

## **YFY Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2017 and 2016 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” 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. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

YFY INC.

By:

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FELIX HO  
Chairman

March 22, 2018

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
YFY Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of YFY Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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 (refer to Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, 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, 2017. 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 of the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

#### Estimated Impairment of Receivables

In consideration of the business volume and client conditions, the recoverability of receivables is subject to management's judgment, and the amount of receivables is significant to the Group; thus, the estimated impairment of receivables has been identified as a key audit matter.

For related policies and relevant information on the estimated impairment of receivables, refer to Notes 4, 5 and 11 to the accompanying consolidated financial statements.

For the audit procedures performed in respect of the above area, we:

1. Assess the reasonableness of the assumptions used by the management through the inspection on the clients' financial positions and historical payment records, particularly on those with significant outstanding receivables and longer turnover days.
2. Confirm whether there are any clients with significant amounts of outstanding receivables, reflecting financial difficulties, and ensure that the management has adopted appropriate responses to secure its receivables.
3. Assess the collections for those past due receivables.

#### Impairment of Property, Plant and Equipment

The containerboard and packaging segment of the Group has been accumulating losses. Because of the accounting uncertainty and estimations involved in measuring the related impairment loss, this segment is considered significant. According to IAS 36 "Impairment of Assets", the Group's management evaluates impairment based on the estimated future cash flows of the related impaired item. The estimation of the future cash flows comprise many assessments and evaluations, which has a significant level of uncertainty; thus, the impairment of property, plant and equipment has been identified as a key audit matter.

For related policies and relevant information on the impairment of property, plant and equipment, refer to Notes 4, 5 and 16 to the accompanying consolidated financial statements.

For the audit procedures performed in respect of the above area, we:

1. Inquire after the Group management's major assumptions regarding future cash flows and confirm the reasonableness of the major assumptions used by the Group's management based on our understanding of the industry and business.
2. Test for the appropriateness of the major assumptions and compare them with the expected economic situation and the actual operations.
3. Evaluate the appropriateness of the major assumptions of the discount rate used by the Group's management.
4. Perform an observation on the physical count of the idle property, plant and equipment.

## **Other Matter**

We did not audit the financial statements of Jupiter Prestige Group Holdings Limited and its subsidiaries, Lotus Ecoscings & Engineering Co., Ltd., Cupid InfoTech Co., Ltd., YFY Biotech Management Company, Systax Communication (H.K.) Ltd. and Ever Growing Agriculture Biotech Co., Ltd., subsidiaries which are included in the consolidated financial statements of the Group, but such financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in the Group's consolidated financial statements for these subsidiaries, is based solely on the reports of other auditors. The assets of these subsidiaries as of December 31, 2017 and 2016 were about 1% (NT\$1,424,127 thousand) and 1% (NT\$1,294,932 thousand), respectively, of the total consolidated assets. The net sales of these subsidiaries for the years ended December 31, 2017 and 2016 were about 1% (NT\$684,858 thousand) and 1% (NT\$611,103 thousand), respectively, of the consolidated net sales. In addition, the financial statements as of and for the years ended December 31, 2017 and 2016 of Taiwan Genome Sciences Co., Ltd., an investment accounted for using the equity method, were audited by other auditors. Thus, our opinion, insofar as it relates to the calculation of the Group's share in this investee's profit or loss and other comprehensive income, is based solely on the report of other auditors. As of December 31, 2017 and 2016, the carrying amounts of this investee were NT\$17,708 thousand and NT\$24,446 thousand, respectively. Included in the Group's total comprehensive income and loss for the years ended December 31, 2017 and 2016 were a loss of NT\$2,145 thousand and a gain of NT\$20,484 thousand, respectively, of this investee's net profit or loss.

We have also audited the parent company only financial statements of YFY Inc. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion, including an other matter, respectively.

## **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 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **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, 2017 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 Chih-Ming Shao and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2018

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 accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' 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.*

