent company. If the issuer's stocks are no-par stocks or the par value per share is not NT\$10, the transaction amount, which should account for twenty percent (20%) of the paid-up capital, should be calculated at ten percent (10%) of the equity attributable to owners of the parent company as stated in the balance sheet.

Form XI. Amount of Accounts Receivable from Related Parties Exceeding NT\$100 Million or 20% of the Paid-up Capital:

Creditor	Name of counterpart	Relationship	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Amount overdue of accounts receivable from related parties		Accounts receivable from related party	Amount of provision for credit loss
					Amount	Action taken		
Wuxi Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Accounts receivable (RMB) \$299,490 66,970,000)	9.53 times	—	—	—	—
Wuxi Longchen Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Accounts receivable (RMB) 178,106 39,827,000)	9.86 times	—	—	—	—
Wuxi Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiidiary	Notes receivable (RMB) 13,416 3,000,000)	1.54 times	—	—	—	—
			Accounts receivable (RMB) 87,504 19,567,000)					
Pinghu Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Accounts receivable (RMB) 435,640 97,415,000)	13.47 times	—	—	—	—
Pinghu Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	Longchen P&P's sub-subsiidiary	Accounts receivable (RMB) 123,320 27,576,000)	9.86 times	—	—	—	—
Pinghu Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiidiary	Notes receivable (RMB) 109,618 24,512,000)	2.20 times	—	—	—	—
			Accounts receivable (RMB) 150,863 33,735,000)					
			Other receivables (RMB) 103,111 23,057,000)	—	—	—	—	—
Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Accounts receivable (RMB) 464,422 103,851,000)	2.33 times	—	—	—	—
Hubei Longchen Greentech Co., Ltd.	Xiantao Longchen Paper Co., Ltd.	Longchen P&P's sub-subsiidiary	Notes receivable (RMB) 116,657 26,086,000)	2.08 times	—	—	—	—
			Accounts receivable (RMB) 126,343 28,252,000)					
Hubei Longchen Greentech Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Notes receivable (RMB) 53,543 11,973,000)	2.02 times	—	—	—	—
			Accounts receivable (RMB) 51,187 11,446,000)					
Wuxi Longchen Resources Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Longchen P&P's sub-subsiidiary	Accounts receivable (RMB) 198,619 44,414,000)	14.94 times	—	—	—	—

Note 1: Please fill the accounts and notes receivable and other receivables from related parties separately.

Note 2: "Paid-up Capital" herein refers to the paid-up capital of the parent company. If the issuer's stocks are no-par stocks or the par value per share is not NT\$10, the transaction amount, which should account for twenty percent (20%) of the paid-up capital, should be calculated at ten percent (10%) of the equity attributable to owners of the parent company as stated in the balance sheet.

Form XII. Investments in Mainland China:

