

Stock Code: 1909

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

Longchen Paper & Packaging Co., Ltd. and subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020

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Representation Letter

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare

Company name: Longchen Paper & Packaging Co., Ltd.

Chairman: Cheng, Ying-Pin

March 11, 2022



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Longchen Paper & Packaging Co., Ltd and its subsidiaries (the "Group"). which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the "Other matter-Making Reference to the Audits of Component Auditors section of our report) the accompanying consolidated financial statements present fairly,in all material respects,the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers,and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Major transactions with related parties

The Group strive 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 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 accompanying the consolidated financial statements.

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

1. Understand and verify the design and execution effectiveness of the internal control system for the administration of transactions with related parties;
2. Understand and evaluate the rationality of assumptions and methods adopted by the management to eliminate estimated unrealized gross profit of companies of different nature;
3. Perform random inspection and verification on the quantity and amount of such transactions with related parties not put into production;
4. Repeat the combination and consolidated elimination of transactions with related parties, and assess whether any calculation formula used are correct; and
5. Perform analytical review procedures. In consideration of the previous actual operating results and the influence of the production capacity expansion this year, assess whether the financial information by departments is consistent with the expectation.

Government subsidy income

In 2021, the non-operating incomes of the Group from government subsidies were about NT\$213,426 thousand, constituting 9.07% of the consolidated net income in 2021. Accordingly, such government subsidy income was considered as a key audit issue. The information on government subsidies is provided in Footnotes 4(20) and 6(28) of the consolidated financial statements.

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

1. Understand and evaluate the rationality of methods used by the management to recognize such government subsidy income;
2. Perform random inspection and verification on agreements for government subsidies, and confirm that: 1) whether or not to comply with additional conditions for government subsidies; and 2) such subsidy can be obtained; and

3. Perform random inspection and verification on whether the government subsidy income this year is recognized as deferred income or other income based on the subsidy nature pursuant to the general accounting principle. Analyze and challenge the management's assessment conditions to verify the rationality of income recognition.

Other matter - Making Reference to the Audits of Component Auditors

Among the subsidiaries listed in the consolidated financial statements above, the financial statements of Long Chen Paper (China) Holdings Co., Ltd. and its subsidiaries were audited by other auditors rather than us. Thus, the amounts listed in the financial statements of such subsidiaries included in our audit opinions towards the consolidated financial statements above were based on the audit reports issued by other auditors. For Long Chen Paper (China) Holdings Co., Ltd. and its subsidiaries: 1) the total assets as at December 31, 2021 and 2020 were respectively NT\$52,926,535 thousand and NT\$51,045,426 thousand, constituting 67.80% and 69.28% of the consolidated total assets; and 2) the net revenue for 2021 and 2020 was respectively NT\$45,174,187 thousand and NT\$33,217,325 thousand, constituting 79.80% and 79.85% of the consolidated net revenue.

Other matter –Parent company only financial reports

We have also audited the parent company only financial statements of Longchen Paper & Packaging Co., Ltd. as of and for the years ended December 31, 2021 and 2020 which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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.

Wang, Mu-Fan

Tao, Hong-Wen

BDO Taiwan
Republic of China
March 11, 2022

Notice to Readers

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

For the convenience of readers, the independent 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 consolidated financial statements shall prevail.

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

Longchen Paper & Packaging Co., Ltd. and subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Code	Assets	Notes	December 31, 2021		December 31, 2020		Code	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%				Amount	%	Amount	%
	Current assets						Current liabilities						
1100	Cash and cash equivalents	4. 6(1)	\$1,514,365	1.94	\$1,381,535	1.88	2100	Short-term loans	4. 6(13)	\$9,447,216	12.10	\$8,859,010	12.04
1110	Financial assets at fair value through profit or loss-current	4. 6(2)	41,639	0.05	7,043	0.01	2110	Short-term notes and bills payable	4. 6(14)	399,769	0.51	-	-
1136	Financial assets at amortised cost	4. 6(3)	62,948	0.08	-	-	2120	Financial liabilities at fair value through profit or loss	4. 6(2)	98,451	0.13	243,046	0.33
1150	Notes Receivable, net	4. 6(4)	4,304,233	5.51	4,119,797	5.59	2130	Contract liabilities - current	4. 6(27)	125,200	0.16	20,958	0.03
1170	Accounts receivable, net	4. 6(4)	7,061,620	9.04	6,277,607	8.52	2150	Notes payable		97,252	0.12	35,017	0.05
1180	Accounts receivable from related parties, net	4. 6(4), 7(3)	258,549	0.33	94,537	0.13	2170	Accounts payable		5,955,216	7.63	4,408,646	5.98
1200	Other receivables	4. 6(4)	225,349	0.29	237,680	0.32	2180	Accounts payable from related parties	7(3)	109,905	0.14	120,476	0.16
1220	Current income tax assets		74,060	0.09	73,282	0.10	2200	Other payables		2,758,816	3.53	2,784,043	3.78
130x	Inventories	4. 6(5)	6,291,626	8.06	3,709,242	5.03	2230	Current income tax liabilities	4.6(25)	622,982	0.80	413,238	0.56
1410	Prepayments	6(6)	2,837,935	3.64	2,725,199	3.70	2250	Provisions for liabilities - current	4. 6(17)	83,230	0.11	-	-
1470	Other current assets	6(7)	72,116	0.09	22,978	0.03	2280	Lease liabilities - current	4. 6(10)	62,605	0.08	61,145	0.08
11xx	Total current assets		22,744,440	29.12	18,648,900	25.31	2300	Other current liabilities		28,560	0.04	142,391	0.19
							2322	Current portion of long-term loans	4. 6(16)	9,955,406	12.75	8,538,151	11.58
							2365	Refund liability - current	4. 6(18)	20,812	0.03	13,936	0.02
							21xx	Total current liabilities		29,765,420	38.13	25,640,057	34.80
	Non-current assets						Non-current liabilities						
1510	Financial assets at fair value through profit or loss-non-current	4. 6(2)	223,970	0.29	83,086	0.11	2500	Financial liabilities at fair value through profit or loss-non-current	4. 6(15)	2,629	-	-	-
1550	Investments accounted for using equity method	4. 6(8)	6,025,216	7.72	5,716,623	7.76	2530	Corporate bonds payable	4. 6(15)	3,148,301	4.03	2,500,000	3.39
1600	Property, plant and equipment	4. 6(9)	44,740,671	57.31	43,221,897	58.68	2540	Long-term loans	4. 6(16)	16,917,959	21.67	19,402,800	26.33
1755	Right-of-use assets	4. 6(10)	1,559,850	2.00	1,602,196	2.17	2560	Income tax liabilities-noncurrent	4. 6(25)	134,431	0.17	59,569	0.08
1760	Investment property, net	4. 6(11)	7,288	0.01	7,398	0.01	2570	Deferred income tax liabilities	4. 6(25)	218,444	0.28	124,245	0.17
1780	Intangible assets		66,358	0.09	53,410	0.07	2580	Lease liabilities - non-current	4. 6(10)	99,350	0.13	92,705	0.13
1840	Deferred Income tax assets	4. 6(25)	706,936	0.91	566,773	0.77	2600	Other non-current liabilities		335,558	0.43	353,854	0.48
1900	Other non-current assets	4. 6(12)	1,990,131	2.55	3,776,568	5.12	2640	Net defined benefit liabilities - non-current	4. 6(19)	50,837	0.07	48,120	0.07
15xx	Total non-current assets		55,320,420	70.88	55,027,951	74.69	2645	Guarantee deposits		38,548	0.05	32,455	0.04
							25xx	Total non-current liabilities		20,946,057	26.83	22,613,748	30.69
							2xxx	Total liabilities		50,711,477	64.96	48,253,805	65.49
								Equity attributable to owners of the parent					
							3100	Capital stock					
							3110	Common stock	6(20)	12,776,857	16.37	12,776,857	17.34
							3200	Capital surplus	6(15)(21)	4,123,578	5.28	4,019,363	5.46
							3300	Retained earnings	6(22)				
							3310	Legal reserve		1,781,979	2.28	1,688,201	2.29
							3320	Special reserve		626,639	0.80	626,639	0.85
							3350	Unappropriated earnings		6,973,727	8.93	5,271,064	7.16
							3400	Other equity interest					
							3410	Exchange differences on translation of foreign operations	6(24)	(1,423,798)	(1.82)	(1,311,493)	(1.78)
							3420	Unrealized gain (loss) on FVTOCI		2,426,822	3.11	2,283,891	3.10
							31xx	Total equity attributable to owners of the parent company		27,285,804	34.95	25,354,522	34.42
							36xx	Non-controlling interest	6(23)	67,579	0.09	68,524	0.09
							3xxx	Total equity		27,353,383	35.04	25,423,046	34.51
	Total assets		\$78,064,860	100.00	\$73,676,851	100.00		Total liabilities and equity		\$78,064,860	100.00	\$73,676,851	100.00

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

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

Longchen Paper & Packaging Co., Ltd. and subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars, Except for earnings per share)

Code	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	4. 6(27)	\$56,608,196	100.00	\$41,600,592	100.00
5000	Operating costs	6(5)(19)(29)	(47,308,248)	(83.57)	(35,078,972)	(84.32)
5900	Operating margin		9,299,948	16.43	6,521,620	15.68
5950	Net operating margin		9,299,948	16.43	6,521,620	15.68
	Operating expenses	6(11)(19)(29)				
6100	Selling expenses		(2,230,782)	(3.94)	(1,782,580)	(4.28)
6200	General and administrative expenses		(1,262,406)	(2.23)	(1,236,518)	(2.97)
6300	Research and development expenses		(1,624,164)	(2.87)	(1,211,463)	(2.91)
6450	Expected credit recovery gains		(27,582)	(0.05)	9,107	0.02
6000	Total operating expenses		(5,144,934)	(9.09)	(4,221,454)	(10.14)
6900	Operating profit		4,155,014	7.34	2,300,166	5.54
	Non-operating income and expenses	6(28)				
7100	Interest income		11,259	0.02	18,271	0.04
7010	Other income		289,117	0.51	312,863	0.75
7020	Other gains and losses		(246,776)	(0.44)	(67,855)	(0.16)
7050	Finance costs		(1,461,468)	(2.58)	(1,525,766)	(3.67)
7060	Share of profit of associates accounted for equity method	4. 6(8)	125,419	0.22	69,677	0.16
7000	Total non-operating income and expenses		(1,282,449)	(2.27)	(1,192,810)	(2.88)
7900	Profit before income tax		2,872,565	5.07	1,107,356	2.66
7950	Income tax (expenses) benefits	4. 6(25)	(520,478)	(0.92)	(179,846)	(0.43)
8200	Profit for the period		2,352,087	4.15	927,510	2.23
	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss	6(23)(24)				
8311	Remeasurement of defined	6(19)	(5,775)	(0.01)	(10,140)	(0.02)
8320	Share of other comprehensive income (loss) of associates accounted for using equity method		358,040	0.63	1,898,799	4.56
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	6(25)	1,155	-	2,028	-
8360	Items that may be reclassified subsequently to profit or loss	6(23)(24)				
8361	Exchange differences arising on translation of foreign financial operations		(142,995)	(0.25)	260,382	0.63
8370	Share of other comprehensive income (loss) of associates accounted for using equity method		2,146	-	40,501	0.10
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	4. 6(25)	28,076	0.06	(59,390)	(0.14)
8300	Other comprehensive income (losses), net of tax		240,647	0.43	2,132,180	5.13
8500	Total comprehensive income tax for the period		\$2,592,734	4.58	\$3,059,690	7.36
8600	Net income (loss) for the periods attributable to:					
8610	Owners of the parent		\$2,352,856	4.15	\$945,893	2.27
8620	Non-controlling interests		(769)	-	(18,383)	(0.04)
			\$2,352,087	4.15	\$927,510	2.23
8700	Comprehensive income (losses) for the periods attributable to:					
8710	Owners of the parent		\$2,593,679	4.58	\$3,072,396	7.39
8720	Non-controlling interests		(945)	-	(12,706)	(0.03)
	Total		\$2,592,734	4.58	\$3,059,690	7.36
	Earnings per share (in dollars):	4. 6(26)				
9750	Basic earnings per share		\$1.84		\$0.77	
9850	Diluted earnings per share		\$1.84		\$0.77	

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

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

Longchen Paper & Packaging Co., Ltd. and subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent										
	Retained earnings					Other equity items			Total Equity attributable to owners of the parent	Non-controlling interests	Total Equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income				
Balance at January 1, 2020	\$12,176,857	\$3,684,266	\$1,629,967	\$626,639	\$4,756,823	\$(1,549,054)	\$386,837	\$21,712,335	\$348,186	\$22,060,521	
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	58,234	-	(58,234)	-	-	-	-	-	
Cash dividends	-	-	-	-	(365,306)	-	-	(365,306)	(10,248)	(375,554)	
Other capital surplus											
Changes in equity of associates accounted for using the equity method	-	262	-	-	-	-	-	262	-	262	
Net income in 2020	-	-	-	-	945,893	-	-	945,893	(18,383)	927,510	
Other comprehensive income in 2020	-	-	-	-	(8,112)	237,561	1,897,054	2,126,503	5,677	2,132,180	
Total comprehensive income in 2020	-	-	-	-	937,781	237,561	1,897,054	3,072,396	(12,706)	3,059,690	
Cash capital increase (Note 6(18))	600,000	288,000	-	-	-	-	-	888,000	-	888,000	
Changes in ownership interests in subsidiaries	-	26,411	-	-	-	-	-	26,411	(776)	25,635	
Change in non-controlling interests	-	-	-	-	-	-	-	-	(255,932)	(255,932)	
Share-based payments transactions	-	20,424	-	-	-	-	-	20,424	-	20,424	
Balance at December 31, 2020	\$12,776,857	\$4,019,363	\$1,688,201	\$626,639	\$5,271,064	\$(1,311,493)	\$2,283,891	\$25,354,522	\$68,524	\$25,423,046	
Balance at January 1, 2021	\$12,776,857	\$4,019,363	\$1,688,201	\$626,639	\$5,271,064	\$(1,311,493)	\$2,283,891	\$25,354,522	\$68,524	\$25,423,046	
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	93,778	-	(93,778)	-	-	-	-	-	
Cash dividends	-	-	-	-	(766,612)	-	-	(766,612)	-	(766,612)	
Other capital surplus											
Recognition of equity component of convertible bonds issued	-	104,215	-	-	-	-	-	104,215	-	104,215	
Net income in 2021	-	-	-	-	2,352,856	-	-	2,352,856	(769)	2,352,087	
Other comprehensive income in 2021	-	-	-	-	(4,620)	(112,305)	357,748	240,823	(176)	240,647	
Total comprehensive income in 2021	-	-	-	-	2,348,236	(112,305)	357,748	2,593,679	(945)	2,592,734	
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	-	-	-	214,817	-	(214,817)	-	-	-	
Balance at December 31, 2021	\$12,776,857	\$4,123,578	\$1,781,979	\$626,639	\$6,973,727	\$(1,423,798)	\$2,426,822	\$27,285,804	\$67,579	\$27,353,383	

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

Longchen Paper & Packaging Co., Ltd. and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Item	2021	2020
Cash flow from operating activities:		
Profit before income tax for the period	\$2,872,565	\$1,107,356
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation expense (including investment property)	2,574,610	2,432,457
Amortization expense	28,646	19,846
Excepted credit recovery gains	27,582	(9,107)
Net (gains) losses on financial assets and liabilities at fair value through profit and loss	179,193	153,776
Interest expense	1,398,265	1,474,438
Interest income	(11,259)	(18,271)
Dividend income	(2,901)	(2,469)
Compensation cost arising from share-based payments	-	20,424
Share of profit or losses of subsidiaries and associates accounted for under the equity method	(125,419)	(69,677)
(Gain) losses on disposal of property, plant and equipment	54,576	43,757
Property, plant and equipment reclassified as expenses	80,605	58,593
(Reversal of impairment loss) impairment loss of property, plant and equipment	83,157	-
Lease modification gain	(2,282)	(248)
Other item - donation expense	155,199	-
Subtotal	4,439,972	4,103,519
Change in operating assets and liabilities:		
Change in operating assets		
Decrease (increase) in notes receivable	(184,436)	250,482
Decrease (increase) in accounts receivable	(812,808)	(446,072)
Decrease (increase) in accounts receivable from related parties	(164,012)	16,003
Decrease (increase) in other receivables	17,973	27,419
Decrease (increase) in inventories	(2,565,821)	(660,582)
Decrease (increase) in prepayments	(102,817)	31,479
Decrease (increase) in other current assets	(50,698)	37,714
Total net change in operating assets	(3,862,619)	(743,557)
Change in operating liabilities		
Increase (decrease) in contract liabilities - current	103,962	(116,578)
Increase (decrease) in notes payable	62,235	34,927
Increase (decrease) in accounts payable	1,564,754	802,746
Increase (decrease) in accounts payable from related parties	(10,571)	120,476
Increase (decrease) in other payables	210,383	43,519
Increase (decrease) in refund liability - current	6,876	(882)
Increase (decrease) in other current liabilities	(113,831)	130,116
Increase (decrease) in other non-current liabilities	(18,296)	30,855
Increase (decrease) in net defined benefit liability - non-current	(3,058)	(16,297)
Total net change in operating liabilities	1,802,454	1,028,882
Total net change in operating assets and liabilities	(2,060,165)	285,325
Total adjustments	2,379,807	4,388,844
Cash generated from operating activities	5,252,372	5,496,200
Interests received	11,262	18,278
Dividends received	24,545	29,524
Interests paid	(1,392,814)	(1,490,907)
Income tax paid	(253,383)	(131,048)
Net cash provided by operating activities	3,641,982	3,922,047
Cash flow from investing activities:		
Disposal (acquisition) of financial assets/liabilities at fair value through profit or loss	(497,352)	110,687
Disposal (acquisition) of financial assets at amortised cost-current	(62,948)	-
Acquisition of investment accounted for under the equity method	-	(21,466)
Acquisition of property, plant and equipment	(1,888,404)	(2,185,360)
Disposal of property, plant and equipment	218,506	67,812
Acquisition of right-of-use assets	-	(5,256)
(Disposal) acquisition of intangible assets	(35,297)	(5,547)
Decrease (increase) in other non-current assets - prepayments for equipment	(1,088,352)	(3,061,407)
Decrease (increase) in other non-current assets - refundable deposits	(89,533)	41,294
Decrease (increase) in other non-current assets - others	(24,204)	14,895
Net cash used in investing activities	(3,467,584)	(5,044,348)
Cash flow from financing activities:		
Increase (decrease) in short-term loans	588,206	(1,400,325)
Increase (decrease) in short-term notes and bills payable	399,769	(1,148,552)
Issuance to corporate bond	760,075	-
Payments of long-term loans	3,818,708	8,540,321
Repayments of long-term loans	(4,886,294)	(5,854,442)
Payment of lease liabilities	(74,053)	(71,210)
Increase (decrease) in guarantee deposits received	6,093	250
Cash dividends paid	(766,612)	(365,306)
Cash capital issuances	-	888,000
Cash received from investment of non-controlling interest	-	(10,248)
Change in non-controlling interests	(176)	(251,031)
Net cash provided by (used in) financing activities	(154,284)	327,457
Effect of changes in exchange rate on cash and cash equivalents	112,716	(178,536)
Net increase (decrease) in cash and cash equivalents	132,830	(973,380)
Cash and cash equivalents at the beginning of the year	1,381,535	2,354,915
Cash and cash equivalents at the end of the year	\$1,514,365	\$1,381,535

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

Longchen Paper & Packaging Co., Ltd.
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
Period: 2021 and 2020

(Expressed in thousand of New Taiwan dollars, unless otherwise indicated)

1. General

Longchen Paper & Packaging Co., Ltd. (hereinafter referred to as “Longchen P&P”) was incorporated on March 18, 1978 in accordance with the Company Act of The Republic of China. The Group’s primary business activities are 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 Longchen P&P have been listed for trading on Taiwan Stock Exchange Corporation since November 1985. The administrative office is located at 10F, No. 337, FuXingBei North Road, Taipei City. Longchen P&P and its subsidiaries, which are included for preparation of the consolidated financial statements, are hereinafter referred to as the “Group”.

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

The consolidated financial statement were approved and authorized during the board of directors meeting dated March 11, 2022.

3. Application of new standards, amendments and interpretations

(1) 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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact on the Group's financial condition or business performance based on the Group's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact on the Group's financial condition or business performance based on the Group's assessment.

- (3) 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 by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards

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

4. 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.