# YFY INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,144,894	4	\$ 3,710,869	3
Financial assets at fair value through profit or loss (Notes 4 and 7)	325,326	-	1,330,912	1
Available-for-sale financial assets (Notes 4 and 8)	4,532,411	4	3,780,274	3
Debt investments with no active market (Notes 4 and 6)	2,357,256	2	1,724,436	2
Notes receivable (Notes 4, 11 and 28)	3,775,601	3	2,951,293	3
Accounts receivable (Notes 4, 11 and 27)	10,974,676	10	10,194,758	9
Inventories (Notes 4 and 12)	9,191,130	8	8,288,246	8
Biological assets (Notes 4 and 13)	3,280,878	3	3,275,503	3
Prepayments	1,007,033	1	1,069,855	1
Other financial assets (Notes 4 and 28)	405,321	-	294,041	-
Other current assets (Notes 4, 9 and 27)	1,067,851	1	1,035,021	1
Total current assets	<u>41,062,377</u>	<u>36</u>	<u>37,655,208</u>	<u>34</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 4 and 8)	8,712,256	8	8,777,617	8
Financial assets carried at cost (Notes 4 and 10)	1,495,143	1	1,555,879	1
Debt investments with no active market (Notes 4 and 27)	400,000	-	400,000	-
Investments accounted for using the equity method (Notes 4, 15 and 27)	6,307,712	6	6,953,129	6
Property, plant and equipment (Notes 4, 5, 16, 21 and 28)	47,994,654	43	46,766,595	42
Investment properties (Notes 4, 17 and 21)	2,711,707	3	2,748,430	3
Goodwill (Notes 4 and 14)	458,555	-	498,022	-
Deferred tax assets (Notes 4 and 22)	368,246	-	564,640	1
Long-term prepayments for leases (Note 21)	1,314,005	1	1,083,150	1
Prepayments for equipment (Note 16)	1,026,714	1	2,985,675	3
Other non-current assets (Notes 4, 19, 21 and 28)	734,404	1	714,576	1
Total non-current assets	<u>71,523,396</u>	<u>64</u>	<u>73,047,713</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 112,585,773</u>	<u>100</u>	<u>\$ 110,702,921</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 28)	\$ 11,384,557	10	\$ 9,304,726	9
Short-term bills payable (Note 18)	8,021,936	7	6,964,751	6
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	278,060	-	10,883	-
Notes and accounts payable (Note 27)	7,748,170	7	7,580,137	7
Other payables (Note 16)	2,984,866	3	3,264,141	3
Current tax liabilities (Notes 4 and 22)	196,720	-	192,329	-
Current portion of long-term borrowings (Notes 18 and 28)	187,300	-	161,564	-
Other current liabilities (Notes 4 and 9)	1,534,976	2	1,256,623	1
Total current liabilities	<u>32,336,585</u>	<u>29</u>	<u>28,735,154</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings, net of current portion (Notes 18 and 28)	31,964,006	28	35,173,100	32
Deferred tax liabilities (Notes 4 and 22)	3,386,650	3	3,385,935	3
Net defined benefit liabilities (Notes 4 and 19)	1,134,140	1	1,545,398	1
Other non-current liabilities	238,072	-	221,205	-
Total non-current liabilities	<u>36,722,868</u>	<u>32</u>	<u>40,325,638</u>	<u>36</u>
Total liabilities	<u>69,059,453</u>	<u>61</u>	<u>69,060,792</u>	<u>62</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)</b>				
Share capital	16,603,715	15	16,603,715	15
Capital surplus	1,046,800	1	823,793	1
Retained earnings				
Legal reserve	3,254,722	3	3,242,110	3
Special reserve	4,030,039	3	4,031,432	4
Unappropriated earnings	6,609,773	6	4,948,452	4
Total retained earnings	13,894,534	12	12,221,994	11
Other equity	1,686,125	2	2,532,357	2
Total equity attributable to owners of the Company	33,231,174	30	32,181,859	29
<b>NON-CONTROLLING INTERESTS</b>	<u>10,295,146</u>	<u>9</u>	<u>9,460,270</u>	<u>9</u>
Total equity	<u>43,526,320</u>	<u>39</u>	<u>41,642,129</u>	<u>38</u>
<b>TOTAL</b>	<u>\$ 112,585,773</u>	<u>100</u>	<u>\$ 110,702,921</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 22, 2018)



## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)				
Sales	\$ 58,867,920	88	\$ 55,851,439	88
Other operating revenue	<u>7,901,988</u>	<u>12</u>	<u>7,502,713</u>	<u>12</u>
Total operating revenue	<u>66,769,908</u>	<u>100</u>	<u>63,354,152</u>	<u>100</u>
OPERATING COSTS (Notes 12, 19, 21 and 27)				
Cost of goods sold	49,389,885	74	47,957,893	76
Other operating cost	<u>5,365,342</u>	<u>8</u>	<u>4,868,088</u>	<u>7</u>
Total operating costs	<u>54,755,227</u>	<u>82</u>	<u>52,825,981</u>	<u>83</u>
LOSS ARISING FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL BIOLOGICAL ASSETS (Notes 4 and 13)				
	<u>(8,111)</u>	<u>-</u>	<u>(13,295)</u>	<u>-</u>
GROSS PROFIT	<u>12,006,570</u>	<u>18</u>	<u>10,514,876</u>	<u>17</u>
OPERATING EXPENSES (Notes 19, 21 and 27)				
Selling and marketing	4,863,483	7	5,408,560	9
General and administrative	3,956,713	6	3,850,007	6
Research and development	<u>225,948</u>	<u>1</u>	<u>141,491</u>	<u>-</u>
Total operating expenses	<u>9,046,144</u>	<u>14</u>	<u>9,400,058</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>2,960,426</u>	<u>4</u>	<u>1,114,818</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 21)	(929,244)	(1)	(935,866)	(1)
Share of profit of associates (Notes 4 and 15)	319,299	-	457,807	1
Interest income	226,059	-	221,713	-
Rental income (Notes 17 and 28)	68,502	-	56,521	-
Dividend income	422,159	1	532,245	1
Other income	326,606	-	292,063	-
Gain on disposal of investments (Notes 4 and 24)	41,833	-	182,308	-
Foreign exchange gain (loss)	398,796	1	(1,114,045)	(2)
Other losses	(62,798)	-	(49,605)	-
Gain (loss) arising on financial instruments at FVTPL (Notes 4 and 27)	(783,844)	(1)	318,341	1

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## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Impairment loss recognized on financial assets (Notes 4, 10, 14 and 15)	\$ (96,916)	-	\$ (99,717)	-
Impairment loss recognized on property, plant and equipment (Notes 4 and 16)	(51,829)	-	(12,882)	-
Total non-operating income and expenses	<u>(121,377)</u>	<u>-</u>	<u>(151,117)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,839,049	4	963,701	2
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(706,926)</u>	<u>(1)</u>	<u>(408,594)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,132,123</u>	<u>3</u>	<u>555,107</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	136,445	-	(177,379)	-
Share of the other comprehensive loss of associates	<u>(972)</u>	<u>-</u>	<u>(1,495)</u>	<u>-</u>
	<u>135,473</u>	<u>-</u>	<u>(178,874)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,046,254)	(2)	(1,971,288)	(3)
Unrealized gain (loss) on available-for-sale financial assets	384,934	1	(890,545)	(1)
Cash flow hedges	(1,558)	-	(25,019)	-
Share of the other comprehensive loss of associates	<u>(246,462)</u>	<u>-</u>	<u>(336,560)</u>	<u>(1)</u>
	<u>(909,340)</u>	<u>(1)</u>	<u>(3,223,412)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(773,867)</u>	<u>(1)</u>	<u>(3,402,286)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 1,358,256</u>	<u>2</u>	<u>\$ (2,847,179)</u>	<u>(4)</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,606,510	2	\$ 126,117	-
Non-controlling interests	<u>525,613</u>	<u>1</u>	<u>428,990</u>	<u>1</u>
	<u>\$ 2,132,123</u>	<u>3</u>	<u>\$ 555,107</u>	<u>1</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2017		2016	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 900,796	1	\$ (3,028,403)	(5)
Non-controlling interests	<u>457,460</u>	<u>1</u>	<u>181,224</u>	<u>1</u>
	<u>\$ 1,358,256</u>	<u>2</u>	<u>\$ (2,847,179)</u>	<u>(4)</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.97</u>		<u>\$ 0.08</u>	
Diluted	<u>\$ 0.97</u>		<u>\$ 0.08</u>	

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

(With Deloitte & Touche audit report dated March 22, 2018)

(Concluded)