Investee in Mainland China	Major business activities	Paid-up capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of the first day of the current period	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan to Mainland China as at the last day of the current period	Net income of the investee in the current period	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company in the current period (Note 3)	Ending book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan as at the last day of the current period	Note
Wuxi Longchen Greentech Co., Ltd.	Manufacturing of converted paper and paperboard, sale of self-made products	US\$171.8 million	(2)	\$4,858,912	\$-	\$-	\$4,858,912	\$(736,419)	96.60%	\$(711,381)	\$7,426,030	\$-	
Suzhou Longchen Paper Co., Ltd.	Manufacturing and sale of top-grade paper, paperboard and novel packaging materials	US\$13.58 million	(2)	437,649	-	-	437,649	34,448	97.73%	33,666	594,617	-	
Jiangsu Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paper, paperboard and paper products	RMB 895,978,000	(2)	365,441	-	-	365,441	10,620	97.73%	10,379	17,962,464	-	
Shang Yang (Suzhou) Paper Packaging Co., Ltd.	Prints for packaging and decoration, color-printed paper cartons	US\$5.6 million	(2)	185,150	-	-	185,150	-	-	-	-	-	Note 6
Rong Yang (Shanghai) Packaging Co., Ltd.	Design, manufacturing and processing of paper packaging products and similar products	US\$419 thousand	(2)	8,879	-	-	8,879	-	-	-	-	-	Note 6
Ningbo Shang Yang Packaging Co., Ltd.	Design, manufacturing and processing of paper packaging products	US\$33 thousand	(2)	1,492	-	-	1,492	-	-	-	-	-	Note 6
Sun Young (Chongqing) Packaging Co., Ltd.	Manufacturing and sale of cartons, pearl wool and foam, etc.	US\$2 million	(2)	14,633	-	-	14,633	-	-	-	-	-	Note 6
Zhejiang Xiasha Longchen Packing Co., Ltd.	Manufacturing and processing of top-grade paperboard, cartons and paper boxes	US\$19.5 million	(2)	392,073	-	-	392,073	77,207	97.73%	75,455	742,214	-	
Shanghai Minhang Longchen Paper Co., Ltd.	Manufacturing and processing of paperboard and paper products	US\$12 million	(2)	118,551	-	-	118,551	25,677	97.73%	25,095	260,985	-	
Pinghu Longchen Greentech Co., Ltd.	Manufacturing and sale of top-grade paper and paperboard	US\$164,590,000	(2)	2,755,127	-	-	2,755,127	1,136,009	97.73%	1,110,221	8,784,670	-	
Zhejiang Fuchun Resort Tourism Development Co., Ltd.	Operation of hospitality and recreational business	US\$21.7 million	(2)	-	-	-	-	-	-	-	-	-	Note 7
Fuyang Fuchun Resort Co., Ltd.	Golf course	US\$36,980,000	(2)	66,984	-	-	66,984	-	-	-	-	-	Note 7
Chongqing Gao Hao Packaging Co., Ltd.	Manufacturing, processing and sale of packaging products	US\$326 thousand	(2)	-	-	-	-	-	-	-	-	-	

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Investee in Mainland China	Major business activities	Paid-up capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of the first day of the current period	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan to Mainland China as at the last day of the current period	Net income of the investee in the current period	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company in the current period (Note 3)	Ending book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan as at the last day of the current period	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Suzhou Mango Packaging Co., Ltd.	Wholesale, import and export of packaging materials, paper products, electronic products, and hardware	US\$2.5 million	(2)	\$76,178	\$-	\$-	\$76,178	\$20,127	98.27%	\$19,779	\$112,226	\$-	
Kunshan Long Chen Trading Co., Ltd.	Wholesale, import and export of paper, paperboard, cartons, and packaging materials	-	(2)	2,426	-	-	2,426	-	-	-	-	-	Note 5
Kunshan Pao Long Trading Co., Ltd.	Commercial wholesale, import and export of papermaking equipment, accessories and materials	-	(2)	2,426	-	-	2,426	-	-	-	-	-	Note 5
Kunshan Longzhong Investment Co., Ltd.	Provision of consulting services, market information and investment strategies for investors	US\$75 million	(2)	1,306,382	-	-	1,306,382	(341)	97.87%	(333)	2,248,401	-	
Hubei Longchen Greentech Co., Ltd.	Sewage treatment, resource recovery and recycling, manufacturing and sale of top-grade paper and paperboard	RMB 1,498,275	(2)	-	-	-	-	(975,839)	97.73%	(953,688)	5,454,019	-	
Xiantao Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	RMB 79.2 million	(2)	-	-	-	-	(58,803)	97.73%	(57,468)	235,739	-	
Wuhan Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	RMB 34,000	(2)	-	-	-	-	(2,843)	97.73%	(2,778)	144,664	-	
Jingzhou Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	RMB 79.2 million	(2)	-	-	-	-	(60,874)	97.73%	(59,492)	286,430	-	
Hunan Longchen Green Packing Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	RMB 10.1 million	(2)	-	-	-	-	(68)	97.73%	(67)	44,076	-	

Amount of investments in Mainland China	Approved investment amount	Limit of investments in Mainland China (Note 3)	The Company's accumulated investment amount in Taiwan	Income remitted back to Taiwan by subsidiary
\$10,592,303	\$11,166,101		\$-	\$-