(1) Statement of compliance

The consolidated 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 herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the consolidated and to the non-controlling interests. Total comprehensive income is attributed to the owners of the consolidated and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a consolidated's ownership interest in a subsidiary that do not result in the consolidated losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

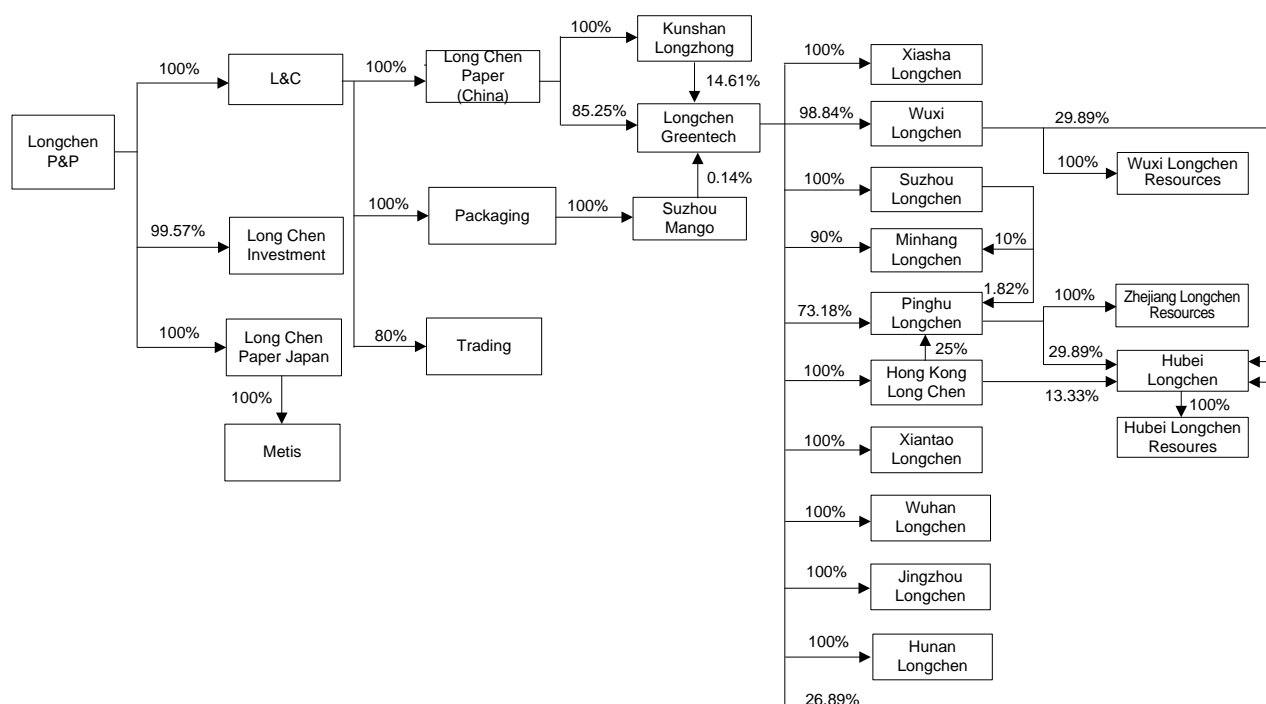
Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
Longchen P&P	L&C CO., (BVI) LTD. ("L&C")	General investment	100%	100%
	Long Chen Investment Developing Co., Ltd. ("Long Chen Investment")	General investment	99.57%	99.57%
	Long Chen Paper Japan .	Recovery and sale of waste paper resources	100%	100%
L&C	Long Chen Paper (China) Holdings Co., Ltd. ("Long Chen Paper (China)")	General investment	100%	100%

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
	Long Chen Packaging Company(Cayman) (“Packaging”)	General investment	100%	100%
	Long Chen Paper Trading Limited (“Trading”)	General investment	80%	80%
Long Chen Paper Japan	Metis International INC	Recovery and sale of waste paper resources	100%	100%
Packaging	Suzhou Mango Packaging Co., Ltd. (“Suzhou Mango”)	Wholesale, import and export of packaging materials, paper products, electronic products, and hardware	100%	100%
Suzhou Mango	Jiangsu Longchen Greentech Co., Ltd. (“Longchen Greentech”)	Manufacturing, processing and sale of top-grade paper, paperboard and paper products	0.14%	0.14%
Long Chen Paper (China)	Jiangsu Longchen Greentech Co., Ltd. (“Longchen Greentech”)	Manufacturing, processing and sale of top-grade paper, paperboard and paper products	85.25%	85.25%
	Kunshan Longzhong Investment Co., Ltd. (“Kunshan Longzhong”)	General investment	100%	100%
Longchen Greentech	Wuxi Longchen Greentech Co., Ltd. (“Wuxi Longchen”)	Manufacturing and sale of paper and paperboard	98.84%	98.84%
	Suzhou Longchen Paper Co., Ltd. (“Suzhou Longchen”)	Manufacturing and sale of top-grade paper, paperboard and novel packaging materials	100%	100%
	Zhejiang Xiasha Longchen Packing Co., Ltd. (“Xiasha Longchen”)	Manufacturing and processing of top-grade paperboard, cartons and paper boxes	100%	100%
	Shanghai Minhang Longchen Paper Co., Ltd. (“Minhang Longchen”)	Manufacturing and processing of paperboard and paper products	90%	90%
	Pinghu Longchen Greentech Co., Ltd. (“Pinghu Longchen”)	Manufacturing and sale of top-grade paper and paperboard, and warehousing	73.18%	73.18%
	Hong Kong Long Chen Paper Co., Ltd. (“Hong Kong Long Chen”)	General investment	100%	100%
	Xiantao Longchen Greentech Co., Ltd. (“Xiantao Longchen”)	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	100%	100%
	Wuhan Longchen Greentech Co., Ltd. (“Wuhan Longchen”)	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	100%	100%

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
	Jingzhou Longchen Greentech Co., Ltd. (Jingzhou Longchen)	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	100%	100%
	Hubei Longchen Greentech Co., Ltd. (“Hubei Longchen”)	Manufacturing of top-grade containerboard paper and cogeneration products	26.89%	14.46%
	Hunan Longchen Green Packing Co., Ltd. (“Hunan Longchen”)	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	100%	100%
Wuxi Longchen	Wuxi Longchen Resources Co., Ltd. (“Wuxi Longchen Resources”)	Recovery and sale of waste paper resources	100%	100%
	Hubei Longchen Greentech Co., Ltd. (“Hubei Longchen”)	Manufacturing of top-grade containerboard paper and cogeneration products	29.89%	34.97%
Suzhou Longchen	Shanghai Minhang Longchen Paper Co., Ltd. (“Minhang Longchen”)	Manufacturing and processing of paperboard and paper products	10%	10%
	Pinghu Longchen Greentech Co., Ltd. (“Pinghu Longchen”)	Manufacturing and sale of top-grade paper and paperboard, and warehousing	1.82%	1.82%
Pinghu Longchen	Zhejiang Longchen Resources Co., Ltd. (“Zhejiang Longchen Resources”)	Recovery and sale of waste paper resources	100%	100%
	Hubei Longchen Greentech Co., Ltd. (“Hubei Longchen”)	Manufacturing of top-grade containerboard paper and cogeneration products	29.89%	34.97%
Kunshan Longzhong	Jiangsu Longchen Greentech Co., Ltd. (“Longchen Greentech”)	Manufacturing, processing and sale of top-grade paper, paperboard and paper products	14.61%	14.61%
Hong Kong Long Chen	Hubei Longchen Greentech Co., Ltd. (“Hubei Longchen”)	Manufacturing of top-grade containerboard paper and cogeneration products	13.33%	15.60%
	Pinghu Longchen Greentech Co., Ltd. (“Pinghu Longchen”)	Manufacturing and sale of top-grade paper and paperboard, and warehousing	25%	25%
Hubei Longchen	Hubei Longchen Resources Co., Ltd. (“Hubei Longchen Resources”)	Recovery and sale of waste paper	100%	100%



C. Changes (increase/decrease) in the ownership to subsidiaries included in these consolidated financial statements:

(a) The Longchen P&P made board's resolution to join the capital increase of L&C CO., (BVI) LTD. in Oct, 2020 and November, 2019. The ownership of L&C CO., (BVI) LTD. was from 97.10% to 97.22% because of the above capital increase. In 2020, the Company purchased 1.23% and 1.55% shares of L&C CO., (BVI) LTD from Long Chen Investment Developing Co., Ltd. and Long Sheng Investment Co., Ltd., respectively. The Company performed the related reorganization of the group structure through the above transactions. Finally, in the end of 2020, the Longchen P&P's ownership of L&C CO., (BVI) LTD. was up to 100.00%.

(b) In November 2020, the Company lent the funds to Hubei Longchen Greentech Co., Ltd. through the Company's subsidiaries. In March 2021, the board of directors decided to transfer the above loan to increasing the capital of Hubei Longchen Greentech Co., Ltd. by CNY 300,000 thousand. As of December 31, 2021, the accumulated amounts of Jiangsu Longchen, Hong Kong Longchen, Wuxi Longchen and Pinghu Longcheng investments in Hubei Longchen were CNY 555,000 thousand, CNY 275,275 thousand, CNY 617,000 thousand and CNY 617,000 thousand, respectively, the ownership of Hubei Longchen are 26.89%, 13.33%, 29.89% and 29.89%, respectively.

(4) Foreign currency transaction

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "Other gains and losses" in the income statement.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

- iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) 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 Group 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.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

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

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(7) Financial instruments

A. Financial assets

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

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

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.

(b) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(c) Accounts and Note receivable

Accounts and Note receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

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

B. 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.

C. Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive the cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (c) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

D. Financial liabilities and equity instruments

(a) Financial liabilities at fair value through profit or loss

- i. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- ii. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(b) 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 Group 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 Group 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.

(c) Accounts and Note payable

Accounts payable are liabilities for purchases of raw materials, goods or services and Note payable are those resulting from operating and non-operating activities.

The short-term Note and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Corporate bonds payable

Corporate bonds issued by the Group 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.

(e) Convertible bonds payable (compound financial instruments)

Convertible bonds issued by the Longchen P&P contains conversion options (that is, the bondholders have the right to convert the bonds into the Longchen P&P’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. Longchen P&P’s classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- i. The embedded call options and put options are recognized initially at net fair value as “financial assets or financial liabilities at fair value through profit or loss”. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as “gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss”.
- ii. The host contracts of bonds are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to “finance costs” over the period of circulation using the effective interest method.

- iii. The embedded conversion options which meet the definition of an equity instrument are initially recognized in “capital surplus-share options” at the residual amount of total issuance price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- iv. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- v. When bondholders exercise conversion options, the liability component of the bonds (including “bonds payable” and “financial assets or financial liabilities at fair value through profit or loss”) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and “capital surplus-share options”.

E. Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognised in profit or loss.

F. 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 Group 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.

(8) 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.

(9) Investments accounted for using equity method

- A. Associated company refers to an entity in which the Group exercises significant influence but no control, which generally means 20% direct or indirect voting interest or above. The Group accounts for associated companies using the equity method. Value at initial acquisition is accounted at cost.
- B. 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 Group'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 Group will not recognize the extra losses unless the Group has a legal obligation or constructive obligation to pay, or has paid liabilities, on behalf of the associated company.
- C. If an associated company undergoes a change of equity that has no impact on profit and loss, other comprehensive income and shareholding percentage, the Group recognizes the changes in equity that are attributable to the Group and have the shares of associates as "Capital Reserves" in the shareholding ratio.
- D. Unrealized gains arising from transactions between the Group 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 Group.
- E. In the event that an associated company issues new shares that the Group 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.
- F. In the event that the Group 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.

- G. If the Group 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 Group 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 Group loses significant influence in the associated company. If the Group 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.
- H. When the Group disposes an associated company, the Group 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.

(10) 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 Group 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:

Land Improvements	7~20 years
Buildings	5~50 years
Machinery	3~25 years
Transport equipment	2~6 years
Other equipment	1~15 years
Lease improvements	Depreciation is provided over the lease tenor or useful life, whichever the shorter

The Group 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.

Government grants related to real property, plant and equipment are recognised as non-current liabilities and recognised in profit or loss on a straight-line basis over the estimated useful lives of the relevant assets.

(11) Leasing arrangements

As a Lessee

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or a rate;
 - (c) Amounts expected to be payable by the lessee under residual value guarantees;
 - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
 - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

As a Lessor

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) 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:

Buildings	32 years
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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.

(13) 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 Group 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. If the changes from indefinite useful life to finite useful life happens, the accounting impact are rerecognized prospectively.

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

A. 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 Group 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 Group 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.

B. Computer software

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

C. Patent

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

D. 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.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowing costs

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(16) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(17) Employee benefits

A. 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.

B. Pension

(a) 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.

(b) Defined benefit plan

- i. 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.
- ii. Remeasurement of defined benefit plan is recognized in other comprehensive income in the period occurred, and presented under retained earnings.
- iii. Prior service costs are recognized immediately in profit or loss.

C. Employee/director/supervisor remuneration

Employee/director/supervisor remuneration are recognized as expense and liability when the Group 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.

(18) Revenue recognition

A. Sales of goods

The Group is specialized in the manufacturing and distribution of Containerboard, 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 the Group 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 Containerboard, 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. The Group 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, the Group will have the unconditional entitlement to the contract price and can receive the consideration from customers after that.

B. Financing component

For any contracts between the Group 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, the Group does not adjust any transaction value to reflect the time value of money.

C. Costs of acquisition of contracts with customers

The incremental costs incurred to the Group 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.

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

(20) Government subsidies

Government subsidies are recognized at fair value when the Group 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 Group will recognize government subsidies through current profit and loss in a systematic manner in the period when the relevant expenses are incurred.

(21) Income tax

A. 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.

B. The Group 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.

- C. 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 Group 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.
- D. 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.
- E. The Group 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 Group 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.
- F. 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 Group is very likely to earn taxable income to offset the unused credits in the future.

(22) 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. The Group's dilutive potential ordinary shares include the estimated figure of employee bonuses.

(23) Dividend distribution

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

(24) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(25) Segment information

The Group'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 Group's decision maker.

5. 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 Consolidated 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments adopted for accounting policies

Investment property

Some of the real estate properties are held by the Group 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.

(2) Significant accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales refund liabilities for sales returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of discounts and returns periodically. The Group recognized NT\$20,812 thousand as refund liability related to product return as at December 31, 2021.

B. Realizability of deferred income tax assets

Deferred income tax assets are recognized under the condition that the Group 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, 2021, the Group had deferred income tax assets outstanding at NT\$706,936 thousand.

C. Valuation of inventory

Due to the fact that inventory is presented at the lower of cost or net realizable value, the Group 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 Group 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 Group's inventory as of December 31, 2021 totaled NT\$6,291,626 thousand.

D. Calculation of net defined benefit liabilities

When calculating present value of defined benefit obligations, the Group 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 change Group's in actuarial assumptions may cause significant impacts on the Group's defined benefit obligations. Book value of the Group's net defined benefit liability as of December 31, 2021 totaled NT\$50,837 thousand.

6. **Details of significant accounts**

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$1,561	\$23,427
Bank deposits	1,248,583	1,123,339
Cash equivalents	264,221	234,769
Total	<u>\$1,514,365</u>	<u>\$1,381,535</u>

- A. The Group transacts with a variety of financial institutions with high credit quality for the purpose of dispersing credit risk, so it is expected that the probability of counterparty default is low.
- B. Cash equivalents refers to bank acceptance note due within three months from the date of acquisition, whose book value is approximately fair value.
- C. As of December 31, 2021 and 2020, there were the bank deposits of NT\$8,928 thousand and NT\$442 thousand in cash and cash equivalents, respectively. The above deposit were reclassified to other financial assets-current due to restrictions on the use of pledges. Please refer to Note 6(7).
- D. The Group's time deposits with an original maturity of more than three months on 31 December 2020 amounted to NT\$62,948 thousand, which were reclassified to be measured at amortized cost financial assets because they were not highly liquid investments. Please refer to Note 6(3).

(2) Financial assets at fair value through profit or loss

<u>Assets item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current:		
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Listed stocks	\$34,961	\$382
Beneficiary certificates	6,678	6,661
Total	<u>\$41,639</u>	<u>\$7,043</u>

Assets item	December 31, 2021	December 31, 2020
Non-current:		
<u>Financial assets designated as at fair value through profit or loss</u>		
Unlisted stocks	\$6,914	\$8,756
Private funds	217,056	74,330
Total	<u>\$223,970</u>	<u>\$83,086</u>
Liabilities item	December 31, 2021	December 31, 2020
Current:		
<u>Derivative financial liabilities (not under hedge accounting)</u>		
Exchange rate option contracts (refer 6(2) B)	\$33,311	\$224,004
Exchange rate swap contracts (refer 6(2) C)	-	19,042
Forward currency (refer 6(2)D)	65,140	-
Total	<u>\$98,451</u>	<u>\$243,046</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss were listed below:

	2021	2020
Financial assets mandatorily measured at fair value through profit or loss	\$1,122	\$1,601
Financial assets designated as at fair value through profit or loss	(8,364)	47,591
Derivative financial liabilities	(171,881)	(202,968)
Total	<u>\$(179,123)</u>	<u>\$(153,776)</u>

The evaluation of financial assets at fair value through profit or loss in 2021 and 2020, including the actual disposal loss of NT\$(314,516) thousand and NT\$74,412 thousand ,respectively.

B. At the end of the reporting period, outstanding exchange rate option contracts not under hedge accounting were as follows:

December 31, 2021

Notional Amount (In Thousands)	Type	Buy/Sell	Maturity Date	Exchange Rate
USD 5,000	Call /Put	Buy/Sell	111.5.12	USD:CNY 6.5890
USD 5,000	Call /Put	Buy/Sell	111.5.12	USD:CNY 6.5890
USD 3,000	Call /Put	Buy/Sell	111.5.12	USD:CNY 6.5890
USD 5,000	Call /Put	Buy/Sell	111.5.12	USD:CNY 6.5600
USD 5,000	Call /Put	Buy/Sell	111.5.12	USD:CNY 6.5600
USD 5,400	Call /Put	Buy/Sell	111.5.26	USD:CNY 6.5660
USD 5,400	Call /Put	Buy/Sell	111.5.26	USD:CNY 6.5660
USD 5,000	Call /Put	Buy/Sell	111.5.10	USD:CNY 6.5587
USD 5,000	Call /Put	Buy/Sell	111.5.10	USD:CNY 6.5587
USD 5,000	Call /Put	Buy/Sell	111.8.22	USD:CNY 6.6287
USD 5,000	Call /Put	Buy/Sell	111.10.17	USD:CNY 6.5590
USD 5,000	Call /Put	Buy/Sell	111.11.18	USD:CNY 6.5480
USD 5,000	Call /Put	Buy/Sell	111.11.18	USD:CNY 6.5480
USD 3,000	Call /Put	Buy/Sell	111.11.18	USD:CNY 6.5480
USD 5,000	Call /Put	Buy/Sell	111.12.8	USD:CNY 6.5290
USD 3,056	Call /Put	Buy/Sell	111.12.8	USD:CNY 6.5290

December 31, 2020

Notional Amount (In Thousands)	Type	Buy/Sell	Maturity Date	Exchange Rate
USD 9,940	Call /Put	Buy/Sell	2021.5.26	USD:CNY 7.2039
USD 7,120	Call /Put	Buy/Sell	2021.5.27	USD:CNY 7.2214
USD 5,000	Call /Put	Buy/Sell	2021.5.27	USD:CNY 7.2214
USD 5,000	Call /Put	Buy/Sell	2021.5.27	USD:CNY 7.2214
USD 12,000	Call /Put	Buy/Sell	2021.5.28	USD:CNY 7.2083
USD 5,000	Call /Put	Buy/Sell	2021.9.01	USD:CNY 6.9740
USD 5,000	Call /Put	Buy/Sell	2021.5.25	USD:CNY 7.2199
USD 5,000	Call /Put	Buy/Sell	2021.5.25	USD:CNY 7.2199
USD 4,000	Call /Put	Buy/Sell	2021.3.26	USD:CNY 7.1460
USD 4,000	Call /Put	Buy/Sell	2021.3.26	USD:CNY 7.1460
USD 5,000	Call /Put	Buy/Sell	2021.5.24	USD:CNY 7.1860
USD 5,000	Call /Put	Buy/Sell	2021.5.24	USD:CNY 7.1860
USD 5,000	Call /Put	Buy/Sell	2021.5.24	USD:CNY 7.1840
USD 5,000	Call /Put	Buy/Sell	2021.5.24	USD:CNY 7.1840
USD 5,000	Call /Put	Buy/Sell	2021.6.23	USD:CNY 7.2008
USD 5,000	Call /Put	Buy/Sell	2021.10.15	USD:CNY 6.8875

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

- C. At the end of the reporting period, outstanding exchange rate swap contracts not using under hedge accounting were as follows:

December 31, 2020

Notional Amount (In Thousands)	Maturity Date	Exchange Rate
USD 5,000	2021.10.15	USD:CNY 6.8825
USD 5,000	2021.10.15	USD:CNY 6.8825

The Group entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated liabilities.

- D. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

December 31, 2021

Notional amount	Forward Exchange Rates
USD 17,000	Sell CNY / Buy USD 6.4015 to 6.4373
USD 55,500	Sell CNY / Buy USD 6.5850 to 6.7495
USD 25,000	Sell CNY / Buy USD 6.5566 to 6.75

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

E. Information relating to credit risk of financial assets at fair value through profit or loss, please refer to Note 12(2).

(3) Financial assets at amortised cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposits with maturity over three months	<u>\$62,948</u>	<u>\$-</u>

Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's financial assets at amortised cost were both its book value. Information on financial assets at fair value through profit or loss, please refer to Note 12(2).

(4) Receivables

A. Receivables and non-performing loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Note receivable	\$15,984,629	\$8,671,747
Note receivable - measured at fair value through profit or loss	(11,675,121)	(4,546,675)
Allowance for doubtful accounts	(5,275)	(5,275)
Total	<u>\$4,304,233</u>	<u>\$4,119,797</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$7,337,339	\$6,527,229
Allowance for doubtful accounts	(275,719)	(249,622)
Subtotal	7,061,620	6,277,607
Accounts receivable - related parties	258,549	94,537
Total	<u>\$7,320,169</u>	<u>\$6,372,144</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Overdue receivables (presented as other non-current assets)	\$175,017	\$328,845
Allowance for doubtful accounts	(175,017)	(328,845)
Total	<u>\$-</u>	<u>\$-</u>

(a) The aging analysis of accounts receivable and Note receivable that were past due but not impaired was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$11,631,617	\$10,393,303
Up to 30 days	184,495	239,073
31 to 90 days	436	15,692
91 to 180 days	1,185	6,267
Over 181 days	262,680	421,348
Total	<u>\$12,080,413</u>	<u>\$11,075,683</u>

The above aging analysis was based on past due date.

- (b) As at December 31, 2021 and 2020, the Group's discounted Note receivable amounted to NT\$11,675,121 thousand and NT\$4,546,675 thousand respectively, which were assigned to banks by the Group without recourse factoring. Almost all risks and rewards of Note receivable would be transferred during future transfer. Consequently, they would be derecognized from the balance sheet. The objective of the Group's business model for managing such Note receivable is not collection of contractual cash flows or achieved both by collecting contractual cash flows or selling financial assets. Accordingly, such Note receivable are measured at fair value through profit or loss.
- (c) As at December 31, 2021 and 2020, approx. NT\$1,014,323 thousand and NT\$171,132 thousand were provided as collaterals of short-term loans. Please refer to Note 8 for details.
- (d) Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's Note and accounts receivable were both its book value. Information on financial assets at fair value through profit or loss, please refer to Note 12(2).

B. Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$22,897	\$42,942
Other receivables - dividend	192,200	192,200
Other receivables - other	10,252	8,226
Allowance for doubtful accounts	-	(5,688)
Total	<u>\$225,349</u>	<u>\$237,680</u>

The movements of the loss allowance of other receivable were as follows:

	2021	2020
Opening balance	\$5,688	\$4,600
(Reversal of) impairment losses	(6,085)	989
Write-offs	(43)	-
Others	488	-
Effects of exchange rate changes	(48)	99
Ending balance	<u>\$-</u>	<u>\$5,688</u>

Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's Note and accounts receivable were both its book value.