**YFY INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company														Non-controlling Interests	Total Equity
	Share Capital		Treasury Shares	Capital Surplus			Retained Earnings				Exchange Differences on Translating Foreign Operations	Other Equity Unrealized Gain (Loss) on Available-for- sale Financial Assets	Cash Flow Hedges	Total		
	Share (Thousands)	Amount		Consolidation Excess	Other	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2016	1,660,372	\$ 16,603,715	\$ 14,947	\$ 293,124	\$ 377,185	\$ 685,256	\$ 3,191,920	\$ 4,031,432	\$ 5,500,298	\$ 12,723,650	\$ 2,724,091	\$ 2,801,627	\$ 7,881	\$ 35,546,220	\$ 9,730,808	\$ 45,277,028
Appropriation of the 2015 earnings																
Legal reserve	-	-	-	-	-	-	50,190	-	(50,190)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(498,111)	(498,111)	-	-	-	(498,111)	-	(498,111)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(494,611)	(494,611)
Adjustments for the changes in equity in associates	-	-	-	-	51,965	51,965	-	-	23,616	23,616	-	-	-	75,581	2,946	78,527
Partial acquisition of interests in subsidiaries	-	-	-	-	78,573	78,573	-	-	-	-	-	-	-	78,573	31,084	109,657
Adjustments for the changes in equity in subsidiaries	-	-	-	-	7,999	7,999	-	-	-	-	-	-	-	7,999	8,819	16,818
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	-	-	126,117	126,117	-	-	-	126,117	428,990	555,107
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	(153,278)	(153,278)	(1,925,435)	(1,056,743)	(19,064)	(3,154,520)	(247,766)	(3,402,286)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	(27,161)	(27,161)	(1,925,435)	(1,056,743)	(19,064)	(3,028,403)	181,224	(2,847,179)
BALANCE AT DECEMBER 31, 2016	1,660,372	16,603,715	14,947	293,124	515,722	823,793	3,242,110	4,031,432	4,948,452	12,221,994	798,656	1,744,884	(11,183)	32,181,859	9,460,270	41,642,129
Appropriation of the 2016 earnings																
Legal reserve	-	-	-	-	-	-	12,612	-	(12,612)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	(1,393)	1,393	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(390,858)	(390,858)
Adjustments for the changes in equity of associates	-	-	-	-	14,242	14,242	-	-	(40,233)	(40,233)	-	-	-	(25,991)	930	(25,061)
Adjustment for the changes in other capital surplus	-	-	-	-	2,665	2,665	-	-	-	-	-	-	-	2,665	-	2,665
Partial acquisition of interests in subsidiaries	-	-	-	-	(27,859)	(27,859)	-	-	-	-	-	-	-	(27,859)	139,826	111,967
Adjustments for the changes in equity of subsidiaries	-	-	-	-	233,959	233,959	-	-	(34,255)	(34,255)	-	-	-	199,704	627,518	827,222
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	-	1,606,510	1,606,510	-	-	-	1,606,510	525,613	2,132,123
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	140,518	140,518	(1,062,067)	219,523	(3,688)	(705,714)	(68,153)	(773,867)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	1,747,028	1,747,028	(1,062,067)	219,523	(3,688)	900,796	457,460	1,358,256
BALANCE AT DECEMBER 31, 2017	1,660,372	\$ 16,603,715	\$ 14,947	\$ 293,124	\$ 738,729	\$ 1,046,800	\$ 3,254,722	\$ 4,030,039	\$ 6,609,773	\$ 13,894,534	\$ (263,411)	\$ 1,964,407	\$ (14,871)	\$ 33,231,174	\$ 10,295,146	\$ 43,526,320

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

(With Deloitte & Touche audit report dated March 22, 2018)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,839,049	\$ 963,701
Adjustments for:		
Depreciation and amortization expenses	3,586,009	3,477,016
Impairment loss recognized on accounts receivable	123,530	438,347
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	783,844	(318,341)
Finance costs	929,244	935,866
Interest income	(226,059)	(221,713)
Dividend income	(422,159)	(532,245)
Share of profit of associates	(319,299)	(457,807)
Loss (gain) on disposal of property, plant and equipment	6,945	(3,616)
Gain on disposal of investments	(41,833)	(182,308)
Impairment loss recognized on financial assets	96,916	99,717
Impairment loss recognized on property, plant and equipment	51,829	12,882
Write-down of inventories (reversed)	12,029	(39,949)
Net unrealized loss (gain) on foreign currency exchange	(454,815)	699,106
Loss arising from changes in fair value less cost to sell biological assets	8,111	13,295
Changes in operating assets and liabilities		
Notes receivable	(1,040,590)	480,153
Accounts receivable	(1,130,670)	132,096
Inventories	(1,257,755)	1,444,914
Biological assets	(79,279)	44,985
Prepayments	19,536	99,260
Other current assets	(24,058)	(90,596)
Notes and accounts payable	656,781	(1,130,405)
Other payables	15,724	(81,466)
Other current liabilities	549,114	131,104
Net defined benefit liabilities	(249,062)	(226,532)
Cash generated from operations	4,433,082	5,687,464
Interest received	177,723	239,935
Dividends received	754,816	620,422
Interest paid	(903,431)	(997,622)
Income tax paid	(535,820)	(355,620)
Net cash generated from operating activities	<u>3,926,370</u>	<u>5,194,579</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial instruments at fair value through profit or loss	(9,739,466)	(9,706,063)
Proceeds from sale of financial instruments at fair value through profit or loss	10,195,342	9,685,968
Purchase of available-for-sale financial assets	(507,304)	(131,024)
Proceeds from sale of available-for-sale financial assets	162,890	856,525
Purchase of debt investments with no active market	(677,479)	(715,547)