Separate Accompanying Footnotes (Cont'd) of Longchen Paper & Packaging Co., Ltd.
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in mainland China;
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Suzhou Mango Packaging Co., Ltd. listed as sub-subsidiary herein made such reinvestment through Long Chen Packaging Company (Cayman); Kunshan Long Chen Trading Co., Ltd. And Kunshan Pao Long Trading Co., Ltd. made such reinvestment through Long Chen Paper Trading Limited; Zhejiang Fuchun Resort Tourism Development Co., Ltd. and Fuyang Fuchun Resort Co., Ltd. made such reinvestment through PAO LONG EASTERN LEISURE CAPITAL INC. Other reinvestments in companies in mainland China were made from Long Chen Paper (China) Holdings Co., Ltd.);
- (3) Others

Note 2: In the "Investment income (loss) recognized by the Company in the current period" column, recognition is based on the financial statements that are audited and attested by the international accounting firm which has cooperative relationship with the accounting firm in R.O.C.

Note 3: Pursuant to Jing-Shen No. 09704604680 Letter issued by the Investment Commission, the Ministry of Economic Affairs (MOEA), the total amount of investments in companies in mainland China should not exceed sixty percent (60%) of the net worth, except the Taiwan-based subsidiaries of enterprises or multinational enterprises with the certificate of compliance with the operational headquarters' business scope issued by the Industrial Development Bureau, MOEA. Longchen P&P complies with such rule of the Industrial Development Bureau, MOEA. Therefore, Longchen P&P's investments in mainland China are not limited to sixty percent (60%) of the net worth. As Longchen P&P's operational headquarters identification would expire in December 2016, it filed an application for identification again with the MOEA in 2016. Its validity period starts from October 26, 2016 till October 25, 2019.

Note 4: The numbers in this table are expressed in New Taiwan Dollars.

Note 5: Kunshan Long Chen Trading Co., Ltd. and Kunshan Pao Long Trading Co., Ltd. invested by Longchen P&P indirectly were winded up in Q4 of 2017. Their rights and obligations were liquidated, and the business registration was canceled. Additionally, the capital stock would be back to Long Chen Paper Trading Limited. Thus, no deduction is required.

Note 6: (1) Ningbo Shang Yang Packaging Co., Ltd. and Rong Yang (Shanghai) Packaging Co., Ltd. invested by Longchen P&P indirectly were winded up in Q4 of 2016. Their rights and obligations were liquidated, and the business registration was canceled.

- (2) The shares of Shang Yang (Suzhou) Paper Packaging Co., Ltd. and Shang Yang (Suzhou) Paper Packaging Co., Ltd. were transferred to non-related parties through the resale of full ownership to SENBO HOLDINGS LTD.
- (3) The liquidated capital stock and the proceeds of sale were remitted back to Long Chen Paper (China) Holdings Co., Ltd. So no deduction was required.

Note 7: Zhejiang Fuchun Resort Tourism Development Co., Ltd. And Fuyang Fuchun Resort Co., Ltd. invested by Longchen P&P indirectly were sold in 2016. The liquidated capital stock of US\$20,110 thousand (calculated at 18.05% shareholding percentage) was remitted back to the investor in the third area (L&C CO., (B.V.I) LTD.). This was approved by the Investment Commission (Jing-Shen-Er No. 10600034750 Letter) on March 28, 2017. The investment amount of remittance from Taiwan to mainland China was US\$2 million (NT\$66,894 thousand); according to the rules of the Investment Commission, no deduction was required.