(5) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials and supplies	\$4,363,331	\$2,495,730
Work in progress	25,923	21,882
Finished goods	2,091,115	1,288,510
Allowance for inventory valuation loss	<u>(188,743)</u>	<u>(96,880)</u>
Total	<u>\$6,291,626</u>	<u>\$3,709,242</u>

Changes in allowance for inventory valuation loss were as follows: :

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$96,880	\$35,117
Loss (recovery) of net realizable value in the current period	92,492	59,883
Effects of exchange rate changes	<u>(629)</u>	<u>1,880</u>
Balance on December 31	<u>\$188,743</u>	<u>\$96,880</u>

The cost of inventories recognised as expense for the year were as follows: :

	<u>2021</u>	<u>2020</u>
Loss on decline in market value(Gain on reversal of decline in market value)	\$92,492	\$59,883
Unallocated manufacturing overhead due to the actual production being lower than the normal capacity	207,018	508,282
Income from sale of scraps	(49,090)	(29,519)
Cost of power and gas sold	25,351	68,599
Loss on physical counts	-	(22)
Others	<u>186,414</u>	<u>155,027</u>
Total	<u>\$462,185</u>	<u>\$762,250</u>

(6) Prepayments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepaid insurance expense	\$11,226	\$9,116
Prepayment for purchases	653,000	312,060
Input VAT tax	2,016,118	2,198,051
Others	<u>157,591</u>	<u>205,972</u>
Total	<u>\$2,837,935</u>	<u>\$2,725,199</u>

(7) Other current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets - Current - Restricted deposits (within one year)	\$8,928	\$442
Other current assets	<u>63,188</u>	<u>22,536</u>
Total	<u>\$72,116</u>	<u>\$22,978</u>

For restricted deposits (within one year) for which collaterals have been provided as bank loans. Please refer to Note 8 for details.

(8) Investments accounted for using equity method

Investee's name	December 31, 2021		December 31, 2020	
	Amount	Proportion of shareholding Ratio	Amount	Proportion of shareholding Ratio
Long Sheng Investment Co., Ltd.	\$1,842,106	46.86	\$1,719,722	46.86
Long Hwa Developing Investment Co., Ltd.	607,144	20.84	627,389	22.84
Yuema Engineering Co., Ltd.	907,266	31.86	915,081	34.71
Yuema International Co., Ltd.	387,632	38.82	352,719	38.82
Yuema Investment Co., Ltd.	5,118	20.95	5,065	20.95
Baolong International Co., Ltd.	2,250,517	35.84	2,074,335	35.84
Nanjing Hongcheng Technology Co., Ltd	25,433	49.00	22,312	49.00
Total	<u>\$6,025,216</u>		<u>\$5,716,623</u>	

- A. Longchen P&P granted its stocks of invetsed companies, Long Hwa Developing Investment Co., Ltd. and Yuema Engineering Co., Ltd. to Longchen Circular Economy Environmental Foundation by NT\$63,591 thousand and NT\$91,608 thousand, respectively, in the end of 2021, the Group's ownership of Long Hwa Developing Investment Co., Ltd. and Yuema Engineering Co., Ltd. were decreased from 22.84% and 34.71% to 20.84% and 31.86%, respectively.
- B. For the purpose of operation demand, the Group maded the investment of CNY 5,000 thousand in Nanjing Hongcheng Technology Co., Ltd through Hubei Longchen. The ownership is 49%.
- C. As of December 31, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to NT\$6,025,192 thousand and NT\$5,716,623 thousand, respectively. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results were summarized below:

	2021	2020
Income tax expense	<u>\$51,037</u>	<u>\$29,150</u>
Profit for the period from continuing operations	\$339,894	\$181,735
Other comprehensive (loss) income, net of tax	<u>952,518</u>	<u>5,304,260</u>
Total comprehensive income	<u>\$1,292,412</u>	<u>\$5,485,995</u>

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

Investee's name	2021	2020
Long Sheng Investment Co., Ltd.	\$22,392	\$3,888
Long Hwa Developing Investment Co., Ltd.	7,725	866
Yuema Engineering Co., Ltd.	6,715	(3,201)
Yuema International Co., Ltd.	19,434	34,850
Yuema Investment Co., Ltd.	52	(1,234)
Baolong International Co., Ltd.	65,815	33,663
Nanjing Hongcheng Technology Co., Ltd	3,286	845
Total	<u>\$125,419</u>	<u>\$69,677</u>

For the years ended December 31, 2021 and 2020, the share of profit of subsidiaries, associates and joint ventures under equity method were NT\$125,419 thousand and NT\$69,677 thousand, respectively. Share of profits from investees that did not have financial reports audited by the primary CPA amounted to NT\$3,286 thousand in 2021 and NT\$845 thousand in 2020. As of December 31, 2021 and 2020, outstanding balances of the above long-term equity investments totaled NT\$25,433 thousand and NT\$22,312 thousand, respectively.

E. The fair value of the Group's joint ventures with quoted market prices is as follows:

	December 31, 2021	December 31, 2020
Baolong International Co., Ltd.	<u>\$1,117,366</u>	<u>\$971,269</u>

F. The Group is the single largest shareholder of Baolong International Co., Ltd. with a 35.84% equity interest. Based on the previous experience of directors and shareholders' meeting, the Group didn't control 50% directors so it indicates that the Group has no current ability to direct the relevant activities. For the other invested companies, the Group is not the single largest shareholder what has no control, but only has significant influence, over the investee.

(9) Property, plant and equipment

	Land and land improvements	Buildings	Machinery	Transport equipment	Lease improvements	Other equipment	Construction in progress	Total
Cost:								
January 1, 2021	\$3,523,192	\$9,517,938	\$42,669,418	\$419,275	\$9,767	\$2,605,449	\$3,027,884	\$61,772,923
Additions	75,156	21,188	122,156	13,375	-	34,689	1,384,527	1,651,091
Disposals	(2,081)	(2,500)	(495,920)	(32,956)	-	(11,251)	(69,435)	(614,143)
Other changes	67,363	982,884	3,151,880	4,192	-	5,875	(1,435,090)	2,777,104
Effects of exchange rate changes	(10,559)	(50,987)	(252,882)	(2,347)	-	(18,853)	(16,617)	(352,245)
December 31, 2021	<u>\$3,653,071</u>	<u>\$10,468,523</u>	<u>\$45,194,652</u>	<u>\$401,539</u>	<u>\$9,767</u>	<u>\$2,615,909</u>	<u>\$2,891,269</u>	<u>\$65,234,730</u>
January 1, 2020	\$3,498,656	\$8,837,542	\$41,065,115	\$416,765	\$9,767	\$2,557,571	\$2,650,122	\$59,035,538
Additions	1,237	53,521	558,259	40,088	-	18,863	818,869	1,490,837
Disposals	-	(15,354)	(384,332)	(45,436)	-	(25,352)	-	(470,474)
Other changes	157	529,938	877,349	2,900	-	13,248	(477,323)	946,269
Effects of exchange rate changes	23,142	112,291	553,027	4,958	-	41,119	36,216	770,753
December 31, 2020	<u>\$3,523,192</u>	<u>\$9,517,938</u>	<u>\$42,669,418</u>	<u>\$419,275</u>	<u>\$9,767</u>	<u>\$2,605,449</u>	<u>\$3,027,884</u>	<u>\$61,772,923</u>
Depreciation and impairment loss:								
January 1, 2021	\$175,837	\$2,518,437	\$14,090,812	\$269,260	\$9,767	\$1,486,913	\$-	\$18,551,026
Depreciation	45,059	307,411	1,901,067	43,764	-	163,398	-	2,460,699
Disposals	(2,081)	(2,500)	(297,836)	(28,091)	-	(10,553)	-	(341,061)
Other changes	-	-	(77,235)	(164)	-	(1,703)	-	(79,102)
Effects of exchange rate changes	(1,227)	(11,604)	(72,904)	(1,389)	-	(10,379)	-	(97,503)
December 31, 2021	<u>\$217,588</u>	<u>\$2,811,744</u>	<u>\$15,543,904</u>	<u>\$283,380</u>	<u>\$9,767</u>	<u>\$1,627,676</u>	<u>\$-</u>	<u>\$20,494,059</u>

	Land and land improvements	Buildings	Machinery	Transport equipment	Lease improvements	Other equipment	Construction in progress	Total
January 1, 2020	\$128,803	\$2,214,502	\$12,428,320	\$258,354	9,767	\$1,316,431	\$-	\$16,356,177
Depreciation	44,033	289,151	1,782,792	46,212	-	166,138	-	2,328,326
Disposals	-	(12,201)	(289,138)	(38,285)	-	(19,281)	-	(358,905)
Effects of exchange rate changes	3,001	26,985	168,838	2,979	-	23,625	-	225,428
December 31, 2020	<u>\$175,837</u>	<u>\$2,518,437</u>	<u>\$14,090,812</u>	<u>\$269,260</u>	<u>\$9,767</u>	<u>\$1,486,913</u>	<u>\$-</u>	<u>\$18,551,026</u>

Carrying amount:

December 31, 2021	<u>\$3,435,483</u>	<u>\$7,656,779</u>	<u>\$29,650,748</u>	<u>\$118,159</u>	<u>\$-</u>	<u>\$988,233</u>	<u>\$2,891,269</u>	<u>\$44,740,671</u>
December 31, 2020	<u>\$3,347,355</u>	<u>\$6,999,501</u>	<u>\$28,578,606</u>	<u>\$150,015</u>	<u>\$-</u>	<u>\$1,118,536</u>	<u>\$3,027,884</u>	<u>\$43,221,897</u>

A. Some of the property, plant and equipment have been placed as collaterals to secure bank borrowings. Please refer to Note 8 for details.

B. Amount of borrowing costs capitalised as part of intangible assets and the range of the interest rates for such capitalisation were as follows:

Item	2021	2020
Capitalized amount	<u>\$93,711</u>	<u>\$95,610</u>
Interest rate collars for capitalization of borrowing costs	<u>0.7347%~5.24%</u>	<u>1.17%~5.46%</u>

C. The Group'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.

D. Some of the Longchen P&P's lands are agricultural lands, which are temporarily held under the names of third parties due to their inability to be transferred. The Group has obtained certificates of entitlement on the lands and arranged for third-party owners to sign affidavits as a form of security.

(10) Leasing arrangements – lessee

A. The Group leases various assets including land, buildings and Transportation equipment. Excluding rental land use right made for periods of 50 years, other rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. For short-term leases (ex. land, building and transportation equipments) with a lease term of 12 months or less and low-value assets, the Company didn't capitalize them as right-of-use assets.

C. The carrying amount of right-of-use assets and the depreciation charge were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount		
Land (including land use right)	\$1,434,921	\$1,496,458
Building	31,648	41,407
Transportion equipment	93,281	64,331
Total	<u>\$1,559,850</u>	<u>\$1,602,196</u>
Addition	<u>\$92,111</u>	<u>\$87,111</u>
Disposals	<u>\$(8,079)</u>	<u>\$(7,466)</u>
Depreciation		
Land (including land use right)	\$61,304	\$48,362
Building	16,942	23,507
Transportion equipment	35,555	32,152
Total	<u>\$113,801</u>	<u>\$104,021</u>

Some of the Group's right-of-use has been placed as collaterals to borrowings. Please refer to Note 8 for details.

E. Leased Liability

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount		
Current	<u>\$62,605</u>	<u>\$61,145</u>
Non-current	<u>\$99,350</u>	<u>92,705</u>

(a) The related income impact of lease contract were as follows:

<u>The items of related income were as follows</u>	<u>2021</u>	<u>2020</u>
Interest expense	<u>\$3,930</u>	<u>\$3,956</u>
Short-term leases	<u>\$29,085</u>	<u>\$22,080</u>
Low-value leases	<u>\$1,966</u>	<u>\$1,461</u>
Gain on sublease of right-of-use assets (presented as other incomes)	<u>\$31,614</u>	<u>\$14,621</u>
Gain on sublease of right-of-use assets(presented as operating revenue)	<u>\$17,300</u>	<u>\$36,830</u>
Lease modification gain(loss)	<u>\$2,282</u>	<u>\$248</u>

(b) The cash flow out of lease in 2021 and 2020 was NT\$74,053 thousand and NT\$71,210 thousand, respectively.

(11) Investment Property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
January 1, 2021	<u>\$4,493</u>	<u>\$5,953</u>	<u>\$10,446</u>
December 31, 2021	<u>\$4,493</u>	<u>\$5,953</u>	<u>\$10,446</u>
January 1, 2020	<u>\$4,493</u>	<u>\$5,953</u>	<u>\$10,446</u>
December 31, 2020	<u>\$4,493</u>	<u>\$5,953</u>	<u>\$10,446</u>

	Land	Buildings	Total
Depreciation and impairment:			
January 1, 2021	\$-	\$3,048	\$3,048
Depreciation	-	110	110
December 31, 2021	\$-	\$3,158	\$3,158
January 1, 2020	\$-	\$2,938	\$2,938
Depreciation	-	110	110
December 31, 2020	\$-	\$3,048	\$3,048
Book value:			
December 31, 2021	\$4,493	\$2,795	\$7,288
December 31, 2020	\$4,493	\$2,905	\$7,398

A. Direct expenses associated with investment property were as follows.:

	2021	2020
Direct expenses incurred in relation to current rent income generated from investment property	\$(110)	\$(110)

B. Longchen P&P's did not perform fair value measurement for the fair values of investment properties held. Instead, Longchen P&P merely disclosed fair value information using level 3 input. Fair values of the Longchen P&P's investment properties as of December 31, 2021 and 2020, were NT\$16,835 thousand and NT\$10,421 thousand, respectively. The abovementioned fair values were established based on the latest deal prices of similar real estate located near the investment properties.

(12) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayment for land	\$28,597	\$28,814
Prepayment for equipment	1,508,256	3,401,524
Refundable deposits	124,495	34,962
Other non-current assets		
Deferred debits	305,712	305,712
Others	23,071	5,556
Total	\$1,990,131	\$3,776,568

(13) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured loans	\$8,361,216	\$8,421,310
Secured loans	1,086,000	437,700
Total	\$9,447,216	\$8,859,010
Interest rate collars of ending balance	1.54%~5.01%	1.05%~4.99%
Limit not used	\$6,639,149	\$4,585,654

The unsecured loans part of the subsidiaries is jointly guaranteed by Longchen P&P; another asset is provided as a collateral guarantee. Please refer to Note 8 for details.

(14) Short-term Note and bills payable

	December 31, 2021	December 31, 2020
Commercial paper	\$400,000	\$-
Commercial paper discount	(231)	-
Total	<u>\$399,769</u>	<u>\$-</u>
Interest rate for the end-of-period balance	<u>0.959%~0.960%</u>	<u>-%</u>

(15) Corporate bonds payable

	December 31, 2021	December 31, 2020
Domestic first secured ordinary corporate bonds	\$2,500,000	\$2,500,000
Domestic Second secured convertible corporate bonds	700,000	-
Less: unamortized premium	(51,699)	-
Subtotal	<u>648,301</u>	<u>-</u>
Total	<u>\$3,148,301</u>	<u>\$2,500,000</u>

A. On August 23, 2018. Longchen P&P issued its first secured ordinary corporate bonds and the significant terms of the bonds were as follows:

- (a) Issued period: The issuance period is five years, from August 23, 2018 (hereinafter referred to as the "Issuance Date") to August 23, 2023 (hereinafter referred to as the "Maturity Date").
- (b) Total amount of issuance: NT\$2,500,000 thousand, i.e. NT\$1,000 thousand per coupon, at par value;
- (c) Coupon rate: 0.85% of fixed annual rate;
- (d) Interest calculation and payment: annual payment with a coupon rate as of the issue date; simple interest is payable annually;
- (e) Principal repayment schedule: repay on the expiry date five years later as of the issue date.

B. On December 20, 2021. Longchen P&P issued its second secured convertible corporate bonds and the significant terms of the bonds were as follows:

- (a) Issuance period: The issuance period is 5 years, from December 20, 2021 (hereinafter referred to as the "Issuance Date") to December 20, 2026. (hereinafter referred to as the "Maturity Date").
- (b) Total issuance: The total denomination is NT\$700,000 thousand, each with a denomination of NT\$100 thousand, which is issued at 108.58% of the par value, and the total issuance amount is NT\$760,058 thousand.
- (c) Bond coupon rate: The coupon rate is 0% per annum.

- (d) Repayment method: Except that the holder of the convertible corporate bonds converts into ordinary shares of Longchen P&P, or exercises the right of call option, or Longchen P&P implements the right to redeem bonds, or Longchen P&P's repurchase and cancellation by Longchen P&P's business office of a securities firm, Longchen P&P shall, within ten business days after the maturity date of the convertible corporate bonds, convert the denomination of the bonds to the convertible bonds held by Longchen P&P's convertible corporate bond holders. Corporate bonds are repaid in cash in one lump sum.
- (e) Guarantee situation: The converted corporate bonds are unsecured bonds. However, if Longchen P&P issues or privately sells other secured corporate bonds with warrants or convertible bonds after the issuance of the convertible corporate bonds, the convertible corporate bonds will also be compared with the guaranteed stock option attached corporate bonds or the secured convertible corporate bonds, establish a creditor's right of the same level or a security interest of the same order.
- (f) Conversion subject: Longchen P&P's ordinary shares, and the conversion obligation shall be fulfilled by issuing new shares.
- (g) Conversion period: Bondholders may start from the day following the expiry of three months after the issue date of this convertible corporate bond (March 21, 2022) and end on the maturity date (December 20, 2026). Except (1) the period during which the transfer of ordinary shares is suspended in accordance with the law; (2) the period from the 15 business days before the date of the suspension of the transfer of Longchen P&P's free allotment of shares, the date of the suspension of the transfer of cash dividends, or the date of the suspension of the transfer of cash capital increase subscriptions to the base date of rights distribution ; (3) from the capital reduction base date for capital reduction to the one day before the trading day before the capital reduction and exchange of stocks; (4) the starting date for the suspension of conversion (subscription) for changing the denomination of the stocks to the one day before the trading day before the new stock exchange stock starts. In addition, at any time, through the trading brokerage, the Taiwan Central Depository and Clearing House Co., Ltd. may be notified to Longchen P&P's stock agency to request the conversion of the convertible corporate bonds held by Longchen P&P in accordance with these regulations.
- (h) Conversion price and its adjustment: The conversion price of this convertible corporate bond is determined by the 1, 3 and 5 days before the base date of ordinary shares' closing price. The base date of conversion price of this convertible corporate bond is November 30, 2022. The simple arithmetic average of the closing price of the ordinary shares of Longchen P&P in the operating day shall be selected as the benchmark price, and then multiply the benchmark price by 107% as the basis for calculating the conversion price (to the nearest New Taiwan Dollar, rounded up below). If there is an ex-rights or ex-dividend before the pricing base date, the

closing price that is sampled to calculate the conversion price should be calculated as the ex-right or ex-dividend price first; Ex-dividends shall be adjusted according to the conversion price adjustment formula. According to the above method, the conversion price at the time of issuance is NT\$26.20 per share. After the issuance of the convertible corporate bonds, except for the issuance (or private placement) of various securities with ordinary share conversion rights or stock options by Longchen P&P to exchange for ordinary shares, or for issuance of new shares due to employee compensation, in case of (1) when Longchen P&P 's issued (or privately placed) ordinary shares increase; (2) when allotment of ordinary stock cash dividends; (3) when the conversion or subscription price is lower than the current price per share (private placement) with ordinary stock conversion (4) when there is a reduction in ordinary shares not due to cancellation of treasury shares, the conversion price will be calculated and adjusted according to the formula stipulated in the conversion regulations, and the Securities Trading Center will be notified by letter.

- (i) Right of redemption: The convertible corporate bonds will start from the day following the three-month issuance period (March 21, 2022) and end forty days before the expiration of the issuance period (November 10, 2026). If one of the following conditions is met, Longchen P&P may withdraw the convertible corporate bonds in accordance with the issuance and conversion regulations: (1) the closing price of Longchen P&P's ordinary shares on the Securities Trading Center has exceeded the current conversion price by more than 30 consecutive business days. 30%. (2) when the outstanding balance of the convertible corporate bonds is less than NT\$70,000 thousand (10% of the original issued total). Longchen P&P will recover the convertible corporate bonds held by it in cash within five business days after the bond recovery base date at the bond face value.
- (j) Sell-back (Call) right: The date when the convertible corporate bond is issued for three years (December 20, 2024) is the base date for the convertible corporate bond holders to sell back the convertible corporate bond in advance. The holders of the convertible corporate bonds may request Longchen P&P to add interest compensation to the bond face value, which is 100.7519% of the bond face value (the real yield is 0.25%) after three years, and redeem the bonds held by them in cash. Longchen P&P accepts the sell-back request and shall redeem the convertible corporate bonds in cash within five business days after the sell-back base date.