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Purchase of financial assets carried at cost	\$ (104,334)	\$ -
Proceeds from sale of financial assets carried at cost	5,682	39,186
Proceeds from the return of capital upon investees' capital reduction on financial assets carried at cost	51,005	-
Proceeds on sale of financial assets for hedging	3,838	-
Acquisition of associates	-	(36,000)
Proceeds from sale of investments accounted for using the equity method	8,181	2,509
Net cash outflow on disposal of subsidiaries	(6,787)	-
Payments for property, plant and equipment	(4,163,161)	(5,296,484)
Proceeds from disposal of property, plant and equipment	156,579	72,592
Payments for investment properties	-	(7,547)
Proceeds from the disposal of investment properties	35,640	75,350
Increase in other financial assets	(139,430)	-
Decrease in other financial assets	-	460,379
Increase in long-term prepayment for leases	(221,974)	-
Increase in other non-current assets	(170,704)	(59,313)
Net cash used in investing activities	<u>(5,111,482)</u>	<u>(4,759,469)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,390,584	-
Repayments of short-term borrowings	-	(987,337)
Proceeds from short-term bills payable	1,061,267	-
Repayments of short-term bills payable	-	(4,297,246)
Proceeds from long-term borrowings	-	7,099,481
Repayments of long-term borrowings	(2,393,150)	-
Increase in other non-current liabilities	93,257	87,126
Cash dividends paid	-	(498,111)
Increase (decrease) in non-controlling interests	570,208	(384,742)
Overdue dividends recovered from shareholders	2,665	-
Net cash generated from financing activities	<u>1,724,831</u>	<u>1,019,171</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(105,694)</u>	<u>(124,056)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	434,025	1,330,225
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,710,869</u>	<u>2,380,644</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,144,894</u>	<u>\$ 3,710,869</u>

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

(With Deloitte & Touche audit report dated March 22, 2018)

(Concluded)

# YFY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

YFY Inc. (the Company) was incorporated in Kaohsiung in February 1950. The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since February 1977.

The Company originally manufactured, packaged, tested and sold various integrated circuit products. To increase its competitiveness and sales through organization restructuring and specialization, the Company spun off the assets, liabilities, and operations of its consumer products and packaging segments to its subsidiaries, YFY Consumer Products Co., Ltd. in October 2007 and YFY Packaging Inc. in September 2005.

In addition, the Company spun off the assets, liabilities and operations of its paper and cardboard business segment to Chung Hwa Pulp Co., Ltd. (CHPC) and acquired the shares issued by CHPC on October 1, 2012. After this transaction, CHPC became a subsidiary of the Company, and the Company became an investment holding company, with investment and holding as its main business.

The consolidated financial statements of the Company and its subsidiaries, hereto forth collectively referred to as the Group, are presented in the Company's functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 22, 2018.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

#### Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 27 for the related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.



The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed shares as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares carried at cost will be measured at fair value instead.
- b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as at fair value through profit or loss under IFRS 9, because on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<u>Impact on assets, liabilities and equity</u>			
Cash and cash equivalents - current	\$ 4,144,894	\$ (544,263)	\$ 3,600,631
Financial assets at fair value through profit or loss - current	325,326	678,733	1,004,059
Financial assets at fair value through other comprehensive income - current	-	4,636,934	4,636,934
Available-for-sale financial assets - current	4,532,411	(4,532,411)	-
Financial assets measured at amortized cost - current	-	2,120,878	2,120,878
Debt investments with no active market - current	2,357,256	(2,357,256)	-
Other current assets	1,067,851	(5,033)	1,062,818
			(Continued)

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
Financial assets at fair value through profit or loss - non-current	\$ -	\$ 402,418	\$ 402,418
Financial assets at fair value through other comprehensive income - non-current	-	11,884,194	11,884,194
Available-for-sale financial assets - non-current	8,712,256	(8,712,256)	-
Financial assets measured at amortized cost - non-current	1,495,143	(1,495,143)	-
Debt investments with no active market - non-current	400,000	(400,000)	-
Investments accounted for using the equity method	<u>6,307,712</u>	<u>17,093</u>	<u>6,324,805</u>
Total effect on assets	<u>\$ 29,342,849</u>	<u>\$ 1,693,888</u>	<u>\$ 31,036,737</u>
Unappropriated earnings	\$ 6,609,773	\$ 67,107	\$ 6,676,880
Unrealized gain on available-for-sale financial assets	1,964,407	(1,964,407)	-
Unrealized gain on financial assets at fair value through other comprehensive income	-	3,550,313	3,550,313
Non-controlling interests	<u>10,295,146</u>	<u>40,875</u>	<u>10,336,021</u>
Total effect on equity	<u>\$ 18,869,326</u>	<u>\$ 1,693,888</u>	<u>\$ 20,563,214</u> (Concluded)

#### Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect an entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

The assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9. Under the Group's current hedge accounting policy, the forward element of forward contracts is excluded from designated hedging relationships and the related changes are recognized directly in profit or loss. On adoption of IFRS 9, the forward element of forward contracts may be elected to be recognized in other comprehensive income and accumulated in other equity and accounted for subsequently to be reclassified to profit or loss or be included directly in the carrying amount of the asset or the liability recognized for the hedged items, and the above treatments are expected to be applied prospectively.