Statement of Significant Accounts

Item	Index
Statement of Cash and Cash Equivalents	1
Statement of Financial Assets at Fair Value through Profit or Loss - Liquidity Form	2
Statement of Net Notes Receivable	3
Statement of Net Accounts Receivable	4
Statement of Net Inventory	5
Financial Assets at Fair Value through Profit or Loss - Statement of Changes in Non-current Assets	6
Statement of Changes in Investments Accounted for Using Equity Method	7
Statement of Changes in Property, Plant and Equipment	Footnotes VI(VII) - "Property, Plant and Equipment"
Statement of Changes in Investment Property	Footnotes VI(VIII) - "Investment Property"
Statement of Deferred Income Tax Assets	Footnotes VI(XX) - "Income Tax"
Statement of Other Non-current Assets	Footnotes VI(IX) - "Other Non-current Assets"
Statement of Short-term Borrowings	8
Statement of Short-term Notes and Bills Payable	9
Statement of Notes Payable	10
Statement of Accounts Payable	11
Statement of Other Payables	12
Statement of Corporate Bonds Payable	Footnotes VI(XII) - "Corporate Bonds Payable"
Statement of Long-term Loans	Footnotes VI(XIII) - "Long-term Loans"
Statement of Deferred Income Tax Liabilities	Footnotes VI(XX) - "Income Tax"
Statement of Revenue Statement	13
Statement of Operating Costs	14
Statement of Manufacturing Expenses	15
Statement of Distribution Cost	16
Statement of Administrative Expenses	17
Statement of R&D Expenses	18
Statement of Net Other Income and Expenses	Footnotes VI(XXIII) - "Non-operating Income and Expenses"
Statement of Financial Costs	Footnotes VI(XIII) - "Non-operating Income and Expenses"
Summary of Employee Benefit Expenses, Depreciation and Amortization by Function of Expense	Footnotes VI(XIV) - "Employee Benefit Expenses"

1. Statement of Cash and Cash Equivalents

Ended December 31, 2018

Unit: NT\$1,000

Other foreign currencies

Item	Summary	Amount	Remarks
Cash on hand		\$3	
Petty cash		1,097	
Demand deposits (NTD)		41,814	
Demand deposits (foreign currency)	USD 445,946.74@30.715 RMB 668,418.63@4.472 EUR 1,099.03@35.2	16,725	
Checking deposits		2,536	
Total		\$62,175	

2. Statement of Financial Assets at Fair Value through Profit or Loss - Liquidity Form

Ended December 31, 2018

Unit: NT\$1,000

Nominal value & unit price: NT\$1

Financial instrument	Summary	Number of shares/No. of script	Nominal value	Total amount	Interest rate	Acquisition cost	Fair value		Remarks
							Unit price	Total amount	
Hon Hai	Stock	3,504	\$10	\$35		\$157	70.80	\$248	
Taiwan Cement	Stock	1,194	10	12		20	35.60	42	
Taiwan Cement	Preferred shares	37	50	2		2	50.00	2	
Subtotal		4,735		49		179		292	
Plus: Valuation adjustment of financial assets at fair value through profit or loss - current		-		-		113		-	
Total				\$49		\$292		\$292	

3. Statement of Net Notes Receivable

Ended December 31, 2018

Unit: NT\$1,000

Customer's name	Summary	Amount	Remarks
Customer HF21	Payment for goods	\$35,824	Each customer's balance no more than 5% of the balance for this item
Customer SZ22	Payment for goods	27,613	
Customer PF21	Payment for goods	25,227	
Customer 3C35	Payment for goods	22,062	
Others	Payment for goods	327,600	
Subtotal		438,326	
Less: loss allowance		(5,275)	
Net amount		\$433,051	

4. Statement of Net Accounts Receivable

Ended December 31, 2018

Unit: NT\$1,000

Customer's name	Summary	Amount	Remarks
Customer SR11	Payment for goods	\$71,530	Each customer's balance no more than 5% of the balance for this item
Others	Payment for goods	916,895	
Subtotal		988,425	
Less: loss allowance		(12,480)	
Net amount		\$975,945	

5. Statement of inventories

Ended December 31, 2018

Unit: NT\$1,000

Item	Summary	Amount		Remarks
		Cost	Net realizable value	
Raw material		\$312,323	\$312,323	Ending valuations at the cost and net realization value for provision for the allowance for reduction of inventory to market
Supplies		202,996	202,996	
Work in process (WIP)		8,411	8,411	
Finished goods		93,902	101,382	
Less: allowance for reduction of inventory to market and obsolete and slow-moving inventories		(2,737)		
Total		\$614,895	\$625,112	