C. The above-mentioned converted corporate bonds include the equity of the conversion right and the asset component of the right to sell back. The equity component is expressed as capital reserve-stock options under the equity item, and the asset components are respectively classified as embedded derivative financial products and non-derivative assets. The converted corporate bonds embedded in derivative financial products was assessed at fair value NT\$2,559 thousand as of December 31, 2021. The details of the amount of related equity, liabilities and profits and losses of its convertible corporate bonds are as follows:

	<u>December 31, 2021</u>
Embedded derivative financial products - put option (recognized under “Financial assets at fair value through profit or loss”)	\$2,629
Capital reserve-stock options under the equity item (recognized under “Capital Surplus”)	<u>\$104,215</u>
	<u>2021</u>
Embedded derivative instruments - call and put rights, including net gain of evaluation in financial asset and liabilities	<u>\$(70)</u>

(16) Long-term loans

A. Statement of long-term loans:

<u>Nature of loan</u>	<u>Lender</u>	<u>Contract term</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Repayment terms</u>
Secured loan	First Bank (the 16 th (1) syndicated loan)	From October 2016 to October 2023	\$7,346,214	\$8,699,964	Please refer to Note 6(16)B for details.
Secured loan	First Bank (the 16 th (2) syndicated loan)	From August 2018 to August 2022	2,503,444	3,112,401	Please refer to Note 6(16)B for details.
Secured loan	First Bank (the 17 th syndicated loan)	From May 2018 to May 2022	-	1,054,537	Please refer to Note 6(16)B for details.
Secured loan	First Bank (the 18 th syndicated loan)	From May 2019 to May 2022	2,396,635	2,713,069	Please refer to Note 6(16)B for details.
Secured loan	First Bank (the 19 th syndicated loan)	From November 2019 to November 2026	2,704,000	2,129,000	Please refer to Note 6(16)B for details.
Secured loan	First Bank (the 20 th syndicated loan)	From November 2019 to November 2022	1,619,298	2,115,000	Please refer to Note 6(16)B for details.
Secured loan	First Bank (the 21 th syndicated loan)	From June 2020 to June 2025	1,600,000	1,600,000	Please refer to Note 6(16)B for details.
Commercial paper	First Bank (the 21 th syndicated loan)	From June 2020 to June 2025	2,397,292	2,397,088	Please refer to Note 6(16)B for details.
Unsecured loan	First Bank (the 22 th syndicated loan)	From September 2020 to September 2025	898,540	925,600	Please refer to Note 6(16)B for details.
Unsecured loan	Shin Kong Bank (the 23 th syndicated loan)	From March 2021 to March 2026	414,711	-	Please refer to Note 6(16)B for details.
Unsecured loan	First Bank (the 24 th syndicated loan)	From November 2021 to November 2026	1,492,670	-	Please refer to Note 6(16)B for details.
Unsecured loan	First Bank	From June 2021 to June 2023	200,000	-	Monthly interest payment, principal repayment at expiry date.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Nature of loan	Lender	Contract term	December 31, 2021	December 31, 2020	Repayment terms
Secured loan	Yuanta Bank	From October 2019 to October 2026	210,000	210,000	The principal for the first installment should be repaid on the date when a loan has been issued for the first time 3 years ago, and subsequent principal repayment should be made on a monthly basis after the loan has been issued for the first time, and subsequent interest should be paid on a monthly basis.
Unsecured loan	Yuanta Bank	From May 2020 to May 2021	-	400,000	Monthly interest payment; disbursement and repayment at any time within the validity period of the limit; maximum loan term no longer than 90 days.
Unsecured loan	Yuanta Bank	From March 2020 to March 2023	400,000	-	Monthly interest payment, principal repayment at expiry date.
Unsecured loan	Yuanta Bank	From May 2020 to May 2023	400,000	-	Monthly interest payment, principal repayment at expiry date.
Secured loan	HuaNan Bank	From December 2019 to December 2029	665,600	665,600	Monthly interest payment, principal repayment at expiry date.
Unsecured loan	The Export-Import Bank of the Republic of China	From April 2017 to April 2022	30,000	90,000	The principal for the first installment should be repaid on the date when a loan has been issued for the first time since 6 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 on three monthly basis.
Unsecured loan	The Export-Import Bank of the Republic of China	From March 2019 to March 2021	-	100,000	Monthly interest payment, (The interest should be paid on the following day (i.e. the 21 st day)) principal repayment at expiry date.
Unsecured loan	The Export-Import Bank of the Republic of China	From May 2021 to May 2026	90,660	-	The first principal repayment is due 36 months after the first drawdown, whereas subsequent repayments occur once every months. Balances outstanding at the end of the drawdown period scheduled to be repaid 24 equal installments.
Secured loan	The Export-Import Bank of the Republic of China	From June 2021 to June 2023	200,000	-	Monthly interest payment, principal repayment at expiry date.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Nature of loan	Lender	Contract term	December 31, 2021	December 31, 2020	Repayment terms
Unsecured loan	Far Eastern International Bank	From June 2019 to June 2021	-	375,000	Monthly interest payment, the first principal repayment is due 15 months after the first drawdown, whereas subsequent repayments occur once every 3 months. Balances outstanding at the end of the drawdown period scheduled to be repaid over 8 equal installments.
Unsecured loan	Far Eastern International Bank	From November 2021 to November 2024	500,000	-	Monthly interest payment, the first principal repayment is due 15 months after the first drawdown, whereas subsequent repayments occur once every 3 months. Balances outstanding at the end of the drawdown period scheduled to be repaid over 8 equal installments.
Unsecured loan	Mizuho Bank	From July 2020 to July 2022	-	450,000	Monthly interest payment, principal had been paid.
Unsecured loan	Taishin Bank	From July 2021 to July 2022	200,000	-	Monthly interest payment, principal repayment at expiry date.
Unsecured loan	JihSun Commercial Bank	From May 2019 to May 2021	-	300,000	Monthly interest payment, principal repayment at expiry date.
Unsecured loan	JihSun Commercial Bank	From April 2021 to April 2023	400,000	-	Monthly interest payment, principal repayment at expiry date.
Secured loan	Taiwan Cooperative Bank	From December 2017 to December 2024	-	142,690	1 st installment starts upon 24 months as of the date of first employment, and each subsequent installment starts per 6 months; 5% repaid from the 1 st to 6 th installment, 10% repaid from the 7 th to 10 th installment, 30% repaid in the 11 th installment.
Secured loan	Taiwan Cooperative Bank	From January 2019 to January 2026	124,239	128,552	Employed from January 2019; 1st installment starts upon the first 24 months, and each subsequent installment starts per 6 months, total 9 months, 1 st -6 th payment CNY2,000 thousand, 7 th -8 th payment CNY7,600 thousand, 9 th payment CNY5,400 thousand.
Unsecured loan	Cooperative Bank	From December 2020 to January 2021	-	198,000	Credit circulation, monthly interest payment, principal repayment at expiry date.
Secured loan	Land Bank of Taiwan	From January 2017 to January 2023	80,062	134,450	Employed from January 2017; 1 st installment starts upon the first 30 months, and each subsequent installment starts per 6 months; principal repayment in 8 installments.
Long-term loans due within one year			(9,955,406)	(8,538,151)	
Total			\$16,917,959	\$19,402,800	
Interest rate collars of ending balance			0.7347%~5.4625%	0.845%~5.4625%	
Limit not used			\$1,286,000	\$2,009,693	

B. Key terms of the abovementioned syndicated loan contracts

Summary	The 16 th syndicated loan (1 st installment)	The 16 th syndicated loan (2 nd installment)																								
Lead arranger / management bank	First Bank Ltd.	First Bank Ltd.																								
Bank syndicate	10 lenders including First Bank Ltd.	6 lenders including First Bank Ltd.																								
Credit limit	Facilitate A: Medium (fiduciary) borrowing; CNY 1,700,000 thousand credit limit; non-circulating. Facilitate B: Medium borrowing; CNY 290,000 thousand credit limit; circulating within the loan tenor.	Facilitate A: Medium (fiduciary) borrowing; CNY 730,000 thousand, no revolver credit limit; non-circulating. Facilitate B: Medium borrowing; US 24,000 thousand credit limit; no revolver.																								
Utilization	Facilitate A: CNY 1,416,610 thousand Facilitate B: CNY 276,000 thousand	Facilitate A: CNY 515,200 thousand Facilitate B: CNY 9,600 thousand																								
Loan tenor	Facilitate A: 7 years from the first drawdown Facilitate B: 5 years from the first drawdown 2016.10.25-2023.10.25	Facilitate A: 4 years from the first drawdown Facilitate B: 4 years from the first drawdown 2018.8.30-2022.8.30																								
Interest rate	Facilitate A: 4.9000% Facilitate B: 4.7000%	Facilitate A: 5.4625% Facilitate B: 1.67538%																								
Collateral	Properties, plants, equipment and right to use lands of subsidiaries in China	Properties, plants, equipment and right to use lands of subsidiaries in China																								
Commitments	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 210\%$ (2016.10.25-2017.12.31) Leverage ratio $\leq 230\%$ (2018.1.1-2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1-2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1-2022.12.31) Leverage ratio $\leq 200\%$ (After 2023.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 100 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender.	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 230\%$ (2018.8.30-2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1-2021.12.31) Leverage ratio $\leq 210\%$ (After 2022.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 100 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender.																								
Repayment terms	The 1 st installment period shall start from the first employment date to the day when the 42 th month expires; every six months subsequently shall be regarded as one installment period and there shall be eight installment periods in total. The repayment term and rates are as follows: <table border="1"> <thead> <tr> <th>Repayment date</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>The 54th month</td> <td>8.34%</td> </tr> <tr> <td>The 60th month</td> <td>8.33%</td> </tr> <tr> <td>The 66th month</td> <td>8.33%</td> </tr> <tr> <td>The 72nd month</td> <td>10%</td> </tr> <tr> <td>The 78th month</td> <td>10%</td> </tr> <tr> <td>The 84th month</td> <td>55%</td> </tr> </tbody> </table>	Repayment date	Rate	The 54 th month	8.34%	The 60 th month	8.33%	The 66 th month	8.33%	The 72 nd month	10%	The 78 th month	10%	The 84 th month	55%	The 1 st installment period shall start from the first employment date to the day when the 24 th month expires; every six months subsequently shall be regarded as one installment period and there shall be five installment periods in total. The repayment term and rates are as follows: <table border="1"> <thead> <tr> <th>Repayment date</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>The 30th month</td> <td>10%</td> </tr> <tr> <td>The 36th month</td> <td>10%</td> </tr> <tr> <td>The 42nd month</td> <td>10%</td> </tr> <tr> <td>The 48th month</td> <td>70%</td> </tr> </tbody> </table>	Repayment date	Rate	The 30 th month	10%	The 36 th month	10%	The 42 nd month	10%	The 48 th month	70%
Repayment date	Rate																									
The 54 th month	8.34%																									
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The 66 th month	8.33%																									
The 72 nd month	10%																									
The 78 th month	10%																									
The 84 th month	55%																									
Repayment date	Rate																									
The 30 th month	10%																									
The 36 th month	10%																									
The 42 nd month	10%																									
The 48 th month	70%																									

Summary	The 17 th syndicated loan	The 18 th syndicated loan
Lead arranger / management bank	First Bank Ltd.	First Bank Ltd.
Bank syndicate	5 lenders including First Bank Ltd.	7 lenders including First Bank Ltd.
Credit limit	Facilitate A: Medium-term (fiduciary) loan; credit line - CNY 290,000 thousand; no revolver; the common credit line for that in Paragraph B shall not exceed an amount equivalent to CNY 290,000 thousand (hereinafter referred to as "Common Credit Line for A and B"). Facilitate B: Medium-term loan; credit line – USD 43,500 thousand; revolver; the common credit line for that in Paragraph A shall not exceed the common credit line for A and B.	Medium borrowing; CNY 690,000 thousand credit limit; circulating within the loan tenor.
Utilization	Facilitate A: CNY 0 thousand Facilitate B: USD 0 thousand	Facilitate A: CNY 552,000 thousand
Loan tenor	Facilitate A: 5 years from the first drawdown Facilitate B: 5 years from the first drawdown 2017.5.12-2022.5.12	Facilitate A: 3 years from the first drawdown Facilitate B: 3 years from the first drawdown 2019.5.24-2022.5.24
Interest rate	Facilitate A: -% Facilitate B: -%	Facilitate A: 4.894%
Collateral	None.	Properties, plants, equipment and right to use lands of subsidiaries in China
Commitments	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 210\%$ (2017.5.12-2017.12.31) Leverage ratio $\leq 230\%$ (2018.1.1-2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1-2021.12.31) Leverage ratio $\leq 210\%$ (After 2022.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 100 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender.	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 230\%$ (2019.1.1-2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1-2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1-2022.12.31) Leverage ratio $\leq 200\%$ (2023.1.1-2023.12.31) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 100 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender.
Repayment terms	All such loans shall be repaid on the expiry date as agreed in the applications for loan employment.	All such loans shall be repaid on the expiry date as agreed in the applications for loan employment.

Summary	The 19th syndicated loan	The 20th syndicated loan												
Lead arranger / management bank	First Bank Ltd.	First Bank Ltd.												
Bank syndicate	5 lenders including First Commercial Bank Ltd.	5 lenders including First Commercial Bank Ltd.												
Credit limit	Facilitate A: Medium (secured) borrowing; NT\$530,100 thousand credit limit; non- circulating. Facilitate B1: Medium (secured) borrowing; NT\$1,402,200 thousand credit limit; non- circulating. Facilitate B2: Medium borrowing; NT\$461,700 thousand credit limit; non- circulating. Facilitate C: Medium borrowing; NT\$532,000 thousand credit limit; non- circulatin.	Medium borrowing; CNY 510,000 thousand credit limit; circulating within the loan tenor.												
Utilization	Facilitate A: NT\$452,000 thousand Facilitate B1: NT\$1,382,000 thousand Facilitate B2: NT\$340,000 thousand Facilitate C: NT\$530,000 thousand	CNY 484,500 thousand												
Loan tenor	Facilitate A: 7 years from the first drawdown Facilitate B1: 7 years from the first drawdown Facilitate B2: 7 years from the first drawdown Facilitate C: 7 years from the first drawdown 2019.11.15-2026.11.15	3 years from the first drawdown 2019.11.7- 2022.11.7												
Interest rate	Facilitate A: 1.5000% Facilitate B1: 1.5000% Facilitate B2: 1.3105% Facilitate C: 1.5000%	4.385%												
Collateral	Land of Erlin Ln located in Changhua	Properties, plants, equipment and right to use lands of subsidiaries in China												
Commitments	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 230\%$ (2019.1.1~2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1~2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1~2022.12.31) Leverage ratio $\leq 200\%$ (After 2023.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 150 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 $\leq 230\%$ (2019.1.1~2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1~2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1~2022.12.31) Leverage ratio $\leq 200\%$ (After 2023.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 150 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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	The first principal repayment is due 2.5 years after the first drawdown, whereas subsequent repayments occur once every 1 months. Balances outstanding at the end of the drawdown period scheduled to be repaid over 55 equal installments.	All such loans shall be repaid on the expiry date as agreed in the applications for loan employment. The 1 st installment period shall start from the first employment date to the day when the 12 th month expires; every six months subsequently shall be regarded as one installment period and there shall be five installment periods in total. The repayment term and rates are as follows: <table border="1"> <thead> <tr> <th>Repayment date</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>The 18th month after the first employment date</td> <td>5%</td> </tr> <tr> <td>The 24th month</td> <td>5%</td> </tr> <tr> <td>The 30th month</td> <td>5%</td> </tr> <tr> <td>The 36th month</td> <td>5%</td> </tr> <tr> <td>The 42th month</td> <td>80%</td> </tr> </tbody> </table>	Repayment date	Rate	The 18 th month after the first employment date	5%	The 24 th month	5%	The 30 th month	5%	The 36 th month	5%	The 42 th month	80%
Repayment date	Rate													
The 18 th month after the first employment date	5%													
The 24 th month	5%													
The 30 th month	5%													
The 36 th month	5%													
The 42 th month	80%													

Summary	The 21th syndicated loan	The 22th syndicated loan
Lead arranger / management bank	First Bank Ltd.	First Bank Ltd.
Bank syndicate	11 lenders including First Bank Ltd.	8 lenders including First Bank Ltd.
Credit limit	Facilitate A: Medium (secured) borrowing; NT\$1,600,000 thousand credit limit; non-circulating. Facilitate B: Medium borrowing; NT\$2,400,000 thousand credit limit; circulating within the loan tenor. Facilitate C: Medium commercial paper; NT\$2,400,000 thousand credit limit; non-circulating.	Medium-term (fiduciary) borrowing; equivalent to USD 32,500 thousand; in installment but no revolver.
Utilization	Facilitate A: 1,600,000 thousand Facilitate B: 0 thousand Facilitate C: 2,400,000 thousand	USD 32,500 thousand
Loan tenor	5 years from the first drawdown 2020.6.14- 2025.6.16	5 years from the first drawdown 2020.9.9- 2025.9.9
Interest rate	Facilitate A: 1.7895% Facilitate B: -% Facilitate C: 0.968%-1.0809%	2.049%
Collateral	Land and related plant located in Taoyuan Zankan.	None.
Commitments	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 230\%$ (2020.1.1~2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1~2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1~2022.12.31) Leverage ratio $\leq 200\%$ (After 2123.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 150 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 230\%$ (2020.1.1~2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1~2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1~2022.12.31) Leverage ratio $\leq 200\%$ (After 2123.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 150 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender
Repayment terms	Facilitate A: The first principal repayment is due 2 years after the first drawdown, whereas subsequent repayments occur once every 6 months. Balances outstanding at the end of the drawdown period scheduled to be repaid over 7 equal installments. Facilitate B and C: The principal repayment is made in the expiry date of the loan.	The first installment will be repaid on the day of 24 months from September 2020, and thereafter, every twelve months will be divided into four installments and amortized equally.

Summary	The 23th syndicated loan	The 24th syndicated loan														
Lead arranger / management bank	Shin Kong Bank Ltd.	First Bank Ltd.														
Bank syndicate	5 lenders including Shin Kong Bank Ltd.	8 lenders including First Bank Ltd.														
Credit limit	Medium-term (fiduciary) borrowing; equivalent to USD 15,000 thousand; in installment but no revolver.	Facilitate A: Medium-term (fiduciary) loan; credit line - CNY 360,000 thousand; no revolver; the common credit line for that in Paragraph B shall not exceed an amount equivalent to CNY 360,000 thousand (hereinafter referred to as "Common Credit Line for A and B"). Facilitate B: Medium-term loan; credit line – USD 54,000 thousand; revolver; the common credit line for that in Paragraph A shall not exceed the common credit line for A and B.														
Utilization	CNY 95,468 thousand	Facilitate A: CNY 0 thousand Facilitate B: USD 54,000 thousand														
Loan tenor	5 years from the first drawdown 2021.3.5- 2026.3.4	Facilitate A: 5 years from the first drawdown Facilitate B: 5 years from the first drawdown 2021.11.5-2026.11.5														
Interest rate	1.979%	Facilitate A: -% Facilitate B: 1.82%-1.85%														
Collateral	None.	None.														
Commitments	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 230\%$ (2020.1.1~2020.12.31) Leverage ratio $\leq 220\%$ (2021.1.1~2021.12.31) Leverage ratio $\leq 210\%$ (2022.1.1~2022.12.31) Leverage ratio $\leq 200\%$ (After 2123.1.1) Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 150 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender	Current ratio $\geq 100\%$ (Current liabilities in the denominator exclude current portion of long-term liability maturing in one year) Leverage ratio $\leq 220\%$ Interest coverage ratio $\geq 250\%$ Tangible net worth ≥ 150 million Financial ratios are based on semi-annual and annual consolidated financial reports. If a 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 lender														
Repayment terms	The first installment will be repaid on the day of 24 months, and thereafter, every twelve months will be divided into four installments and amortized equally.	The 1 st installment period shall start from the first employment date to the day when the 30 th month expires; every six months subsequently shall be regarded as one installment period and there shall be five installment periods in total. The repayment term and rates are as follows: <table border="1"> <thead> <tr> <th>Repayment date</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>The 30th month after the first employment date</td> <td>5%</td> </tr> <tr> <td>The 36th month</td> <td>5%</td> </tr> <tr> <td>The 42th month</td> <td>5%</td> </tr> <tr> <td>The 48nd month</td> <td>5%</td> </tr> <tr> <td>The 54th month</td> <td>5%</td> </tr> <tr> <td>The 60th month</td> <td>75%</td> </tr> </tbody> </table>	Repayment date	Rate	The 30 th month after the first employment date	5%	The 36 th month	5%	The 42 th month	5%	The 48 nd month	5%	The 54 th month	5%	The 60 th month	75%
Repayment date	Rate															
The 30 th month after the first employment date	5%															
The 36 th month	5%															
The 42 th month	5%															
The 48 nd month	5%															
The 54 th month	5%															
The 60 th month	75%															

C. The Group has provided other financial assets, properties, plants and equipment as collaterals of long-term loans. Please refer to Note 8 for details.

(17) Refund liability- current

	<u>January 1, 2021</u>	<u>Additions in current period</u>	<u>Reversals in current period</u>	<u>Effect of foreign exchange</u>	<u>December 31, 2021</u>
Onerous Contracts	\$-	\$83,157	\$-	\$73	\$83,230

A. The loss provision for onerous contracts refers to some coal purchase contracts signed by the Group. Since the expected economic benefits from the contract are expected to be lower than the unavoidable costs incurred in fulfilling the contract obligations, the expected loss is recognized as provision. This estimate is reversed when the contract is completed.

B. The above provision is not discounted because they are short-term or have little impact on discounting.

(18) Refund liability - current

	<u>January 1, 2021</u>	<u>Additions in current period</u>	<u>Reversals in current period</u>	<u>December 31, 2021</u>
Sales return and discount - current	\$13,936	\$139,619	\$132,743	\$20,812

	<u>January 1, 2020</u>	<u>Additions in current period</u>	<u>Reversals in current period</u>	<u>December 31, 2020</u>
Sales return and discount - current	\$14,818	\$164,060	\$164,942	\$13,936

Longchen P&P estimates sales returns and allowances based on the previous experience and other reasons already known. Such sales returns and allowances are regarded as decrease in sales revenue and recognized into refund liability related to product return.

(19) Pensions

A. Defined benefit plans

(a) Longchen P&P has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Longchen P&P contribute monthly an amount equal to

15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, Longchen P&P would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, Longchen P&P will make contributions for the deficit by next March.