#### 2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized for the contract under IAS 18.

The application of IFRS 15 is not have material impact on asset, liability and equity on January 1, 2018 of the Group.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is assessing the application of other standards and interpretations will have no effect on the Group's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

#### IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and cash payments for the interest are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, biological assets excluding bearer plants which are measured at fair value less costs to sell, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 on the basis of the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs on the asset or liability.

##### **c. Classification of current and non-current assets and liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and

- 3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this attribution results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment in an associate.

See Note 14 and Tables 8 and 9 for more information on subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Biological assets

Biological assets are measured at cost plus transaction costs on initial recognition, and subsequently measured at fair value less costs to sell. The gains and losses arising from the change in fair value less costs to sell are recognized in profit or loss when they are incurred.

Agricultural produce harvested from biological assets is initially measured at fair value less costs to sell at the point of harvest, subsequently transferred to inventory and accounted for accordingly.

i. Investment in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost acquisition, after reassessment, this is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.



When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

j. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

## l. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

## m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## n. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

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

### a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

#### i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend on the financial asset. Fair value is determined in the manner described in Note 26.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently carried at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

#### ii. Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are carried at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

### iii. Loans and receivables

Loans and receivables (including notes receivables, accounts receivable, accounts receivable from related parties, cash and cash equivalents and debt investments with no active market) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as notes receivable and accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of notes receivable and accounts receivable, where the carrying amount is reduced through the use of an allowance account. When a notes receivable and accounts receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible notes receivable and accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks and interest rate risks, including foreign exchange forward contracts and cross-currency swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

o. Hedge accounting

The Group designates certain hedging instruments as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

p. Provisions

Provision is measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group;  
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract or when services are provided.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law of the Republic of China, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.



## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### a. Estimated impairment of receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

### b. Impairment loss of property, plant and equipment

The impairment loss of property, plant and equipment was based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash on hand	\$ 5,762	\$ 6,378
Checking accounts and demand deposits	2,752,372	2,441,127
Cash equivalents		
Time deposits	1,375,260	1,246,864
Repurchase agreements collateralized by bonds	<u>11,500</u>	<u>16,500</u>
	<u>\$ 4,144,894</u>	<u>\$ 3,710,869</u>

The market interest rates for time deposits with original maturities of more than 3 months, which have been reclassified to debt investments with no active market - current, were 0.16%-4.40% and 0.22%-3.25% per annum, respectively, as of December 31, 2017 and 2016.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets		
Foreign exchange forward contracts	\$ 4,351	\$ 285,093
Exchangeable bonds	-	289,860
Non-derivative financial assets		
Mutual funds	216,452	661,132
Listed shares	<u>104,523</u>	<u>94,827</u>
	<u>\$ 325,326</u>	<u>\$ 1,330,912</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts	\$ 213,578	\$ -
Foreign exchange forward contracts	<u>64,482</u>	<u>10,883</u>
	<u>\$ 278,060</u>	<u>\$ 10,883</u>

The Group signed a supplemental agreement with the issuer of its exchangeable bonds on January 24, 2017. If the Group does not exercise the conversion before June 2017, the issuer should redeem the bonds and pay the agreed upon rate of return on the basis of the principal amount. The exchangeable bonds expired on June 20, 2017, and the Group received the agreed principal amount and income of US\$12,393 thousand on August 11, 2017.