6. Financial assets at fair value through profit or loss - statement of changes in non-current assets

As of January 1 till December 31, 2018

Unit: NT\$1,000

Nominal value & unit price: NT\$1

Financial instrument	Opening balance		Increase in current period		Decrease in current period		Ending balance		Guarantee or pledge (Yes/No)	Remarks
	Number of shares/stocks	Fair value	No. of script (1,000 shares)	Amount	No. of script (1,000 shares)	Amount	Number of shares/No. of script	Fair value		
Asia Technology 3 LTD.	700 common shares; 6,300 preferred shares	\$-	-	\$-	-	\$-	700 common shares; 6,300 preferred shares	\$-	N/A	
OTC Daily News Co., Ltd.	180,000 shares	-	-	-	-	-	180,000 shares	-	N/A	
Everterminal Co., Ltd.	456,325 shares	3,685	-	-	-	-	456,325 shares	3,685	N/A	
Cheng Fong Chemical Co., Ltd.	2,325 shares	-	-	-	-	-	2,325 shares	-	N/A	
Linkou International Golf & Country Club	1 piece	5,071	-	-	-	-	1 piece	5,071	N/A	
Taichung International Entertainment Corporation.	2 shares	2,200	-	-	2	2,200	-	-	N/A	
ZoYi Capital Fund I,L.P.	-	88,560	-	27,074	-	-	-	115,634	N/A	
ARM IoT Fund,L.P.	-	15,130	-	29,647	-	-	-	44,777	N/A	
Subtotal		114,646		56,721		2,200		169,167		
Plus: Valuation adjustment of financial assets at fair value through other comprehensive income - non-current		-		-		-		-		
Total		\$114,646		\$56,721		\$2,200		\$169,167		

7. Statement of Changes in Investments Accounted for Using Equity Method

As of January 1 till December 31, 2018

Unit: NT\$1,000

Name	Opening balance			Increase in current period		Decrease in current period		Ending balance			Market price or net worth of equities		Guarantee or pledge (Yes/No)	Remarks
	Number of shares (1,000 shares)	Amount	Adjustment for initial application of IFRS9	Amount	Number of shares (1,000 shares)	Amount	Number of shares (1,000 shares)	Amount	Proportion of shareholding (%)	Number of shares (1,000 shares)	Unit price	Total price		
L&C CO., (BVI) LTD.	263,384	\$19,430,422	\$-	\$19,430,422	-	\$-	-	\$(899,865)	96.92	263,384	\$-	\$18,563,392	N/A	
Long Chen Investment Developing Co., Ltd.	62,856	2,004,268	105,457	2,109,725	7,229	-	-	(1,162,814)	99.57	70,085	-	982,297	N/A	
Long Sheng Investment Co., Ltd.	80,470	2,397,586	96,605	2,494,191	6,598	-	-	(1,257,774)	46.86	87,068	-	1,247,875	N/A	
Long Hwa Developing Investment Co., Ltd.	31,895	1,004,135	29,466	1,033,601	14,352	-	-	(487,704)	26.84	46,247	-	556,256	N/A	
Yuema Engineering Co., Ltd.	4,835	985,253	8,753	994,006	-	-	-	(668,227)	21.41	4,835	-	328,633	N/A	
Yuema International Co., Ltd.	4,708	177,259	55,593	232,852	470	-	-	(126,773)	22.63	5,178	-	113,447	N/A	
Yuma Investment Co., Ltd.	2,724	6,226	127	6,353	-	-	-	(1,015)	20.95	2,724	-	23,850	N/A	
Baolong International Co., Ltd.	39,181	2,347,670	159,275	2,506,945	-	-	-	(1,767,566)	25.95	39,181	14.70	575,955	N/A	
Total		<u>\$28,352,819</u>	<u>\$455,276</u>	<u>\$28,808,095</u>		<u>\$-</u>		<u>\$(6,371,738)</u>						
								<u>\$22,436,357</u>						