(b) Amounts recognized in the standalone balance sheet were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$147,104	\$146,109
Fair value of plan assets	(96,267)	(97,989)
Net defined benefit liabilities - non-current	<u>\$50,837</u>	<u>\$48,120</u>

(c) Changes in present value of defined benefit obligation were as follows :

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$146,109	\$152,938
Current service cost	2,605	2,969
Interest costs	1,169	1,529
Remeasurements		
Actuarial losses (gains)-Change in financial assumptions	1,476	1,427
Actuarial losses (gains)-Experience adjustments	5,129	11,640
Benefit paid by the plan	(9,384)	(24,394)
Balance at December 31	<u>\$147,104</u>	<u>\$146,109</u>

(d) Changes in the fair value of plan assets were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets on January 1	\$97,989	\$98,661
Interest income	863	1,022
Remeasurement		
Return on plan assets (excluding net interests on net defined benefit liabilities)	830	2,927
Contribution by employer	5,969	19,773
Benefits paid from plan assets	(9,384)	(24,394)
Fair value of plan assets as of December 31	<u>\$96,267</u>	<u>\$97,989</u>

(e) Changes in net defined benefit liability were as follows:

	<u>2021</u>	<u>2020</u>
Net defined benefit liability as of January 1	\$48,120	\$54,277
Defined benefit costs recognized in profit and loss	2,911	3,476
Contribution by employer	(5,969)	(19,773)
Defined benefit costs recognized in other comprehensive income	5,775	10,140
Net defined benefit liability as of December 31	<u>\$50,837</u>	<u>\$48,120</u>

- (f) Details of pension expense (income) recognized in the statement of comprehensive income were as follows:

	2021	2020
Current service costs	\$2,605	\$2,969
Interest cost of defined benefit obligation	1,169	1,529
Interest income on plan assets	(863)	(1,022)
Pension cost for the current period	<u>\$2,911</u>	<u>\$3,476</u>

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

	2021	2020
Operating costs	\$2,083	\$2,557
Selling expenses	164	212
General and administrative expenses	664	707
	<u>\$2,911</u>	<u>\$3,476</u>

- (g) Remeasurement of defined benefit plan recognized in other comprehensive income were as follows:

	2021	2020
Remeasurement		
Return on plan assets (excluding net interests on net defined benefit liability)	\$(830)	\$(2,927)
Change in financial assumption	1,476	1,427
Experience adjustments	5,129	11,640
Recognized in other comprehensive income	<u>\$5,775</u>	<u>\$10,140</u>

- (h) The Bank of Taiwan was commissioned to manage the Fund of the Longchen P&P's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. Longchen P&P and domestic subsidiaries have no right to participate in managing and operating that fund and hence Longchen P&P and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020, is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (i) Actuarial assumptions for the pension calculation were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.55%</u>	<u>1.00%</u>
Rate of future salary increase	<u>1.00%</u>	<u>1.00%</u>

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:

	<u>Discount rate</u>		<u>Rate of future salary increase</u>	
	0.25% increase	0.25% decrease	1.00% increase	1.00% decrease
December 31, 2021				
Defined benefit obligations	<u>\$(1,476)</u>	<u>\$1,517</u>	<u>\$6,287</u>	<u>\$(5,763)</u>
December 31, 2020				
Defined benefit obligations	<u>\$(1,779)</u>	<u>\$1,828</u>	<u>\$7,506</u>	<u>\$(6,879)</u>

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.

- (j) Longchen P&P expects to make contributions totaling NT\$5,969 thousand to the pension plan within the one year after December 31, 2021.
- (k) As of December 31, 2021, the pension plan had an average duration of 4.8 years.

B. Defined contribution plans

- (a) Longchen P&P and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Longchen P&P and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of Longchen P&P for the years ended December 31, 2021 and 2020, were NT\$33,110 thousand and NT\$32,246 thousand, respectively.

- (b) L&C, Long Chen Paper (China), Long Chen Investment, Packaging, Trading, Kunshan Longzhong and Hong Kong Long Chen are holding companies, so no employment pension plan is made.

Longchen P&P's subsidiaries in China are subject to the endowment insurance system established by the People's Republic of China. Longchen P&P contributes monthly an amount of pension insurance based on a certain ratio of the employees' monthly total salaries and wages; 14%-16% (depending on the employees' places of household registration) of the employees' special account deposits are contributed monthly to the employees' independent accounts. The employees' monthly pensions are uniformly arranged by the government. Furthermore, Long Chen Paper Japan and Metis contributes monthly pensions based on a specific ratio of the local employees' monthly total salaries and wages; the aforesaid company bears no further obligation except such monthly contributions. Under the defined contribution plan, Longchen P&P's subsidiaries in China recognised pension expense of NT\$112,240 thousand and NT\$50,088 thousand for the years ended December 31, 2021 and 2020, respectively.

- (c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2019, were NT\$145,350 thousand and NT\$82,334 thousand, respectively.

Presentation of the above expenses in the standalone statement of comprehensive income, by cost and expense categories was as follows.

	2021	2020
Operating costs	\$79,551	\$46,427
Selling expenses	26,345	14,568
General and administrative expenses	18,747	12,501
Research and development expenses	20,707	8,838
	<u>\$145,350</u>	<u>\$82,334</u>

(20) Capital stock and capital increase

A. Details of the capital stock are as follows:

	December 31, 2021	December 31, 2020
Authorized shares (thousand)	<u>1,500,000</u>	<u>1,500,000</u>
Authorized capital	<u>\$15,000,000</u>	<u>\$15,000,000</u>
Shares issued and fully paid up (thousand)	<u>1,277,686</u>	<u>1,277,686</u>
Issued share capital	<u>\$12,776,857</u>	<u>\$12,776,857</u>

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

B. The Longchen P&P's board of directors decided to issue 60,000,000 common shares in the form of proceeds from new issues on August 14, 2020, with the par value of NT\$10 per share, the issue price of NT\$14.8 per share. As a result, NT\$600,000 thousand was raised in total, and the premium of NT\$288,000 thousand 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>
November 13, 2020	Proceeds from new issues	NT\$600,000 thousand	60,000 thousand shares	FSC No. 1090358324

In 2020, 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\$20,424 thousand as at December 31, 2020. After completion of the proceeds from new issues, the "capital reserves - employee stock ownership" originally recognized was reclassified as "capital reserves - share premium" (NT\$20,424 thousand).

(21) Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Share premium	\$2,324,946	\$2,324,946
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	342,579	342,579
Change of equity interest in subsidiaries	20,539	20,539
Net change of equity interest in associated companies	10,227	10,227
Equity component of convertible bonds recognized in stock option	104,215	-
Equity component of convertible corporate bonds payable - knock-out option	450	450
Employee option	43,317	43,317
Expried employee option	14,960	14,960
Total	<u>\$4,123,578</u>	<u>\$4,019,363</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.

(22) Retained earnings

A. Legal reserve

- (a) According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.
- (b) In accordance with the regulations, Longchen P&P shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

B. Special reserve

- (a) 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, a company may distribute the amount of reversal back to shareholders.
- (b) Longchen P&P complies with FSC Explanation Order No.1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, on the transition date, for the booked unrealized revaluation increase and aggregated adjustment interest, since the exemption of IFRS 1 "First-time Adoption of IFRS" is transferred into retained earnings, the special reserve shall be recognized. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

C. Dividend policy

- (a) Longchen P&P may distribute earnings or offset losses after the end of each half-year in accordance with the provisions of the earnings distribution policy in the Longchen P&P's articles and the related law. According to the Longchen P&P's articles of association, if the Company has the profit in the annual fiscal year resolution, it should first set aside the tax amount to offset the loss of the previous year, and then withdraw 10% as the statutory surplus reserve. If there is any remaining balance, together with the accumulated undistributed surplus, the board of directors will have a distribution plan and submit it to the shareholders meeting for approval.
- (b) Longchen P&P's dividend policy, depending on the current and future development plans, investment environment, capital needs and domestic and foreign competition conditions, and consider the interests of shareholders and other factors, will allocate no less than 20% of the distributable earning every year for distribution. Shareholders' dividends and dividends shall be distributed in cash or stocks, of which cash dividends shall not be less than 50% (inclusive), and the rest shall be stock dividends. When the Company has investment, new construction, reconstruction, expansion or capital needs, the annual dividends that should be distributed may all be distributed in the form of stock dividends.

A. Earnings appropriation plan

- (a) Longchen P&P's 2020 and 2019 earnings appropriations were resolved during annual general meetings held on July 12, 2021 and June 2, 2020, respectively. It is the same as the board resolution. The dividends distributed are as follows:

	2020		2019	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal reserve	\$93,778		\$58,234	
Cash dividend	766,612	\$0.6	365,306	\$0.3
Total	<u>\$860,390</u>		<u>\$423,540</u>	

- (b) On March 11, 2022 and August 13, 2021, Longchen P&P proposed by the board of directors that the profit distribution plan for the second half and first half of 2021 is as follows:

	The second half year-2021		The First half year-2021	
	Earnings appropriation plan	Dividends per share (NT\$)	Earnings appropriation plan	Dividends per share (NT\$)
Legal reserve	\$256,305		\$-	
Cash dividend	1,533,223	\$1.2	-	\$-
Total	<u>\$1,789,528</u>		<u>\$-</u>	

Appropriation of 2021 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 8, 2022.

(c) For details of employee bonus and remuneration to directors and supervisors, please referred to Note 6(29).

(23) Non-controlling interest

	2021	2020
Balance on January 1	\$68,524	\$348,186
Cash dividends	-	(10,248)
Net loss	(769)	(18,383)
Share attributable to non-controlling interests:		
Currency translation difference	(468)	3,932
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	292	1,745
Changes in ownership interests in subsidiaries	-	(776)
Change in non-controlling interests	-	(255,932)
Ending balance	<u>\$67,579</u>	<u>\$68,524</u>

(24) Other equity items

	Translation differences arising from foreign operations	Investment in equity instruments Unrealized gain or loss on FVTOCIFA	Total
Balance as at January 1, 2021	\$(1,311,493)	\$2,283,891	\$972,398
Valuation adjustment			
- Accounted associated companies and joint ventures	-	357,748	357,748
Translation differences			
- The Group	(142,527)	-	(142,527)
- Accounted associated companies and joint ventures	2,146	-	2,146
- The Tax Impact	28,076	-	28,076
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	(214,817)	(214,817)
Balance as at December 31, 2021	<u>\$(1,423,798)</u>	<u>\$2,426,822</u>	<u>\$1,003,024</u>
Balance as at January 1, 2020	\$(1,549,054)	\$386,837	\$(1,162,217)
Valuation adjustment			
- Accounted associated companies and joint ventures	-	1,897,054	1,897,054
Translation differences			
- The Group	256,450	-	256,450
- Accounted associated companies and joint ventures	40,501	-	40,501
- The Tax Impact	(59,390)	-	(59,390)
Balance as at December 31, 2020	<u>\$(1,311,493)</u>	<u>\$2,283,891</u>	<u>\$972,398</u>

(25) Income tax

A. Components of income tax expenses:

(a) Income tax recognized as current profit and loss

	2021	2020
Current income tax expenses:		
Income tax from current income	\$556,245	\$423,329
Overvalued/undervalued income tax for the preceding year	(17,909)	(3,811)
Deferred income tax expenses:		
Generation and reversal of temporary difference	(17,858)	(247,612)
Surtax on undistributed earnings	-	7,940
Income tax expenses	<u>\$520,478</u>	<u>\$179,846</u>

(b) Income tax recognized as other comprehensive income

	2021	2020
Items not reclassified into profit and loss:		
Losses on remeasurements of defined benefit plans	\$(1,155)	\$(2,028)
Items likely to be reclassified into profit and loss:		
Exchange differences on translation of foreign financial statements (EXDF)	(28,076)	59,390
Income tax related to the components of other comprehensive income	<u>\$(29,231)</u>	<u>\$57,362</u>

B. Adjustment of relationship between income tax expenses and accounting profit were as follows:

	2021	2020
Pre-tax profit	<u>\$2,872,565</u>	<u>\$1,107,356</u>
Income tax of Longchen P&P's pre-tax profit calculated at statutory tax rate	574,513	221,471
Effects of differences on tax rates in foreign jurisdictions	103,382	53,198
Effects of income tax with some items excluded as per the tax act	8,542	(1,981)
Overvalued/undervalued income tax amount for the preceding year	(17,909)	(3,811)
Effects of overvalued/undervalued deferred income tax assets/liabilities	(195,304)	(96,971)
Repatriated offshore taxation	3,411	-
Surtax on undistributed earnings	-	7,940
Effect from investment tax credits	43,843	-
Income tax expenses	<u>\$520,478</u>	<u>\$179,846</u>

C. Amount of deferred income tax assets/liabilities from temporary difference were as follows:

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

	2021				
	January 1	Recognition into loss (gain)	Recognition into other comprehensive income	Effects of exchange gains or losses	December 31
Deferred Income Tax Assets					
Unrealized gross margin from sale	\$8,598	\$1,993	\$-	\$-	\$6,605
Unrealized sales discounts and allowances	2,787	(1,375)	-	-	4,162
Ultralimit amount of loss from doubtful account	87,105	(2,349)	-	648	88,806
Overseas losses recognized under the equity method	13,054	(5,172)	-	94	18,132
Loss from unrealized overseas investments	30,084	2,067	-	-	28,017
Allowance for reduction of inventory to market	3,361	(22,310)	-	2	25,669
Actuarial loss (gain) of defined benefit plans	27,233	-	(1,155)	-	28,388
Unrealized foreign exchange losses (gains)	113	(64,691)	-	(47)	64,851
Loss (gain) from exchange differences on translation of foreign financial statements (EXDF)	327,874	-	(28,076)	-	355,950
Provisions for liabilities	-	(8,343)	-	(8)	8,351
Impairment of assets	-	(11,360)	-	(10)	11,370
Others	66,564	(581)	-	510	66,635
Subtotal	<u>566,773</u>	<u>(112,121)</u>	<u>(29,231)</u>	<u>1,189</u>	<u>706,936</u>
Deferred income tax liabilities					
Overseas interests recognized under the equity method	116,614	101,830	-	-	218,444
Unrealized gain in offshore investment	7,631	(7,567)	-	(64)	-
Subtotal	<u>124,245</u>	<u>94,263</u>	<u>-</u>	<u>(64)</u>	<u>218,444</u>
Total	<u>\$(442,528)</u>	<u>\$(17,858)</u>	<u>\$(29,231)</u>	<u>\$1,125</u>	<u>\$(488,492)</u>
	2020				
	January 1	Recognition into loss (gain)	Recognition into other comprehensive income	Effects of exchange gains or losses	December 31
Deferred Income Tax Assets					
Unrealized gross margin from sale	\$4,539	\$(4,059)	\$-	\$-	\$8,598
Unrealized sales discounts and allowances	2,964	177	-	-	2,787
Ultralimit amount of loss from doubtful account	90,080	4,359	-	(1,384)	87,105
Overseas losses recognized under the equity method	5,337	(7,461)	-	(256)	13,054
Loss from unrealized overseas investments	42,152	12,068	-	-	30,084
Allowance for reduction of inventory to market	2,204	(1,104)	-	(53)	3,361
Actuarial loss (gain) of defined benefit plans	25,205	-	(2,028)	-	27,233
Unrealized foreign exchange losses (gains)	5,004	4,891	-	-	113
Loss (gain) from exchange differences on translation of foreign financial statements (EXDF)	387,264	-	59,390	-	327,874
Others	66,920	1,442	-	(1,086)	66,564
Subtotal	<u>631,669</u>	<u>10,313</u>	<u>57,362</u>	<u>(2,779)</u>	<u>566,773</u>
Deferred income tax liabilities					
Overseas interests recognized under the equity method	381,974	(265,360)	-	-	116,614
Unrealized gain in offshore investment	-	7,464	-	167	7,631
Others	29	(29)	-	-	-
Subtotal	<u>382,003</u>	<u>(257,925)</u>	<u>-</u>	<u>167</u>	<u>124,245</u>
Total	<u>\$(249,666)</u>	<u>\$(247,612)</u>	<u>\$57,362</u>	<u>\$(2,612)</u>	<u>\$(442,528)</u>

D. The information on the losses of individual entities in the Group excluded from taxation is as follows:

<u>Year</u>	<u>Amount of tax loss</u>	<u>Balance not used</u>	<u>Year of carryforwards</u>
2016	\$66,399	\$66,399	2021
2017	82,633	82,633	2022
2018	963,814	963,814	2023
2019	1,442,795	1,442,795	2024
2020	1,010,160	875,643	2015
Total	<u>\$3,565,801</u>	<u>\$3,431,284</u>	

E. In accordance with the current applicable tax act was as follows:

The profit-seeking enterprise income tax rate was 20% in 2021 and 2020. The Company assessed the impact of such change in the tax rate on income tax. Besides, the tax rate applicable to the undistributed earnings was 5%.

Longchen P&P's income tax for profit-making enterprises in 2019 and the income tax for profit-making enterprises in 2018 and the additional tax on undistributed surplus were NT\$286,437 thousand and NT\$119,139 thousand, respectively. Based on the updated tax regulation, taxpayers who are affected by the Covid-19 epidemic and are unable to pay the tax within the prescribed payment period, may apply to the tax collection authority for an extension or installment payment in accordance with Article 26 of the Tax Collection Law. On June 16, 2021 and June 19, 2020, Longchen P&P obtained the approval from the Beidou Branch of the Central District State Taxation Bureau of the Ministry of Finance to pay the aforesaid tax in 30 installments and 36 installments. Tax payment of NT\$134,431 thousand is classified as income tax liability - non-current.

As a firm registered in the Cayman Islands, Long Chen Paper (China) is exempt from income tax. Wuxi Longchen and Pinghu Longchen, as subsidiaries operated by Long Chen Paper (China) in mainland China, were recognized as high-tech enterprises by the People's Republic of China respectively in October 2014, November 2017, December 2020 and September 2015, October 2018, December 2021. Therefore, Wuxi Longchen and Pinghu Longchen are governed by 15% income tax rate respectively between 2014 and 2020, 2016 and 2021. Other entities should be subject to 25% income tax rate as stipulated by the "Law of the PRC on Enterprise Income Tax". Taxes in other jurisdictions should be calculated at tax rates applicable in corresponding jurisdictions.

The "Law of the PRC on Enterprise Income Tax" and the "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China" were approved by the People's Republic of China in 2007 and implemented as of January 1, 2008. For earnings for 2008 and following years remitted from companies in mainland China to companies in Taiwan, the provision for income tax should be withheld at 10% (preferential tax rates are applicable to the areas subject to the tax treaty).

F. Based on Management, Utilization, and Taxation of Repatriated Offshore Funds Act, L&C CO., (BVI) LTD. made board's resolution to distribute its earnings as cash dividends. The cash dividends were paid by two distributions. The Group received cash dividends of NT\$586,597 thousand in 2020 and obtained the approval from the Ministry of Finance. The Group used preferential tax rate for the above cash dividends and reversed deferred tax liabilities of NT\$117,319 thousand.

G. For Longchen P&P's application for profit-seeking enterprise income tax settlement for the preceding year, the taxing authority determined a period ended 2019.

(26) Earnings per share

	2021	2020
Basic earnings per share		
Current net income attributable to Longchen P&P	\$2,352,856	\$945,893
Weighted average outstanding common shares	1,277,686	1,225,719
Basic earnings per share (unit: NTD)	\$1.84	\$0.77
Diluted earnings per share		
Net income attributable to common share holders of Longchen P&P	\$2,352,856	\$945,893
Assumed conversion of all dilutive potential ordinary shares-Convertible bond	56	-
Profit (loss) attributable to ordinary shareholders	\$2,352,912	\$945,893
Weighted average outstanding common shares	1,277,686	1,225,719
Dilutive effect of potential common shares (Note)		
Effects of employee remuneration	2,525	1,051
Effect of conversion of convertible bonds	878	-
Weighted average outstanding common shares	1,281,089	1,226,770
Diluted earnings per share (unit: NTD)	\$1.84	\$0.77

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.

(27) Income from contracts with customers

	2021	2020
Income from sale of merchandise	\$56,557,567	\$41,721,860
Less: sales return and discount	(188,215)	(311,094)
Other operating revenues	238,844	189,826
Total	\$56,608,196	\$41,600,592

A. Breakdown of income from contracts with customers was as follows

The Group'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	2021				
	Container board	Corrugated container	Waste paper	Others	Total
Taiwan	\$5,111,058	\$5,644,439	\$276,425	\$23,176	\$11,055,098
China	39,779,810	5,361,636	-	26,686	45,168,132
Other countries	-	-	384,966	-	384,966
Total	<u>\$44,890,868</u>	<u>\$11,006,075</u>	<u>\$661,391</u>	<u>\$49,862</u>	<u>\$56,608,196</u>

Main regions and markets	2020				
	Container board	Corrugated container	Waste paper	Others	Total
Taiwan	\$3,742,986	\$4,115,852	\$-	\$103,276	\$7,962,114
China	29,368,895	3,785,941	-	58,442	33,213,278
Other countries	-	-	425,200	-	425,200
Total	<u>\$33,111,881</u>	<u>\$7,901,793</u>	<u>\$425,200</u>	<u>\$161,718</u>	<u>\$41,600,592</u>

B. Contract balance

	December 31, 2021	December 31, 2020
Contract liability – advance sales receipts	<u>\$125,200</u>	<u>\$20,958</u>

The movement in contract liability is from the difference between the timing of customers' payment and the timing of meeting performance obligation. The opening contract liability recognized for 2021 and 2020 were NT\$20,958 thousand and NT\$124,364 thousand, respectively.

(28) Non-operating income and expenses

A. Other incomes

	2021	2020
Interest income	<u>\$11,259</u>	<u>\$18,271</u>

B. Other incomes

	2021	2020
Dividend income	\$2,901	\$2,469
Government subsidy income	213,426	257,326
Sublease income	31,614	14,621
Other incomes - others	41,176	38,447
Total	<u>\$289,117</u>	<u>\$312,863</u>

C. Other profits and losses

	2021	2020
Gain (loss) on disposal of property, plant and equipment	\$(54,576)	\$(43,757)
Lease modification gain	2,282	248
Gain on financial assets at fair value through profit or loss	(179,193)	(153,776)
Net foreign exchange gain (loss)	77,637	132,687
Onerous contracts losses	(83,157)	-
Others	(9,769)	(3,257)
Total	<u>\$(246,776)</u>	<u>\$(67,855)</u>

D. Financial expenses

	2021	2020
Service Charges	\$63,203	\$51,328
Interest expense		
Interest on lease liability	3,930	3,956
Interest of bank loans	1,468,135	1,544,842
Corporate bonds payable	19,911	21,250
Less: assets capitalization	(93,711)	(95,610)
Total financial cost	<u>\$1,461,468</u>	<u>\$1,525,766</u>

(29) Employee benefit expenses

A. Summary of employee benefit expenses, depreciation and amortization by function of expense was as follows:

Function Nature	2021			2010		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$1,115,024	\$950,026	\$2,065,050	\$1,013,293	\$935,574	\$1,948,867
Labor and medical insurance premiums	86,397	65,944	152,341	62,813	45,192	108,005
Pension expenses	85,076	67,997	153,073	52,498	38,091	90,589
Other employee benefit expenses	107,057	86,599	193,656	71,245	115,646	186,891
Depreciation	2,131,487	443,123	2,574,610	2,031,729	400,728	2,432,457
Depreciation-use-of-right asset	4,603	24,043	28,646	1,238	18,608	19,846

B. In accordance with the staff remuneration and director remuneration policies set forth in the articles of association of Longchen P&P, after deducting accumulated losses from the current year's profit, if there is a balance, it shall allocate no less than 2% of the pre-tax net profit as employee remuneration. Or the cash payment shall be made by the board of directors with more than two-thirds of the directors present and a resolution approved by more than half of the directors present, and report to the shareholders meeting. In addition, the remuneration of directors is based on the degree of participation and contribution value of each director to the company's operations. The monthly remuneration is between NT\$50 thousand and NT\$150 thousand. At the end of each year, the annual bonus is two to six months of the aforementioned monthly remuneration. Remuneration shall be paid regardless of profit or loss. The monthly remuneration range of all directors shall be recommended by the remuneration committee and submitted to the Board of Directors for agreement in accordance with the law.