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2017</u>			
Sell	USD:NTD	2018.01.03-2018.07.08	USD16,430
Sell	RMB:USD	2018.01.08-2018.03.28	RMB651,872
<u>December 31, 2016</u>			
Buy	EUR:USD	2017.01.30	EUR2,305
Buy	JPY:USD	2017.01.19	JPY200,000
Buy	USD:NTD	2017.01.13-2017.05.03	USD9,500
Buy	USD:RMB	2017.06.12-2017.12.12	USD280,800
Sell	USD:NTD	2017.01.09-2017.05.03	USD36,798
Sell	JPY:NTD	2017.01.23	JPY50,000
Sell	RMB:NTD	2017.01.06-2017.02.24	RMB52,600
Sell	RMB:USD	2017.01.05-2017.12.11	RMB948,381

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

At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2017

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
US\$115,000	2018.04.13-2018.07.11	3.78%-3.97%	1.55%-1.56%

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

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2017	2016
<u>Current</u>		
Domestic investments		
Listed shares	<u>\$ 4,532,411</u>	<u>\$ 3,780,274</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	<u>\$ 8,712,256</u>	<u>\$ 8,777,617</u>

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	2017	2016
Derivative financial assets under hedge accounting - current <u>(accounted for as other current assets)</u>		
Foreign exchange forward contracts	<u>\$ 2</u>	<u>\$ 3,380</u>
Derivative financial liabilities under hedge accounting - current <u>(accounted for as other current liabilities)</u>		
Foreign exchange forward contracts	<u>\$ 292</u>	<u>\$ 606</u>

The Group's hedge strategy is to enter foreign exchange forward contracts to avoid its foreign currency exposure to certain foreign currency receipts and payments and to manage its foreign currency exposure in relation to foreign currency forecast sales and purchases. When forecast sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The terms of the foreign exchange forward contracts were negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2017</u>			
Buy	EUR:NTD	2018.01.31	EUR2,458
Buy	USD:NTD	2018.01.26-2018.01.31	USD1,227
Buy	JPY:NTD	2018.01.09	JPY13,950
<u>December 31, 2016</u>			
Buy	EUR:NTD	2017.01.23-2017.01.26	EUR4,872
Buy	USD:NTD	2017.01.03-2017.03.03	USD4,123
Buy	JPY:NTD	2017.01.19-2017.01.26	JPY348,232

#### 10. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Non-current</u>		
Domestic and foreign unlisted shares	\$ 1,480,329	\$ 1,540,362
Domestic emerging market shares	9,642	9,642
Foreign beneficiary certificates	<u>5,172</u>	<u>5,875</u>
	<u>\$ 1,495,143</u>	<u>\$ 1,555,879</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 1,495,143</u>	<u>\$ 1,555,879</u>

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were carried at cost less impairment at the end of reporting period.

The Group recognized impairment losses on financial assets carried at cost of \$86,196 thousand in 2017 and \$99,717 thousand in 2016, respectively.

#### 11. NOTES RECEIVABLES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes receivable</u>		
Notes receivable	\$ 3,787,692	\$ 2,958,495
Less: Allowance for impairment loss	<u>(12,091)</u>	<u>(7,202)</u>
	<u>\$ 3,775,601</u>	<u>\$ 2,951,293</u>

(Continued)

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Accounts receivable</u>		
Accounts receivable	\$ 11,442,787	\$ 10,813,351
Receivables from related parties	22,178	4,028
Less: Allowance for impairment loss	<u>(490,289)</u>	<u>(622,621)</u>
	<u>\$ 10,974,676</u>	<u>\$ 10,194,758</u> (Concluded)

Notes receivable, accounts receivable and receivables from related parties were generated by operating activities.

In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Group's customer base is vast and irrelevant; no concentration of credit risk was observed on these transactions.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not past due	\$ 14,302,543	\$ 12,682,955
Up to 90 days	473,055	487,054
91-180 days	72,398	81,597
181-360 days	23,821	89,965
More than 360 days	<u>380,840</u>	<u>434,303</u>
	<u>\$ 15,252,657</u>	<u>\$ 13,775,874</u>

The above aging schedule was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Up to 90 days	\$ 409,547	\$ 441,624
91-180 days	67,635	33,726
181 days-360 days	11,482	87,131
More than 360 days	<u>79,640</u>	<u>70,366</u>
	<u>\$ 568,304</u>	<u>\$ 632,847</u>

The above aging schedule was based on the past due date.

For the accounts receivable that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality.

The movements of the allowance for doubtful receivables were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 538,678	\$ 91,145	\$ 629,823
Add: Impairment losses recognized on receivables	110,539	12,991	123,530
Less: Amounts written off during the year as uncollectible	(230,290)	(8,276)	(238,566)
Effect of foreign currency exchange differences	<u>(12,127)</u>	<u>(280)</u>	<u>(12,407)</u>
Balance at December 31, 2017	<u>\$ 406,800</u>	<u>\$ 95,580</u>	<u>\$ 502,380</u>
Balance at January 1, 2016	\$ 166,051	\$ 131,370	\$ 297,421
Add: Impairment losses recognized on receivables	420,975	17,372	438,347
Less: Amounts written off during the year as uncollectible	(46,117)	(30,700)	(76,817)
Effect of foreign currency exchange differences	<u>(2,231)</u>	<u>(26,897)</u>	<u>(29,128)</u>
Balance at December 31, 2016	<u>\$ 538,678</u>	<u>\$ 91,145</u>	<u>\$ 629,823</u>

The aging of individually impaired receivables was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Up to 90 days	\$ 63,508	\$ 45,430
91-180 days	4,763	47,871
181-360 days	12,339	2,834
More than 360 days	<u>301,200</u>	<u>363,937</u>
	<u>\$ 381,810</u>	<u>\$ 460,072</u>

The above aging of accounts receivable before deducting the allowance for impairment was presented based on the past due date.