8. Statement of Short-term Borrowings

Ended December 31, 2018

Unit: NT\$1,000

Nature of the borrowing	Creditor bank	Ending balance	Contract term	Interest rate (%)	Limits on financing	Mortgage or guarantee	Remarks
Fiduciary loan	Bank of Taiwan, Ren-ai Branch	\$280,000	From August 2018 to August 2019	1.050%	\$280,000	N/A	
Fiduciary loan	Land Bank of Taiwan, Heping Branch	200,000	From December 2017 to December 2018	1.100%	200,000	N/A	
Fiduciary loan	First Bank, Xi-Men Branch	200,000	From July 2018 to July 2019	1.100%	200,000	N/A	
Fiduciary loan	Mega International Commercial Bank, Chung Hsiao Branch	80,000	From April 2018 to June 2019	1.250%	300,000	N/A	
Fiduciary loan	Mizuho Bank	140,000	From July 2018 to July 2019	1.100%	150,000	N/A	
Fiduciary loan	United Overseas Bank (UOB), Taipei Branch	400,000	From May 2018 to May 2019	1.150%	900,000	N/A	
Fiduciary loan	Taiwan Business Bank (TBB), Fuxing Branch	100,000	From March 2018 to March 2019	1.295%	100,000	N/A	
Fiduciary loan	Shin Kong Bank, Nandong Branch	100,000	From August 2018 to August 2019	1.128%	100,000	N/A	
Fiduciary loan	KGI Bank, Banking Business Department	200,000	From December 2017 to December 2018	1.139%	200,000	N/A	
Fiduciary loan	Taishin International Bank	80,000	From June 2018 to June 2019	1.130%	200,000	N/A	
Total		\$1,780,000					

9. Statement of Short-term Notes and Bills Payable

Ended December 31, 2018

Unit: NT\$1,000

Item	Guarantor or acceptor	Contract term	Interest rate (%)	Amount			Remarks
				Amount of issuance	Unamortized discount on short-term notes and bills payable	Book value	
Commercial paper payable	The Shanghai Commercial & Savings Bank, Ltd., Business Department	From July 2018 to July 2019	1.182%	\$200,000	\$(291)	\$199,709	
	MEGA BILLS FINANCE CO., LTD.	From December 2017 to December 2018	1.051%	200,000	(17)	199,983	
	China Bills Finance Corporation	From August 2018 to August 2019	1.090%	150,000	(90)	149,910	
	International Bills Finance Corporation (IBFC)	From April 2018 to April 2019	1.090%	150,000	(76)	149,924	
	DAH CHUNG BILLS FINANCE CORPORATION	From December 2018 to December 2019	1.129%	200,000	(18)	199,982	
	Grand Bills Finance Corporation	From July 2018 to July 2019	1.129%	200,000	(18)	199,982	
	TAIWAN COOPERATIVE BILLS FINANCE CORPORATION	From July 2018 to July 2019	1.070%	200,000	(59)	199,941	
Total				\$1,300,000	\$(569)	\$1,299,431	

10. Statement of Notes Payable

Ended December 31, 2018

Unit: NT\$1,000

Customer's name	Summary	Amount	Remarks
WAN HO AUTO LEASING CO., LTD.	Others	\$89	
Total		\$89	

11. Statement of Accounts Payable

Ended December 31, 2018

Unit: NT\$1,000

Customer's name	Summary	Amount	Remarks
Manufacturer DI022	Payment for goods	\$97,052	Each manufacturer's balance no more than 5% of the balance for this item
Manufacturer BE003	Payment for goods	54,676	
Manufacturer DC004	Payment for goods	38,011	
Others	Payment for goods	560,390	
Total		\$750,129	

12. Statement of Other Payables

Ended December 31, 2018

Unit: NT\$1,000

Item	Summary	Amount	Remarks
Salaries payable		\$65,710	
Pension payable		69,043	
Interest payable		3,867	
Professional service fees payable	CPA fee	1,263	
Insurance expense payable		10,800	
Other payables	Utilities expense, freight, import expenses and miscellaneous charges	145,894	
Employee bonus payable		54,034	
Payables on equipment		123,941	
Accrued VAT payable		18,018	
Other payables - others		22,669	
Total		\$515,239	

13. Revenue Statement

As of January 1 till December 31, 2018

Unit: NT\$1,000

Item	Quantity	Amount	Remarks
Corrugated plate	14,894.99	\$1,863,599	Unit: 10,000 m ²
Corrugated carton	18,209.15	2,647,602	Unit: 10,000 m ²
Corrugating medium	315,320.23	4,024,164	Unit: t
Outer facing for corrugated paper	116,077.59	1,660,762	Unit: t
Power sales revenue	40,917.60	90,263	Unit: kW
Total		\$10,286,390	