C. Amounts of employee remuneration estimated of Longchen P&P for 2021 and 2020 totaled NT\$57,650 thousand and NT\$21,861 thousand, respectively, and were presented as part of salary expense.

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".

(30) Non-cash and partial cash transactions

Adjustments for additions of property, plant and equipment, and the acquisition of property, plant and equipment in cash flow statement:

	2021	2020
Purchase of property, plant and equipment	\$1,651,091	\$1,490,837
Opening balance of payable on equipment	611,327	1,299,638
Ending balance of payables on equipment	(369,196)	(611,327)
Effects of exchange rate changes	(4,818)	6,212
Cash paid during the period	\$1,888,404	\$2,185,360

7. Related party transactions

(1) Consolidated company and ultimate controlling party

Longchen P&P is the ultimate controlling party of the Group.

(2) Names and relations of related parties

Related party's name	Relation with the Group
Baolong International Co., Ltd. ("Baolong Intl")	The associate
Nanjing Hongcheng Technology Co., Ltd	The associate
Handy Carton Co., Ltd. ("Handy Carton")	Other related party
Longchen Circular Economy Environmental Protection Foundation	Other related party

(3) Significant related party transactions

A. Revenue

	2021	2020
Associate - Baolong Intl	\$1,657,135	\$1,091,810
Other related party	25,127	15,959
Total	\$1,682,262	\$1,107,769

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.

B. Purchase

	<u>2021</u>	<u>2020</u>
Associate - Nanjing Hongcheng	<u>\$523,236</u>	<u>\$438,779</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.

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

<u>Recognized item</u>	<u>Category of related party</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	Associate - Baolong Intl	\$251,206	\$87,717
Accounts receivable	Other related party	7,343	6,820
Total		<u>\$258,549</u>	<u>\$94,537</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 2021 and 2020.

D. Accounts payable to related parties

<u>Recognized item</u>	<u>Category of related party</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	Associate - Nanjing Hongcheng	<u>\$109,905</u>	<u>\$120,476</u>

E. Acquisition of financial assets

<u>Invested company</u>	<u>Recognized item</u>	<u>Category of related party</u>	<u>2020</u>	<u>Transaction subject</u>	<u>Acquisition price</u>
Subsidiary - L&C	Investments accounted for using equity method	Long Sheng	4,666 thousand shares	Stock	<u>\$230,298</u>

F. Operating expense

<u>Category of related party</u>	<u>Nature</u>	<u>2021</u>	<u>2020</u>
Longchen Circular Economy Environmental Protection Foundation	Donation expense	<u>\$155,929</u>	<u>\$3,000</u>

The content of donation is investee's shares by NT\$155,199 thousand. Please refer to Note 6(8).

G. Transactions with other related parties

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, 2021 and 2020. Its ownership was vested in the close relative of the Longchen P&P's Chairman. Longchen P&P obtained the letter of commitment for security.

(4) Information on remuneration to key management personnel

	2021	2020
Salary and other short-term employee benefits	<u>\$91,103</u>	<u>\$77,366</u>

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

8. Pledged assets

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

	December 31, 2021	December 31, 2020
Receivables	\$1,014,323	\$171,132
Other financial assets - current	8,928	442
Property, plant and equipment - land	2,542,908	2,568,604
Property, plant and equipment - buildings	6,948,033	6,610,818
Property, plant and equipment - machinery	21,550,842	23,830,522
Property, plant and equipment - Transport equipment	21,456	33,359
Property, plant and equipment - other equipment	79,510	101,227
Use-of- right assest -land	1,216,826	1,287,703
Total	<u>\$33,382,826</u>	<u>\$34,603,807</u>

Pledged assets are presented at book value.

9. Major contingent liabilities and unrecognized contractual commitments

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

	December 31, 2021	December 31, 2020
Usance L/C issued but unused	<u>\$401,114</u>	<u>\$422,015</u>

(2) Utilization of endorsement/guarantee limit:

	December 31, 2021	December 31, 2020
Endorsement/guarantee limit	\$40,061,532	\$39,434,411
Amount utilized	(22,852,483)	(27,563,511)
Unused limit	<u>\$17,209,049</u>	<u>\$11,870,900</u>

(3) Summary of contracted major equipment purchases:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract sum	\$6,581,604	\$9,311,755
Amount billed	(3,363,442)	(6,483,898)
Unbilled amount	<u>\$3,218,162</u>	<u>\$2,827,857</u>

10. Losses from major disasters: None.

11. Subsequent events: None.

12. Others

(1) 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 Group manages and adjusts capital structure based on changes in economic circumstances. The Group maintains and adjusts capital structure through: adjustment of dividend payment, refund of share capital, or issuance of new shares.

(2) Financial instrument

A. Types of financial instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</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	\$41,639	\$7,043
Financial assets designated to be carried at fair value through profit and loss	223,970	83,086
Total	<u>\$265,609</u>	<u>\$90,129</u>
Financial assets carried at cost after amortization		
Cash and cash equivalents	\$1,514,365	\$1,381,535
Financial assets at amortised cost	62,948	-
Note receivable	4,304,233	4,119,797
Accounts receivable (including related parties)	7,320,169	6,372,144
Other receivables	225,349	237,680
Other financial assets (recognized as other current assets)	8,928	442
Guarantee deposits paid (recognized as other non-current assets)	124,495	34,962
Total	<u>\$13,560,487</u>	<u>\$12,146,560</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$98,451	\$243,046
Financial liabilities designated as at fair value through profit or loss	2,629	-
Total	<u>\$101,080</u>	<u>\$243,046</u>
Financial liabilities carried at cost after amortization		
Short-term loans	\$9,447,216	\$8,859,010
Short-term bills payable	399,769	-
Note payable	97,252	35,017
Accounts payable(including related parties)	6,065,121	4,529,122
Other payables	2,758,816	2,784,043
Corporate bonds payable	3,148,301	2,500,000
Long-term loans (including portions)	26,873,365	27,940,951
Guarantee deposits received (recognized as other non-current liability)	38,548	32,455
Total	<u>\$48,828,388</u>	<u>\$46,680,598</u>
Lease liability (including current and non-current portion)	<u>\$161,955</u>	<u>\$153,850</u>

B. Risk management policy

- (a) The Group's dairy 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. The Group's overall risk management plan focuses on unforeseeable matters in the financial market. The Group strives for minimizing the potential adverse impact of such matters on its financial performance.
- (b) Risk management is performed by the Group'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 Group. 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.

C. Characteristics and level of significant financial risks

(a) Market risk

Exchange rate risks

The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Longchen P&P and its subsidiaries used in various functional currency, primarily with respect to the JPY, USD, CNY and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

The Group hedges outstanding exchange rate swap contracts and foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

The Group's businesses involve some non-functional currency operations (the Group's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: CNY, USD and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$6,612	27.68	\$183,020	\$21,970	28.48	\$625,706
CNY	229,010	4.34	993,909	56	4.377	245
<u>Investments</u>						
<u>accounted for using</u>						
<u>equity method</u>						
JPY	1,005,448	0.24	241,308	1,010,288	0.28	282,881
CNY	4,187,132	4.34	18,172,153	3,797,494	4.377	16,621,631
<u>Financial liabilities</u>						
Monetary items						
JPY	20,100	0.24	4,824	80,606	0.28	22,570
USD	169,019	27.68	4,678,446	104,203	28.48	2,967,701
EUR	80	31.32	2,506	129	35.02	4,518

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, receivables, loans and payable valued in foreign currency, as foreign exchange gains/losses will occur during exchange. When the appreciation or depreciation of the NTD relative to JPY, USD, CNY and EUR was up to 1% as as December 31, 2021 and 2020, and all other factors remained unchanged, the Group's losses and gains in 2021 and 2020 would respectively decrease/increase by NT\$35,088 thousand and NT\$23,688 thousand, respectively.; the Group's losses and gains in 2021 and 2020 would respectively decrease/increase by NT\$184,135 thousand and NT\$169,045 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 the Group's monetary items with significant impact of exchange rate fluctuations in 2021 and 2020 was NT\$77,637 thousand and NT\$132,687 thousand, respectively.

Price risk

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

Typically, the Group invests in equity instruments issued by domestic companies and closed funds. 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 2021 and 2020 will decrease/increase by NT\$2,656 thousand and NT\$901 thousand, respectively.

Cash flow and fair value risk of interest rate

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

Loans of the Group 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 Group is exposed to the risk of changes in the market interest rate.

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$14,099 thousand and NT\$14,650 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk management

Credit risk refers to the possibility of losses suffered by the Group 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 Group has developed credit risk management practices from a corporate perspective. According to the Group'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 Group 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 Group 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:

- i. 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.
- ii. A counterparty is considered to be in default when contractual payment is reclassified into overdue receivables for non-recoverability.

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

The Group 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, 2021 and 2020 is as follows:

December 31, 2021	Current	Overdue				Total
		Within 30 days	31-90 days	91-180 days	181 days and above	
Expected loss ratio	1.69%	3.21%	2.98%	9.70%	96.37%	3.77%
Total carrying amount	\$11,631,617	\$184,495	\$436	\$1,185	\$262,680	\$12,080,413
Loss allowance	\$196,806	\$5,921	\$13	\$115	\$253,156	\$456,011

December 31, 2020	Current	Overdue				Total
		Within 30 days	31-90 days	91-180 days	181 days and above	
Expected loss ratio	1.61%	2.07%	3.00%	3.00%	97.39%	5.27%
Total carrying amount	\$10,393,303	\$239,073	\$15,692	\$6,267	\$421,348	\$11,075,683
Loss allowance	\$167,773	\$4,951	\$471	\$188	\$410,359	\$583,742

Change of loss provisions on receivables was as follows:

	2021	2020
Opening balance	\$583,742	\$585,173
Reversal of impairment loss	33,667	(10,096)
Write-offs	(156,525)	(539)
Others	(488)	-
Effects of exchange rate changes	(4,385)	9,204
Ending balance	\$456,011	\$583,742

(c) Liquidity risk

Cash flow projections are made by individual operating entities within the Group, and consolidated by the Finance Department. The Group'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 Group 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, 2021	1 year	2-3 years	4-5 years	More than 5 years	Total
Non-derivative financial liabilities:					
Short-term bills payable	\$9,447,216	\$-	\$-	\$-	\$9,447,216
Short-term Note and bills payable	399,769	-	-	-	399,769
Payables (including related parties)	6,162,373	-	-	-	6,162,373
Other payables	2,758,816	-	-	-	2,758,816
Lease liabilities (including current and non-current portion)	62,605	78,297	20,643	410	161,955
Corporate bonds payable	-	2,500,000	648,301	-	3,148,301
Long-term loans (including portions)	9,955,406	10,249,604	6,668,355	-	26,873,365
Derivative financial liabilities:					
Exchange rate option contracts	33,311	-	-	-	33,311
Forward currency	65,140	-	-	-	65,140
December 31, 2020	1 year	2-3 years	4-5 years	More than 5 years	Total
Non-derivative financial liabilities:					
Short-term bills payable	\$8,859,010	\$-	\$-	\$-	\$8,859,010
Payables (including related parties)	4,564,139	-	-	-	4,564,139
Other payables	2,784,043	-	-	-	2,784,043
Lease liabilities (including current and non-current portion)	61,145	78,411	13,347	947	153,850
Corporate bonds payable	-	2,500,000	-	-	2,500,000
Long-term loans (including portions)	8,538,151	13,198,266	6,204,534	-	27,940,951
Derivative financial liabilities:					
Exchange rate option contracts	224,004	-	-	-	224,004
Exchange rate swap contracts	19,042	-	-	-	19,042

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

(3) Fair value information

A. 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 Group 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. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments (Exchange rate option contracts, Exchange rate swap contracts and Forward currency), ordinary corporate bonds and convertible bonds are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. For fair value information of investment properties carried at cost, please refer to Note 6(11).

C. Financial instruments not measured at fair value

(a) Except for the items listed below, other accounts including cash and cash equivalents, Note receivable, accounts receivable (including related parties), other receivables, short-term loans, short-term bills payable, Note payable, accounts payable (including related parties) and other payables all have book values closely resembling to their fair values. Lease liability (including current and non current portion) and long-term loans (including portions) 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, 2021				
Corporate bonds payable	<u>\$3,148,301</u>	<u>\$-</u>	<u>\$3,166,089</u>	<u>\$-</u>
December 31, 2020				
Corporate bonds payable	<u>\$2,500,000</u>	<u>\$-</u>	<u>\$2,562,994</u>	<u>\$-</u>

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

Corporate bonds payable: Refers to common corporate bonds issued by the Group. 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.

D. 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, 2021				
Financial assets				
<u>Recurring fair value</u>				
Financial assets at fair value				
through profit and loss				
Equity securities	\$34,961	\$-	\$6,914	\$41,875
Beneficiary certificates	6,678	-	-	6,678
Private equity funds	-	-	217,056	217,056
Total	<u>\$41,639</u>	<u>\$-</u>	<u>\$223,970</u>	<u>\$265,609</u>
Financial liabilities				
<u>Recurring fair value</u>				
Financial liabilities at fair				
value through profit or loss				
Derivative instruments -				
Exchange rate option contracts	\$-	\$33,311	\$-	\$33,311
Derivative instruments - forward exchange	-	65,140	-	65,140
Derivative instruments - convertible bonds	-	2,629	-	2,629
Total	<u>\$-</u>	<u>\$101,080</u>	<u>\$-</u>	<u>\$101,080</u>
December 31, 2020				
Financial assets				
<u>Recurring fair value</u>				
Financial assets at fair value				
through profit and loss				
Equity securities	\$382	\$-	\$8,756	\$9,138
Beneficiary certificates	6,661	-	-	6,661
Private equity funds	-	-	74,330	74,330
Total	<u>\$7,043</u>	<u>\$-</u>	<u>\$83,086</u>	<u>\$90,129</u>
Financial liabilities				
<u>Recurring fair value</u>				
Financial liabilities at fair				
value through profit or loss				
Derivative instruments -				
Exchange rate option contracts	\$-	\$224,004	\$-	\$224,004
Derivative instruments -Exchange rate swap contracts	-	19,042	-	19,042
Total	<u>\$-</u>	<u>\$243,046</u>	<u>\$-</u>	<u>\$243,046</u>

E. 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>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.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) Derivative -Call options and put options of Convertible bond evaluate using Binomial Tree for Convertible Bond Pricing Model, according to the conversion price volatility, non-risk interest rate, risk discount rate, and residual maturity periods.

F. There had been no transfer between level 1 and level 2 input in 2021 or 2020.

G. There was no significant change in Level 3 financial instruments held during 2021 and 2020.

H. The valuation procedure of the Group'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, the Group 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.

I. Quantitative information and sensitivity of significant and unobservable inputs used for level 3 fair value measurement are explained below:

	December 31, 2021 Fair value	Assessment technique	Significant and unobservable input	Range (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Non-listed shares	\$6,914	Net asset value approach	Not applicable	-	Not applicable
Private equity funds	\$217,056	Net asset value approach	Not applicable	-	Not applicable
	December 31, 2020 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	\$74,330	Net asset value approach	Not applicable	-	Not applicable

J. The Group 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:

		December 31, 2021					
				Recognized through profit and loss		Recognized in other comprehensive income	
		Input	Variation	Favorable variation	Adverse variation	Favorable variation	Adverse variation
Financial assets							
Equity securities	Net asset value	±1%	\$69	\$(69)	\$-	\$-	
Private equity funds	Net asset value	±1%	2,171	(2,171)	-	-	
			\$2,240	\$(2,240)	\$-	\$-	
		December 31, 2020					
				Recognized through profit and loss		Recognized in other comprehensive income	
		Input	Variation	Favorable variation	Adverse variation	Favorable variation	Adverse variation
Financial assets							
Equity securities	Net asset value	±1%	\$88	\$(88)	\$-	\$-	
Private equity funds	Net asset value	±1%	743	(743)	-	-	
			\$831	\$(831)	\$-	\$-	

13. Disclosures relating to the Note

(1) Information relating to significant transactions

Serial No.	Item	Attachments
1	Financings provided	Attachment 1
2	Endorsements and Guarantees Made to Others	Attachment 2

Serial No.	Item	Attachments
3	Securities held at the end of period (excluding investments in subsidiaries, associates or any portion controlled by joint ventures)	Attachment 3
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	Attachment 4
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	Attachment 5
8	Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above	Attachment 6
9	Trading of derivatives	Note 6(2)
10	Names, locations and information of investees	Attachment 7

(2) Supplementary disclosure regarding investee companies

Serial No.	Item	Attachments
1	Financings provided	Attachment 8
2	Endorsements and Guarantees Made to Others	Attachment 9
3	Securities held at the end of period (excluding investments in subsidiaries, associates or any portion controlled by joint ventures)	Attachment 10
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.	Attachment 11
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	Attachment 12
8	Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above	Attachment 13
9	Trading of derivatives	Note 6(2)

(3) Investments in the Mainland

Serial No.	Item	Attachments
1	Names, primary business activities, paid-up capital, terms of investment and information relating to Mainland investees	Attachment 14
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. (2) Amount and percentage of sales made and balance and percentage of corresponding receivables at the end of period. (3) Property transactions and the resulting gains and losses (4) Closing balances and purposes of endorsed Note, guarantees, or pledged collaterals (5) Maximum loan balance, closing loan balance, interest rate range, and total interests in the current period (6) Other transactions with material impact to the current profit and loss or financial position.	None None None Attachment 2, Attachment 9 None None

(4) Business relationships and significant inter-company transactions: Attachment 15.

(5) The information of major shareholders: Attachment 16.

14. Segment information

(1) General information

For the management purpose, the Group divides business units (BUs) based on different products and services and set up four major BUs for reporting as follows:

- Containerboard: manufacturing and sale of Containerboard;
- Corrugated container: manufacturing and sale of paper machines;
- Waste Paper: procurement and sale of waste paper; and
- Others: public waste water treatment and general administration in the Group.

The management also supervises the operating results of business units to make decisions on resources allocation and performance assessment. The department performance assessment is based on operation profits and losses, and such performance is measured in the same way applicable to those in the consolidated financial statements.

(2) Profit/loss and financial position of BUs for reporting

	2021					Total
	Container board	Corrugated container	Waste Paper	Others	Adjustment and elimination	
Income						
Income from foreign customers	\$44,890,868	\$11,006,075	\$661,391	\$49,862	\$-	\$56,608,196
Inter-departmental income	17,427,502	613,496	6,771,528	-	(24,812,526)	-
Total income	<u>\$62,318,370</u>	<u>\$11,619,571</u>	<u>\$7,432,919</u>	<u>\$49,862</u>	<u>(24,812,526)</u>	<u>\$56,608,196</u>
Interest expense	\$1,209,253	\$158,715	\$10,848	\$135,643	\$(116,194)	\$1,398,265
Depreciation and amortization	2,218,369	329,600	37,547	17,740	-	2,603,256
Gains and losses of associates and joint ventures accounted for using the equity method	-	-	-	125,419	-	125,419
Departmental profit/loss for reporting	<u>\$2,763,787</u>	<u>\$436,085</u>	<u>\$101,092</u>	<u>\$(976,451)</u>	<u>\$27,574</u>	<u>\$2,352,087</u>
Investments accounted for using equity method	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,025,216</u>	<u>\$-</u>	<u>\$6,025,216</u>
Increase in CAPEX on non-current assets	<u>\$1,822,005</u>	<u>\$1,049,536</u>	<u>\$15,061</u>	<u>\$90,154</u>	<u>\$-</u>	<u>\$2,976,756</u>
Departmental assets for reporting	<u>\$62,807,270</u>	<u>\$65,310,470</u>	<u>\$1,304,967</u>	<u>\$19,075,981</u>	<u>\$(70,433,828)</u>	<u>\$78,064,860</u>
Departmental liabilities for reporting	<u>\$34,343,792</u>	<u>\$9,213,249</u>	<u>\$717,364</u>	<u>\$14,838,171</u>	<u>\$(8,401,099)</u>	<u>\$50,711,477</u>

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

	2020					Total
	Container board	Corrugated container	Waste Paper	Others	Adjustment and elimination	
Income						
Income from foreign customers	\$33,111,881	\$7,901,793	\$425,200	\$161,718	\$-	\$41,600,592
Inter-departmental income	15,429,531	456,241	4,510,370	-	(20,396,142)	-
Total income	<u>\$48,541,412</u>	<u>\$8,358,034</u>	<u>\$4,935,570</u>	<u>\$161,718</u>	<u>\$(20,396,142)</u>	<u>\$41,600,592</u>
Interest expense	\$1,204,712	\$166,150	\$8,100	\$78,436	\$17,040	\$1,474,438
Depreciation and amortization	2,112,780	269,744	22,726	26,758	20,295	2,452,303
Gains and losses of associates and joint ventures accounted for using the equity method	-	-	-	69,677	-	69,677
Departmental profit/loss for reporting	<u>\$1,317,860</u>	<u>\$(3,106)</u>	<u>\$40,465</u>	<u>\$(581,489)</u>	<u>\$153,780</u>	<u>\$927,510</u>
Investments accounted for using equity method	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$5,716,623</u>	<u>\$-</u>	<u>\$5,716,623</u>
Increase in CAPEX on non-current assets	<u>\$4,896,462</u>	<u>\$317,423</u>	<u>\$23,439</u>	<u>\$9,443</u>	<u>\$-</u>	<u>\$5,246,767</u>
Departmental assets for reporting	<u>\$65,074,213</u>	<u>\$62,246,828</u>	<u>\$1,497,920</u>	<u>\$23,330,508</u>	<u>\$(78,472,618)</u>	<u>\$73,676,851</u>
Departmental liabilities for reporting	<u>\$32,995,815</u>	<u>\$8,747,169</u>	<u>\$985,375</u>	<u>\$14,456,517</u>	<u>\$(8,931,071)</u>	<u>\$48,253,805</u>

Department profit and loss comprise long-term equity investments of another department as valued by using equity method among departments and their business relationships. Therefore, such department profit and loss, covering investment income/loss and business transactions of another department, have been eliminated when Longchen P&P and its subsidiaries prepared their consolidated departmental income statements.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 1 Financings provided:

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 8)	Ending balance (Note 8)	Actual amount of disbursement (Note 8)	Interest rate interval	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.	L&C CO. , (BVI) LTD.	Other receivables - related parties	Yes	\$1,301,666 (CNY 300,000 thousand)	\$- (CNY - thousand)	\$- (CNY - thousand)	-	-	-	-	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$8,185,741 thousand)	The ceiling on total loans granted to others by Longchen should not exceed forty percent (40%) of the net worth of its latest audited/reviewed financial statements. (Amount: NT\$10,914,322 thousand)

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'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 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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 2 Endorsements and Guarantees Made to Others:

Number (Note 1)	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise made by the endorsing and guarantee company (Note 3)	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 endorsement and 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)										
0	Longchen Paper & Packaging Co., Ltd.	Long Chen Paper Japan	2	The amount of endorsements and guarantees made to a single enterprise should be limited to eighty percent (80%) of Longchen's net worth. (Amount: NT\$21,828,643 thousand)	\$623,700	\$477,960	\$-	\$-	1.75%	The total limit of endorsements and guarantees made by Longchen to other entities should be two hundred percent (200%) of its net worth. (Amount: NT\$54,571,608 thousand)	Y	N	N
0	Longchen Paper & Packaging Co., Ltd.	Hong Kong Long Chen Paper Co., Ltd.	2		622,980	418,950	276,473	-	1.54%		Y	N	N
0	Longchen Paper & Packaging Co., Ltd.	Zhejiang Xiasha Longchen Packing Co.; Ltd.	2		227,100	227,100	-	-	0.83%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	2		4,207,385	4,207,385	1,226,305	-	15.42%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	2		7,131,890	6,836,400	4,265,114	-	25.05%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	2		6,943,469	6,943,469	4,137,470	-	25.45%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	2		14,937,492	14,937,492	10,445,913	-	54.74%		Y	N	Y
0	Longchen Paper & Packaging Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	2		86,580	86,580	-	-	0.32%		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 holds more than 50% voting shares directly or indirectly;
- (3) A company which holds more than 50% voting shares of Longchen directly or indirectly;
- (4) A company in which Longchen 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'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".