14. Statement of Operating Costs

As of January 1 till December 31, 2018

Unit: NT\$1,000

Item	Summary	Amount		Remarks
		Subtotal	Total	
Raw material				
Opening inventory		\$346,597		
Purchases for the current period		4,388,407		
Ending inventory		(312,323)		
Other transfer receipts		97,317		
Other transfer payments		(97,997)		
Consumption of raw materials			\$4,422,001	
Supplies				
Opening inventory		207,461		
Materials purchased for the current period		1,469,955		
Ending inventory		(202,996)		
Other transfer receipts		-		
Other transfer payments		(1,474,420)		
Consumption of supplies			-	
Direct labor			289,945	
Manufacturing expenses			2,713,302	
Manufacturing costs			7,425,248	
Opening supplies of WIP		8,025		
Ending supplies of WIP		(8,411)		
Other transfer payments		-	(386)	
Costs of finished goods			7,424,862	
Opening supplies of finished goods		113,676		
Ending supplies of finished goods		(93,902)		
Other transfer receipts		344,115		
Other transfer payments		(102,422)	261,467	
Production and sales costs			7,686,329	
Other operating costs				
Unamortized fixed factory overhead due to low yield		13,237		
Revenue from sale of scraps		(5,375)		
Other operating costs - others	Power sale	67,221		
Subtotal			75,083	
Total operating costs			\$7,761,412	

15. Statement of Manufacturing Expenses

As of January 1 till December 31, 2018

Unit: NT\$1,000

Item	Summary	Amount	Remarks
Indirect labor		\$273,099	
Rent expense		25,199	
Office supplies (expense)		1,789	
Traveling expense		2,369	
Freight		5,039	
Postage expenses		431	
Repair(s) and maintenance expense		281,939	
Packing expenses		73,868	
Insurance expense		35,845	
Manufacturing overhead		20,969	
Taxes and fees		12,830	
Depreciation expense		377,503	
Meal expenses		13,925	
Employee benefits/welfare		233	
Miscellaneous purchases		6,728	
Training expense		605	
Transportation expenses		13,725	
Entertainment expense		466	
Other expenses		1,566,740	
Total		\$2,713,302	

16. Statement of Distribution Cost

As of January 1 till December 31, 2018

Unit: NT\$1,000

Item	Summary	Amount	Remarks
Payroll expense		\$101,853	
Rent expense		5,438	
Office supplies (expense)		1,310	
Traveling expense		620	
Freight		295,557	
Postage expenses		1,196	
Repair(s) and maintenance expense		5,429	
Insurance expense		9,998	
Entertainment expense		5,229	
Taxes and fees		242	
Depreciation expense		8,444	
Meal expenses		3,260	
Employee benefits/welfare		185	
Training expense		13	
Other expenses		47,074	
Total		\$485,848	

17. Statement of Administrative Expenses

As of January 1 till December 31, 2018

Unit: NT\$1,000

Item	Summary	Amount	Remarks
Payroll expense		\$155,696	
Rent expense		23,938	
Office supplies (expense)		2,884	
Traveling expense		20,928	
Freight		13,408	
Postage expenses		8,318	
Repair(s) and maintenance expense		12,522	
Advertisement expense		924	
Utilities expense		5,288	
Insurance expense		19,734	
Entertainment expense		19,253	
Donation (expense)		13,429	
Taxes and fees		2,570	
Depreciation expense		30,173	
Amortizations		7,935	
Meal expenses		3,769	
Employee benefits/welfare		18,957	
Training expense		644	
Other expenses		55,958	
Total		\$416,328	

As of January 1 till December 31, 2018

Item	Summary	Amount	Remarks
Payroll expense		\$10,064	
Rent expense		66	
Office supplies (expense)		81	
Traveling expense		288	
Repair(s) and maintenance expense		140	
Insurance expense		815	
Depreciation expense		112	
Meal expenses		257	
Employee benefits/welfare		10	
Training expense		3	
Other expenses		2,454	
Total		\$14,290	