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 3 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	\$365	—	\$365	
Longchen Paper & Packaging Co., Ltd.	Stocks	Taiwan Cement Corp.	—	Financial assets at fair value through profit or loss - current	1,340 shares	64	—	64	
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	228,162 shares	1,843	0.47%	1,843	
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	—	5,071	
Longchen Paper & Packaging Co., Ltd.	Funds	ARM IoT Fund,L.P.	—	Financial assets at fair value through profit or loss - non-current	—	58,733	10.260%	58,733	

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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 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:

Name of company which sells securities	Securities (Note 1)	Account	Name of counterpart (Note 2)	Relationship (Note 2)	The beginning bal.		Buy-in (Note 3)		Sells-out (Note 3)				Others		Ending	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling prices	Booking value	Disposal gain(loss)	Number of shares	Amount	Number of shares	Amount
Longchen Paper & Packaging Co., Ltd.	Stocks	Investment accounted for using the equity method	L&C CO., (BVI) LTD.	Subsidiary	300,145,100	\$16,630,111	23,541,642	\$1,301,666	—	—	—	—	—	\$274,814 (Note 5)	323,686,742	\$18,206,591

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

Note 2 : Investors who use equity method in the accounting of securities must complete these two columns, and the rest may be exempted. The Cpmpany increase investment to L&C CO., (BVI) LTD.use debt for equity method this year.

Note 3 : Cumulative amount of the same marketable securities purchased or sold amounting to NT\$300 million or 20% of the paid-up capital should be separated recorded.

Note 4 : Paid-up capital refers to the paid-up capital of the parent company. If the issuer's stock has no denomination or the denomination per share is not NT \$ 10, the transaction amount of 20% of the paid-in capital shall be calculated based on the balance sheet of 10% of the equity of the owner of the parent company.

Note 5 : It is the share of the profit and loss of subsidiaries, related companies and joint ventures recognized by the equity method, the exchange difference converted from the financial statements of foreign operating agencies, capital reserve and other.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 5 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.	Wuxi Longchen Greentech Co., Ltd.	Investee in which Longchen's subsidiary holds more than 50% shares indirectly	Sale	\$269,980	1.99%	3 month	Subject to a distribution agreement	3 month	Accounts receivable	\$94,895	3.45%	
Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Investee in which Longchen's subsidiary holds more than 50% shares indirectly	Sale	1,995,462	14.68%	3 month	Subject to a distribution agreement	3 month	Accounts receivable	772,937	28.07%	
Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Investee in which Longchen's subsidiary holds more than 50% shares indirectly	Sale	359,864	2.65%	3 month	Subject to a distribution agreement	3 month	Accounts receivable	125,174	4.55%	
Longchen Paper & Packaging Co., Ltd.	Baolong International Co., Ltd.	Investee accounted for using equity method	Sale	1,657,135	12.19%	2 month	Subject to a distribution agreement	2 month	Accounts receivable	251,206	9.12%	
Longchen Paper & Packaging Co., Ltd.	METIS INTERNATIONAL, INC.	Sub-subsidiary	Purchase	1,854,214	23.11%	T/T	Subject to a distribution agreement	T/T	Accounts payable	70,608	6.01%	
Longchen Paper & Packaging Co., Ltd.	Long Chen Paper Japan	Subsidiary	Purchase	551,377	6.87%	T/T	Subject to a distribution agreement	T/T	Accounts payable	104,663	8.90%	

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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 6 Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above:

Creditor	Name of counterpart	Relationship	Balance of accounts receivable from related parties (Note)	Turnover rate	Amount overdue of accounts receivable from related parties		Accounts receivable from related party	Amount of provision for credit loss
					Amount	Action taken		
Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Subsidiary	Accounts receivable \$772,937	5.16	—	—	—	—
Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Subsidiary	Accounts receivable 125,174	5.75	—	—	—	—
Longchen Paper & Packaging Co., Ltd.	Baolong International Co., Ltd.	Investee accounted for using equity method	Accounts receivable 251,206	9.78	—	—	—	—

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

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 7 Names, locations and information of investees (excluding investees in mainland China):

Name of investor	Name of investee (Note 1 & 2)	Address	Major business activities	Original investment amount		Ending shareholding			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 (%)	Book value			
Longchen Paper & Packaging Co., Ltd.	L&C CO., (BVI) LTD.	British Virgin Islands	General investment	USD 482,323	USD 436,417	323,686,742	100.00%	\$18,206,591	\$385,970	\$466,143	Subsidiary
Longchen Paper & Packaging Co., Ltd.	Long Chen Investment Developing Co., Ltd.	Taipei	General investment	564,500	564,500	77,240,446	99.57%	1,461,745	7,413	7,381	Subsidiary
Longchen Paper & Packaging Co., Ltd.	Long Chen Paper Japan	Japan	Waste paper recycling and sales	JPY 601,630	JPY 601,530	10,830	100.00%	241,810	67,631	43,010	Subsidiary
Longchen Paper & Packaging Co., Ltd.	Long Sheng Investment Co., Ltd.	Taipei	General investment	453,864	453,864	99,359,945	46.86%	1,842,106	47,786	22,392	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Long Hwa Developing Investment Co., Ltd.	Taipei	Investment in productive enterprises	209,606	229,722	39,844,645	20.84%	607,144	33,313	7,725	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Yuema Engineering Co., Ltd.	Taipei	International trade and venture capital (VP)	69,423	80,083	4,191,511	18.56%	527,282	17,187	4,240	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Yuema International Co., Ltd.	Taipei	Manufacturing, processing, trading, import and export of papermaking materials and paper products	61,534	61,534	9,924,407	22.63%	222,415	50,061	11,329	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Yuma Investment Co., Ltd.	Taipei	General investment	43,832	43,832	2,724,000	20.95%	5,118	251	52	Investee accounted for using equity method
Longchen Paper & Packaging Co., Ltd.	Baolong International Co., Ltd.	Yunlin	Merchandising business	630,171	630,171	39,180,636	25.95%	1,571,285	184,576	47,896	Investee accounted for using equity method
L&C CO., (BVI) LTD.	Long Chen Paper (China) Holdings Co., Ltd.	Cayman Islands	General investment	USD 478,042	USD 432,136	320,150,606	100.00%	18,030,470	387,099	387,099	Subsidiary
L&C CO., (BVI) LTD.	Long Chen Packaging Company	Cayman Islands	General investment	USD 5,466	USD 5,466	USD 2,525,000	100.00%	155,887	(352)	(352)	Subsidiary
L&C CO., (BVI) LTD.	Long Chen Paper Trading Limited	Samoa	General investment	USD 4,852	USD 4,452	USD 160,000	80.00%	2,541	(26)	(21)	Subsidiary

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 7 Names, locations and information of investees (excluding investees in mainland China):

Name of investor	Name of investee (Note 1 & 2)	Address	Major business activities	Original investment amount		Ending shareholding			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 (%)	Book value			
Long Chen Investment Developing Co., Ltd.	Yuema Engineering Co., Ltd.	Taipei	International trade and venture capital (VP)	\$110,513	\$110,513	3,003,500	13.30%	\$379,984	\$17,187	\$2,475	Investee accounted for using equity method
Long Chen Investment Developing Co., Ltd.	Yuema International Co., Ltd.	Taipei	Manufacturing, processing, trading, import and export of papermaking materials and paper products	50,224	50,224	7,098,148	16.19%	165,217	50,061	8,105	Investee accounted for using equity method
Long Chen Investment Developing Co., Ltd.	Baolong International Co., Ltd.	Taipei	Merchandising business	180,733	180,733	14,929,087	9.89%	679,232	184,576	17,919	Investee accounted for using equity method
Long Chen Paper Japan	Metis International INC	American	Export of waste paper (corrugated paper cartons / cardboards)	USD 2,625	USD 2,625	USD 1,500	100.00%	134,433	40,518	40,518	Subsidiary
Jiangsu Longchen Greentech Co., Ltd.	Hong Kong Long Chen Paper Co., Ltd.	Hong Kong	Trading	RMB 644,978	RMB 644,978	RMB 644,978	100.00%	2,517,514	3,812	3,812	Subsidiary

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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 8 Financings provided

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 3)	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	Suzhou Longchen Paper Co., Ltd	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	\$43,440 (CNY 10,000 thousand)	\$43,440 (CNY 10,000 thousand)	\$43,440 (CNY 10,000 thousand)	4.350%	2	—	Operation financing	—	—	—	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Suzhou Longchen Paper Co., Ltd (Amount:NT\$147,532 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Suzhou Longchen Paper Co., Ltd (Amount:NT\$196,710 thousand)
1	Suzhou Longchen Paper Co., Ltd	Wuxi Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	78,192 (CNY 18,000 thousand)	78,192 (CNY 18,000 thousand)	78,192 (CNY 18,000 thousand)	4.785%	2	—	Operation financing	—	—	—	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Suzhou Longchen Paper Co., Ltd (Amount:NT\$147,532 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Suzhou Longchen Paper Co., Ltd (Amount:NT\$196,710 thousand)
2	Hong Kong Long Chen Paper Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	99,912 (CNY 23,000 thousand)	99,912 (CNY 23,000 thousand)	99,912 (CNY 23,000 thousand)	3.500%	2	—	Operation financing	—	—	—	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Hong Kong Long Chen Paper Co., Ltd. (Amount: NTS755,254 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Hong Kong Long Chen Paper Co., Ltd. (Amount: NTS1,007,006 thousand)
2	Hong Kong Long Chen Paper Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	276,800 (USD 10,000 thousand)	276,800 (USD 10,000 thousand)	276,800 (USD 10,000 thousand)	3 months Libor+ 1.65%	2	—	Operation financing	—	—	—	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Hong Kong Long Chen Paper Co., Ltd. (Amount: NTS755,254 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Hong Kong Long Chen Paper Co., Ltd. (Amount: NTS1,007,006 thousand)
3	Long Chen Paper Japan	Metis International, Inc	Other receivables - related parties	Yes	55,360 (USD 2,000 thousand)	- (USD - thousand)	- (USD - thousand)	—	—	—	—	—	—	—	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Long Chen Paper Japan (Amount: NTS81,608 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Long Chen Paper Japan (Amount: NTS108,810 thousand)

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 8 Financings provided

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 3)	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		
4	Suzhou Mango Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	\$26,064 (CNY 6,000 thousand)	\$26,064 (CNY 6,000 thousand)	\$26,064 (CNY 6,000 thousand)	4.350%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Suzhou Mango Packaging Co., Ltd (Amount: NT\$46,761 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Suzhou Mango Packaging Co., Ltd (Amount: NT\$62,348 thousand)
4	Suzhou Mango Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	28,236 (CNY 6,500 thousand)	28,236 (CNY 6,500 thousand)	28,236 (CNY 6,500 thousand)	4.350%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Suzhou Mango Packaging Co., Ltd (Amount: NT\$46,761 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Suzhou Mango Packaging Co., Ltd (Amount: NT\$62,348 thousand)
5	L&C CO., (BVI) LTD	Long Chen Paper (China) Holdings Co., Ltd.	Other receivables - related parties	Yes	1,301,666 (CNY 300,000 thousand)	- (CNY - thousand)	- (CNY - thousand)	-	-	-	-	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of L&C CO., (BVI) LTD (Amount: NT\$7,282,908 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of L&C CO., (BVI) LTD (Amount: NT\$7,282,908 thousand)
6	Long Chen Paper (China) Holdings Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	1,301,666 (CNY 300,000 thousand)	- (CNY - thousand)	- (CNY - thousand)	-	-	-	-	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Long Chen Paper (China) Holdings Co., Ltd. (Amount: NT\$5,316,774 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Long Chen Paper (China) Holdings Co., Ltd. (Amount: NT\$7,089,032 thousand)
7	Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	1,301,666 (CNY 300,000 thousand)	- (CNY - thousand)	- (CNY - thousand)	-	-	-	-	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Jiangsu Longchen Greentech Co., Ltd (Amount: NT\$5,316,643 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Jiangsu Longchen Greentech Co., Ltd (Amount: NT\$7,087,524 thousand)

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 8 Financings provided

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 3)	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		
7	Jiangsu Longchen Greentech Co., Ltd.	Wuhan Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	\$217,200 (CNY 50,000 thousand)	\$217,200 (CNY 50,000 thousand)	\$182,448 (CNY 42,000 thousand)	4.350%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Jiangsu Longchen Greentech Co., Ltd. (Amount: NT\$5,316,643 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Jiangsu Longchen Greentech Co., Ltd. (Amount: NT\$7,087,524 thousand)
8	Zhejiang Longchen Resources Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	17,376 (CNY 4,000 thousand)	17,376 (CNY 4,000 thousand)	17,376 (CNY 4,000 thousand)	4.500%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (30%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Longchen Resources Co., Ltd. (Amount: NT\$19,147 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Longchen Resources Co., Ltd. (Amount: NT\$25,530 thousand)
9	Zhejiang Xiasha Longchen Packing Co.; Ltd.	Wuxi Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	130,320 (CNY 30,000 thousand)	99,912 (CNY 23,000 thousand)	99,912 (CNY 23,000 thousand)	4.35%~4.785%	-	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Xiasha Longchen Packing Co.; Ltd. (Amount: NT\$366,672 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Xiasha Longchen Packing Co.; Ltd. (Amount: NT\$366,672 thousand)
9	Zhejiang Xiasha Longchen Packing Co.; Ltd.	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	152,040 (CNY 35,000 thousand)	152,040 (CNY 35,000 thousand)	152,040 (CNY 35,000 thousand)	4.350%	-	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Xiasha Longchen Packing Co.; Ltd. (Amount: NT\$366,672 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Xiasha Longchen Packing Co.; Ltd. (Amount: NT\$366,672 thousand)
9	Zhejiang Xiasha Longchen Packing Co.; Ltd.	Wuhan Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	30,408 (CNY 70,000 thousand)	- (CNY - thousand)	- (CNY - thousand)	-	-	-	-	-	-	-	The limit to loans granted to a single party by Longchen should not exceed thirty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Xiasha Longchen Packing Co.; Ltd. (Amount: NT\$366,672 thousand)	The limit to loans granted to a single party by Longchen should not exceed forty percent (40%) of the net worth of the latest audited/reviewed financial statements of Zhejiang Xiasha Longchen Packing Co.; Ltd. (Amount: NT\$366,672 thousand)

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 8 Financings provided

Number (Note 1)	Lending company	Borrower	Account (Note 2)	Related party? (Yes/No)	Maximum balance at current period (Note 3)	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		
10	Pinghu Longchen Greentech Co., Ltd.	Wuhan Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	\$34,752 (CNY 8,000 thousand)	\$- (CNY - thousand)	\$- (CNY - thousand)	-	-	-	-	-	-	-	The limit to loans granted to a single party by Longchen 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\$2,905,965 thousand)	The limit to loans granted to a single party by Longchen 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\$3,874,620 thousand)
10	Pinghu Longchen Greentech Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	139,008 (CNY 32,000 thousand)	139,008 (CNY 32,000 thousand)	139,008 (CNY 32,000 thousand)	4.900%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen 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\$2,905,965 thousand)	The limit to loans granted to a single party by Longchen 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\$3,874,620 thousand)
10	Pinghu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Other receivables - related parties	Yes	564,720 (CNY 130,000 thousand)	564,720 (CNY 130,000 thousand)	564,720 (CNY 130,000 thousand)	4.900%	2	-	Operation financing	-	-	-	The limit to loans granted to a single party by Longchen 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\$2,905,965 thousand)	The limit to loans granted to a single party by Longchen 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\$3,874,620 thousand)

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'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 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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 9 Endorsements and Guarantees Made to Others:

Number (Note 1)	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise made by the endorsing and guarantee company (Note 3)	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 endorsement and 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.	Zhejiang Longchen Resources Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$29,059,653 thousand)	\$43,730	\$-	\$-	\$-	-	The total limit to loans granted to others by Longchen 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\$29,059,653 thousand)	N	N	Y
1	Pinghu Longchen Greentech Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	4	The total limit to loans granted to a single party by Longchen 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\$29,059,653 thousand)	223,950	-	-	-	-	The total limit to loans granted to others by Longchen 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\$29,059,653 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	43,500	43,500	43,440	-	0.25%	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	217,200	217,200	43,440	-	1.23%	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Xiantao Longchen Greentech Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	217,500	217,500	80,061	-	1.23%	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	215,600	-	-	-	-	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Wuhan Longchen Greentech Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	344,960	217,500	124,238	-	1.23%	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	2,550,112	2,346,240	721,208	-	13.24%	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y
2	Jiangsu Longchen Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	2	The total limit to loans granted to a single party by Longchen 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\$53,156,430 thousand)	4,177,660	2,884,256	1,488,821	-	16.28%	The total limit to loans granted to others by Longchen 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\$53,156,430 thousand)	N	N	Y

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

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 holds more than 50% voting shares directly or indirectly;
- (3) A company which holds more than 50% voting shares of Longchen directly or indirectly;
- (4) A company in which Longchen 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'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".

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 10 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)	Shareholding percentage	Fair value	
Long Chen Investment Developing Co., Ltd.	Funds	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss - current	445,576 Shares	\$6,678	-	\$6,678	
	Stocks	PYXIS GROUP	—	Financial assets at fair value through profit or loss - non-current	2,598,000 Shares	-	0.11%	-	
	Stocks	Sheng Ying Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	1 Shares	-	0.06%	-	
	Funds	PHI Fund, L.P.	—	Financial assets at fair value through profit or loss - non-current	USD 6,299,754	158,323	11.78%	158,323	
Zhejiang Xiasha Longchen Packing Co., Ltd.	Stocks	Zotye Automobile Co., Ltd.	—	Financial assets at fair value through profit or loss - current	9,827 Shares	271	-	271	
Metis International INC	Stocks	iShares Semiconductor ETF(SOXX)	—	Financial assets at fair value through profit or loss - current	1,148 Shares	17,233	-	17,233	
	Stocks	VanEck Semiconductor ETF(SMH)	—	Financial assets at fair value through profit or loss - current	1,922 Shares	17,026	-	17,026	

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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 11 Cumulative amount of the same marketable securities purchased or sold amounting to NT\$300 million or 20% of the paid-up capital or above:

Name of company which sells securities	Securities (Note 1)	Account	Name of counterpart (Note 2)	Relationship (Note 2)	The beginning bal.		Buy-in (Note 3)		Sells-out (Note 3)				Others		Ending	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling prices	Booking value	Disposal gain(loss)	Number of shares	Amount	Number of shares	Amount
L&C CO., (BVI) LTD.	Stocks	Investment accounted for using the equity method	Long Chen Paper (China) Holdings Co., Ltd.	Subsidiary	296,115,945	\$16,461,621	24,034,661	\$1,301,666	—	—	—	—	—	\$267,183 (Note 5)	320,150,606	\$18,030,470

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

Note 2 : Investors who use equity method in the accounting of securities must complete these two columns, and the rest may be exempted °

Note 3 : Cumulative amount of the same marketable securities purchased or sold amounting to NT\$300 million or 20% of the paid-up capital should be separated recorded °

Note 4 : Paid-up capital refers to the paid-up capital of the parent company. If the issuer's stock has no denomination or the denomination per share is not NT \$ 10, the transaction amount of 20% of the paid-in capital shall be calculated based on the balance sheet of 10% of the equity of the owner of the parent company °

Note 5 : It is the share of the profit and loss of subsidiaries, related companies and joint ventures recognized by the equity method, the exchange difference converted from the financial statements of foreign operating agencies, capital reserve and other.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 12 Sales and purchases with related parties amounting to NT\$100 million or 20% of paid up capital or above:

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.	Jiangsu Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Sale	\$2,764,208 (CNY 636,885 thousand)	21.07%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Notes receivable (CNY 130,702 thousand)	\$567,769	21.09%
			Purchase	1,380,652 (CNY 318,108 thousand)	12.07%	Prepayment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts payable (CNY 18,904 thousand)	82,119	10.91%
Wuxi Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	Longchen's sub-subsidiary	Sale	494,357 (CNY 113,902 thousand)	3.77%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts receivable (CNY 299 thousand)	1,299	0.04%
Wuxi Longchen Greentech Co., Ltd.	Wuxi Longchen Resources Co., Ltd.	Longchen's sub-subsidiary	Purchase	1,742,686 (CNY 401,522 thousand)	15.24%	Prepayment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts payable (CNY 97,063 thousand)	421,642	20.30%
Wuxi Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Sale	234,701 (CNY 54,076 thousand)	1.79%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Notes receivable (CNY 3,000 thousand)	13,032	3.84%
										Accounts receivable (CNY 24,237 thousand)	105,286
Pinghu Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Sale	3,788,543 (CNY 872,896 thousand)	24.45%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts receivable (CNY 95,000 thousand)	412,680	20.91%
			Purchase	1,299,278 (CNY 299,359 thousand)	9.71%	Prepayment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts payable (CNY 154,922 thousand)	672,981	6.16%
Pinghu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Sale	128,275 (CNY 29,555 thousand)	0.83%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts receivable (CNY 26,398 thousand)	114,673	2.21%
Pinghu Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	Longchen's sub-subsidiary	Sale	766,748 (CNY 178,966 thousand)	5.01%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts receivable (CNY 52,092 thousand)	226,288	4.36%

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 12 Sales and purchases with related parties amounting to NT\$100 million or 20% of paid up capital or above:

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.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Sale	\$453,859 (CNY 104,571 thousand)	2.93%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Notes receivable \$47,784 (CNY 11,00 thousand)	4.99%	
Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Sale	1,637,523 (CNY 377,292 thousand)	12.98%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts receivable 1,066,595 (CNY 245,533 thousand)	36.48%	
Jiangsu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Purchase	1,144,723 (CNY 263,749 thousand)	9.44%	Prepayment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts payable 195,480 (CNY 45,000 thousand)	32.51%	
Jiangsu Longchen Greentech Co., Ltd.	Xiantao Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Sale	245,447 (CNY 56,552 thousand)	1.95%	Advance payment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts receivable 8,536 (CNY 1,965 thousand)	0.29%	
Hubei Longchen Greentech Co., Ltd.	Hubei Longchen Resources Co., Ltd.	Longchen's sub-subsidiary	Purchase	535,377 (CNY 123,353 thousand)	3.56%	Prepayment or monthly settlement within 90 days	Subject to a distribution agreement	-	Notes receivable 111,206 (CNY 25,600 thousand)	16.54%	
Hubei Longchen Greentech Co., Ltd.	Nanjing Hongcheng Technology Co., Ltd.	Investee in which Longchen's subsidiary for using equity method	Purchase	257,091 (CNY 59,183 thousand)	3.56%	Prepayment or monthly settlement within 60 days	Subject to a distribution agreement	-	Accounts receivable 257,091 (CNY 59,183 thousand)	16.54%	
Hubei Longchen Greentech Co., Ltd.	Hubei Longchen Resources Co., Ltd.	Longchen's sub-subsidiary	Purchase	2,623,252 (CNY 604,408 thousand)	19.29%	Prepayment or monthly settlement within 90 days	Subject to a distribution agreement	-	Accounts payable 46,072 (CNY 10,606 thousand)	1.88%	
Wuxi Longchen Resources Co., Ltd.	Nanjing Hongcheng Technology Co., Ltd.	Investee in which Longchen's subsidiary for using equity method	Purchase	525,236 (CNY 120,657 thousand)	30.96%	Prepayment or monthly settlement within 60 days	Subject to a distribution agreement	-	Accounts payable 109,905 (CNY 25,301 thousand)	45.96%	

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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 13 Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above:

Creditor	Name of counterpart	Relationship	Balance of accounts receivable from related parties (Note)	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's sub-subsidiary	Notes receivable	\$567,769	5.39 times	—	—	—
			(CNY 130,702 thousand)					
			Accounts receivable	82,119				
			(CNY 18,904 thousand)					
Wuxi Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Notes receivable	13,032	2.40 times	—	—	—
			(CNY 3,000 thousand)					
			Accounts receivable	105,286				
			(CNY 24,237 thousand)					
Pinghu Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Notes receivable	412,680	4.47 times	—	—	—
			(CNY 95,000 thousand)					
			Accounts receivable	672,981				
			(CNY 154,922 thousand)					
Jiangsu Longchen Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Accounts receivable	134,173	7.67 times	—	—	—
			(CNY 30,887 thousand)					
Pinghu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Accounts receivable	114,673	2.24 times	—	—	—
			(CNY 26,398 thousand)					
Pinghu Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	Longchen's sub-subsidiary	Accounts receivable	226,288	3.89 times	—	—	—
			(CNY 52,092 thousand)					
Pinghu Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper Co., Ltd.	Longchen's sub-subsidiary	Notes receivable	47,784	1.93 times	—	—	—
			(CNY 11,000 thousand)					
			Accounts receivable	211,401				
			(CNY 48,665 thousand)					
Pinghu Longchen Greentech Co., Ltd.	Jingzhou Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Other receivables	141,315	-	—	—	—
			(CNY 32,531 thousand)					
Pinghu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Other receivables	568,716	-	—	—	—
			(CNY 130,920 thousand)					
Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Accounts receivable	1,066,595	1.92 times	—	—	—
			(CNY 245,533 thousand)					

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 13 Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above:

Creditor	Name of counterpart	Relationship	Balance of accounts receivable from related parties (Note)	Turnover rate	Amount overdue of accounts receivable from related parties		Accounts receivable from related party	Amount of provision for credit loss
					Amount	Action taken		
Jiangsu Longchen Greentech Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Accounts receivable \$226,570 (CNY 52,157 thousand)	2.97 times	—	—	—	—
Hubei Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Notes receivable 195,480 (CNY 45,000 thousand)	6.73 times	—	—	—	—
Hubei Longchen Greentech Co., Ltd.	Xiantao Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Notes receivable 111,206 (CNY 25,600 thousand) Accounts receivable 257,091 (CNY 59,183 thousand)	1.47 times	—	—	—	—
Zhejiang Xiasha Longchen Packing Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Other receivables 154,594 (CNY 35,588 thousand)	—	—	—	—	—
Hong Kong Longchen Paper Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Other receivables 276,887 (CNY 63,740 thousand)	—	—	—	—	—
Wuxi Longchen Resources Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	Longchen's sub-subsidiary	Accounts receivable 421,642 (CNY 97,063 thousand)	4.21 times	—	—	—	—

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

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 14 Names, primary business activities, paid-up capital, terms of investment and information relating to Mainland investees:

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							
Wuxi Longchen Greentech Co., Ltd.	Manufacturing of converted paper and paperboard, sale of self-made products	USD 171,800 thousand	(2)	\$4,858,912	\$-	\$-	\$4,858,912	\$5,296	98.84%	\$5,235	\$6,788,248	\$-	
Suzhou Longchen Paper Co., Ltd.	Manufacturing and sale of top-grade paper, paperboard and novel packaging materials	USD 13,580 thousand	(2)	437,649	-	-	437,649	(12,872)	100.00%	(12,872)	491,774	-	
Jiangsu Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paper, paperboard and paper products	CNY 967,407 thousand	(2)	365,441	1,301,666	-	1,667,107	83,561	100.00%	83,561	17,718,810	-	
Zhejiang Xiasha Longchen Packing Co., Ltd.	Manufacturing and processing of top-grade paperboard, cartons and paper boxes	USD 19,500 thousand	(2)	392,073	-	-	392,073	77,340	100.00%	77,340	916,679	-	
Shanghai Minhang Longchen Paper Co., Ltd.	Manufacturing and processing of paperboard and paper products	USD 12,000 thousand	(2)	118,551	-	-	118,551	22,131	100.00%	22,131	283,663	-	
Pinghu Longchen Greentech Co., Ltd.	Manufacturing and sale of top-grade paper and paperboard	USD 164,590 thousand	(2)	2,755,127	-	-	2,755,127	551,656	100.00%	551,656	9,686,551	-	
Suzhou Mango Packaging Co., Ltd.	Wholesale, import and export of packaging materials, paper products, electronic products, and hardware	USD 2,500 thousand	(2)	76,178	-	-	76,178	(352)	100.00%	(352)	155,869	-	
Kunshan Longzhong Investment Co., Ltd.	Provision of consulting services, market information and investment strategies for investors	USD 75,000 thousand	(2)	1,306,382	-	-	1,306,382	(19)	100.00%	(19)	2,232,515	-	
Hubei Longchen Greentech Co., Ltd.	Sewage treatment, resource recovery and recycling, manufacturing and sale of top-grade paper and paperboard	CNY 2,064,275 thousand	(2)	-	-	-	-	(241,593)	100.00%	(241,593)	5,922,548	-	
Xiantao Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	CNY 79,200 thousand	(2)	-	-	-	-	(27,981)	100.00%	(27,981)	133,670	-	
Wuhan Longchen Greentech Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	CNY 105,000 thousand	(2)	-	-	-	-	(12,131)	100.00%	(12,131)	421,799	-	

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 14 Names, primary business activities, paid-up capital, terms of investment and information relating to Mainland investees:

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							
Jingzhou Longchen Greentech Co., Ltd	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	CNY 79,200 thousand	(2)	\$-	\$-	\$-	\$-	\$(26,221)	100.00%	\$(26,221)	\$158,211	\$-	
Hunan Longchen Green Packing Co., Ltd.	Manufacturing, processing and sale of top-grade paperboard, cartons, paper boxes, and related package printed products	CNY 23,100 thousand	(2)	-	-	-	-	(127)	100.00%	(127)	100,150	-	
Nanjing Hongcheng Technology Co., Ltd	Renewable resource utilization technology research and development, information technology consulting, and recycling and wholesale of recycled materials	CNY 10,000 thousand	(2)	-	-	-	-	6,706	49%	3,286	25,433	-	
Shang Yang (Suzhou) Paper Packaging Co., Ltd.	Prints for packaging and decoration, color-printed paper cartons	-	(2)	185,150	-	-	185,150	-	-	-	-	-	Note 6
Rong Yang (Shanghai) Packaging Co., Ltd.	Design, manufacturing and processing of paper packaging products and similar products	-	(2)	8,879	-	-	8,879	-	-	-	-	-	Note 6
Ningbo Shang Yang Packaging Co., Ltd.	Design, manufacturing and processing of paper packaging products	-	(2)	1,492	-	-	1,492	-	-	-	-	-	Note 6
Sun Young (Chongqing) Packaging Co., Ltd.	Manufacturing and sale of cartons, pearl wool and foam, etc	-	(2)	14,633	-	-	14,633	-	-	-	-	-	Note 6
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

Amount of investments in Mainland China	Approved investment amount	Limit of investments in Mainland China	The Company's accumulated investment amount in Taiwan	Income remitted back to Taiwan by subsidiary
\$11,826,985	\$15,023,383	(Note 3)	\$-	\$-

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

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 LongChen 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 complies with such rule of the Industrial Development Bureau, MOEA. Therefore, Longchen's investments in mainland China are not limited to sixty percent (60%) of the net worth.. Its validity period starts from September 17, 2019 till September 16, 2022.

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 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 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.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 15 Business relationships and significant inter-company transactions

Number (Note 1)	Name of Trader	Counterparty	Relationship to the Trader (Note 2)	Transaction Details			Percentage of Total Consolidated Net Revenues or Assets (Note 3)
				Account	Amount	Transaction Conditions	
0	Longchen Paper & Packaging Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	1	Sales	\$1,995,462	Advance Payment or Monthly Settlement Within 90 Days	3.53%
				Accounts Receivable	772,937		0.99%
0	Longchen Paper & Packaging Co., Ltd.	Wuxi Longchen Greentech Co., Ltd.	1	Sales	269,980	Advance Payment or Monthly Settlement Within 90 Days	0.48%
				Accounts Receivable	94,895		0.12%
0	Longchen Paper & Packaging Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	1	Sales	359,864	Advance Payment or Monthly Settlement Within 90 Days	0.64%
				Accounts Receivable	125,174		0.16%
0	Longchen Paper & Packaging Co., Ltd.	Long Chen Paper Japan	1	Purchase	551,377	T/T	0.97%
				Accounts Payable	104,663		0.13%
0	Longchen Paper & Packaging Co., Ltd.	Metis International INC	1	Purchase	1,854,214	T/T	3.28%
				Accounts Payable	70,608		0.09%
0	Longchen Paper & Packaging Co., Ltd.	L&C CO., (BVI) LTD.	1	Interest Income	18,123	Interest Receive Upon Expiration	0.03%
1	L&C CO., (BVI) LTD.	Long Chen Paper (China) Holdings CO.,LTD	1	Interest Income	18,123	Interest Receive Upon Expiration	0.03%
2	Long Chen Paper (China) Holdings CO.,LTD	Jiangsu Longchen Greentech Co., Ltd.	1	Interest Income	CNY 4,986 thousand	Interest Receive Upon Expiration	0.04%
3	Wuxi Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	3	Sales	CNY 12,105 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.09%
				Purchase	CNY 4,904 thousand	Prepayment or Monthly Settlement Within 90 Days	0.04%
				Interest expense	CNY 873 thousand	Interest Payment Upon Expiration	0.01%
				Accounts Receivable	CNY 7,047 thousand		0.04%
				Other Payables	CNY 18,732 thousand		0.10%
3	Wuxi Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	2	Sales	CNY 636,885 thousand	Advance Payment or Monthly Settlement Within 90 Days	4.88%
				Purchase	CNY 318,108 thousand	Prepayment or Monthly Settlement Within 90 Days	2.44%
				Notes Receivable	CNY 130,702 thousand		0.73%
				Accounts Receivable	CNY 18,904 thousand		0.11%
				Accounts Payable	CNY 52,157 thousand		0.29%
3	Wuxi Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	3	Sales	CNY 113,902 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.87%
				Interest expense	CNY 483 thousand	Interest Payment Upon Expiration	-
				Accounts Receivable	CNY 299 thousand		-
				Other Payables	CNY 23,428 thousand		0.13%

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 15 Business relationships and significant inter-company transactions

Number (Note 1)	Name of Trader	Counterparty	Relationship to the Trader (Note 2)	Transaction Details			
				Account	Amount	Transaction Conditions	Percentage of Total Consolidated Net Revenues or Assets□(Note 3)
3	Wuxi Longchen Greentech Co., Ltd.	Wuxi Longchen Resources Co., Ltd.	1	Purchase	CNY 401,522 thousand	Prepayment or Monthly Settlement Within 90 Days	3.08%
				Accounts Payable	CNY 97,063 thousand		0.54%
3	Wuxi Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper co., ltd.	3	Sales	CNY 54,076 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.41%
				Notes Receivable	CNY 3,000 thousand		0.02%
				Accounts Receivable	CNY 24,237 thousand		0.13%
3	Wuxi Longchen Greentech Co., Ltd.	Pinghu Longchen Greentech Co., Ltd.	3	Purchase	CNY 10,027 thousand	Prepayment or Monthly Settlement Within 90 Days	0.08%
				Accounts Payable	CNY 1,032 thousand		0.01%
3	Wuxi Longchen Greentech Co., Ltd.	Hong Kong Long Chen Paper Co., Ltd.	3	Interest expense	CNY 946 thousand	Interest Payment Upon Expiration	0.01%
				Other Payables	CNY 23,029 thousand		0.13%
3	Wuxi Longchen Greentech Co., Ltd.	Suzhou Mango Packaging Co., Ltd.	3	Interest expense	CNY 262 thousand	Interest Payment Upon Expiration	-
				Other Payables	CNY 6,164 thousand		0.03%
4	Pinghu Longchen Greentech Co., Ltd.	Jiangsu Longchen Greentech Co., Ltd.	2	Sales	CNY 872,896 thousand	Advance Payment or Monthly Settlement Within 90 Days	6.69%
				Purchase	CNY 299,359 thousand	Prepayment or Monthly Settlement Within 90 Days	2.30%
				Notes Receivable	CNY 95,000 thousand		0.53%
				Accounts Receivable	CNY 154,922 thousand		0.86%
				Accounts Payable	CNY 30,887 thousand		0.17%
4	Pinghu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	3	Sales	CNY 29,555 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.23%
				Accounts Receivable	CNY 26,398 thousand		0.15%
4	Pinghu Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	3	Sales	CNY 178,966 thousand	Advance Payment or Monthly Settlement Within 90 Days	1.37%
				Purchase	CNY 12,149 thousand	Prepayment or Monthly Settlement Within 90 Days	0.09%
				Accounts Receivable	CNY 52,092 thousand		0.29%
				Accounts Payable	CNY 2,616 thousand		0.01%
4	Pinghu Longchen Greentech Co., Ltd.	Shanghai Minhang Longchen Paper co., ltd.	3	Sales	CNY 104,571 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.80%
				Purchase	CNY 7,084 thousand	Prepayment or Monthly Settlement Within 90 Days	0.05%
				Notes Receivable	CNY 11,000 thousand		0.06%
				Accounts Receivable	CNY 48,665 thousand		0.27%
				Accounts Payable	CNY 790 thousand		-

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 15 Business relationships and significant inter-company transactions

Number (Note 1)	Name of Trader	Counterparty	Relationship to the Trader (Note 2)	Transaction Details			Percentage of Total Consolidated Net Revenues or Assets (Note 3)
				Account	Amount	Transaction Conditions	
4	Pinghu Longchen Greentech Co., Ltd.	Zhejiang Longchen Resources Co., Ltd.	1	Accounts Payable Other Payables	CNY 8,646 thousand CNY 4,171 thousand		0.05% 0.02%
4	Pinghu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	3	Interest Income Other Receivable	CNY 531 thousand CNY 32,531 thousand	Interest Receive Upon Expiration	- 0.18%
4	Pinghu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	3	Interest Income Other Receivable	CNY 920 thousand CNY 130,920 thousand	Interest Receive Upon Expiration	0.01% 0.73%
5	Jiangsu Longchen Greentech Co., Ltd.	Hubei Longchen Greentech Co., Ltd.	1	Sales Purchase Interest Income Accounts Receivable prepayment Notes Payable	CNY 377,292 thousand CNY 263,749 thousand CNY 6,330 thousand CNY 245,533 thousand CNY 142,488 thousand CNY 45,000 thousand	Advance Payment or Monthly Settlement Within 90 Days Prepayment or Monthly Settlement Within 90 Days Interest Receive Upon Expiration	2.89% 2.02% 0.05% 1.37% 0.79% 0.25%
5	Jiangsu Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	1	Sales Purchase Accounts Receivable Accounts Payable	CNY 56,552 thousand CNY 11,420 thousand CNY 1,965 thousand CNY 947 thousand	Advance Payment or Monthly Settlement Within 90 Days Prepayment or Monthly Settlement Within 90 Days	0.43% 0.09% 0.01% 0.01%
6	Hubei Longchen Greentech Co., Ltd.	Xiantao Longchen Greentech Co., Ltd.	3	Sales Notes Receivable Accounts Receivable	CNY 123,353 thousand CNY 25,600 thousand CNY 59,183 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.95% 0.14% 0.33%
6	Hubei Longchen Greentech Co., Ltd.	Hubei Longchen Resources Co., Ltd.	1	Purchase Accounts Payable	CNY 604,408 thousand CNY 10,606 thousand	Prepayment or Monthly Settlement Within 90 Days	4.63% 0.06%
6	Hubei Longchen Greentech Co., Ltd.	Hong Kong Long Chen Paper Co., Ltd.	3	Interest expense Other Payables	CNY 1,263 thousand CNY 63,740 thousand	Interest Payment Upon Expiration	0.01% 0.35%
6	Hubei Longchen Greentech Co., Ltd.	Suzhou Longchen Paper Co., Ltd.	3	Interest expense Other Payables	CNY 441 thousand CNY 10,263 thousand	Interest Payment Upon Expiration	— 0.06%
6	Hubei Longchen Greentech Co., Ltd.	Zhejiang Xiasha Longchen Packing Co., Ltd.	3	Sales Other Payables	CNY 2,290 thousand CNY 35,588 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.02% 0.20%

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 15 Business relationships and significant inter-company transactions

Number (Note 1)	Name of Trader	Counterparty	Relationship to the Trader (Note 2)	Transaction Details				
				Account	Amount	Transaction Conditions	Percentage of Total Consolidated Net Revenues or Assets□(Note 3)	
6	Hubei Longchen Greentech Co., Ltd.	Wuhan Longchen Greentech Co., Ltd.	3	Sales	CNY	19,282 thousand	Advance Payment or Monthly Settlement Within 90 Days	0.15%
				Accounts Receivable	CNY	21,062 thousand		0.12%
6	Hubei Longchen Greentech Co., Ltd.	Suzhou Mango Packaging Co., Ltd.	3	Interest expense	CNY	286 thousand	Interest Payment Upon Expiration	—
				Other Payables	CNY	6,677 thousand		0.04%

Note 1: The information on transactions between the parent company and subsidiaries should be specified in the “Number” column. The numbers in the “Number” column should be represented as follows:

1. 0 for the parent company;
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2: There are three types of relationships with counterparties and they are labeled as follows:

1. The parent company to a subsidiary;
2. Subsidiary to the parent company;
3. Subsidiary to a subsidiary

Note 3: The calculation basis of the trading amount accounting for the total consolidated net revenues or assets is that the account ending balance is divided by the total consolidated assets if it is attributed to the balance sheet accounts; and the accumulated trading amount of the interim period is divided by the total consolidated net revenues if it is attributed to the profit or loss accounts.

Note 4: The important transactions in this table must be determined by the company according to the principle of materiality.

Notes to the Consolidated Financial Statements (Continued) of Longchen Paper & Packaging Co., Ltd. and Subsidiaries
(Expressed in thousands of New Taiwan Dollars, unless otherwise stated in Notes)

Attachment 16 Information of major shareholders

Shareholders (Note)	Shares	
	Total Shares Owned	Ownership Percentage
Baolong International Co., Ltd.	245,790,467	19.23%
Long Sheng Investment Co., Ltd.	108,924,706	8.52%
Qian Jiang Investment Co., Ltd.	96,129,508	7.52%
Yuema Engineering Co., Ltd.	86,254,900	6.75%

Note: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.