The carrying amount of notes receivable pledged as collateral was disclosed in Note 28.

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Finished and purchased goods	\$ 4,183,434	\$ 3,832,694
Materials	4,019,584	3,696,527
Work-in-process	986,495	757,408
Construction-in-progress	<u>1,617</u>	<u>1,617</u>
	<u>\$ 9,191,130</u>	<u>\$ 8,288,246</u>

The cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of \$12,029 thousand and reversal of write-downs of \$39,949 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

### 13. BIOLOGICAL ASSETS

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 3,275,503	\$ 3,622,185
Increases due to planting	194,119	229,253
Loss arising from changes in fair value less costs to sell	(8,111)	(13,295)
Decreases due to harvest	(114,840)	(274,238)
Net exchange differences	<u>(65,793)</u>	<u>(288,402)</u>
Balance at December 31	<u>\$ 3,280,878</u>	<u>\$ 3,275,503</u>

The Group's biological assets are eucalyptus located in Guangdong Province, Zhaoqing City. The eucalyptus is mainly grown for paper manufacturing.

The fair values of biological assets (before deducting costs to sell) were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Eucalyptus (Level 3)	<u>\$ 3,380,533</u>	<u>\$ 3,370,430</u>

The movements in the fair value of the assets within Level 3 of the hierarchy were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 3,370,430	\$ 3,730,495
Increases due to planting	212,082	248,511
Decreases due to harvest	(125,467)	(297,275)
Recognized in profit or loss (loss from changes in fair value less costs to sell) - unrealized	(8,861)	(14,412)
Recognized in other comprehensive income (exchange differences on translating foreign operations)	<u>(67,651)</u>	<u>(296,889)</u>
Balance at December 31	<u>\$ 3,380,533</u>	<u>\$ 3,370,430</u>

## 14. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements (for the diagram of investment structure of the Group as at December 31, 2017, refer to Table 1):

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark	
			December 31			
			2017	2016		
YFY Inc.	Chung Hwa Pulp Corporation	Manufacture and sale of pulp	56.90	56.90		
	YFY International BVI Corp.	Investment and holding	100.00	100.00		
	YFY Global Investment BVI Corp.	Investment and holding	100.00	100.00		
	YFY Consumer Products Co., Ltd.	Production and sale of high quality paper and paper - related merchandise	100.00	100.00		
	Shin Foong Specialty and Applied Materials Co., Ltd	Production and sale of SBR (styrene butadiene rubber) latex	49.80	55.30	1)	
	China Color Printing Co., Ltd.	Design and print of magazines, posters and books	49.70	49.70	1)	
	YFY Venture Capital Investment Co., Ltd.	Investment and holding	100.00	100.00		
	Effion Energetech Co., Ltd.	To operate cogeneration and provide power technology	49.00	49.00		
	YFY Capital Co., Ltd.	Sale of paper and paper-related merchandise	100.00	100.00		
	YFY Operation Management Consulting Co., Ltd.	Consulting	100.00	100.00		
	Union Paper Co., Ltd.	Manufacture and sale of paper	18.90	18.90	1)	
	YFY Paradigm Investment Co., Ltd.	Investment and holding	100.00	100.00		
	San Ying Enterprise Co., Ltd.	Design and construct water processing construction and environmental facilities	100.00	100.00		
	Lotus Ecoscings & Engineering Co., Ltd.	Construction of sewage treatment plants and incinerators	100.00	100.00		
	Eihoyo Shoji Co., Ltd.	Trade of paper, chemical material and machinery	100.00	100.00	13)	
	Yuen Yan Paper Container Co., Ltd.	Sale and manufacture of corrugated paper and materials	50.90	50.90		
	YFY International BVI Corp.	Cupid InfoTech Co., Ltd.	a. To provide service in information software and information processing. b. Wholesale of information software and electric appliance.	100.00	100.00	
		YFY Cayman Co., Ltd.	Investment and holding	100.00	100.00	
Guangdong Ding Feng Pulp & Paper Co., Ltd.		The marketing business of pulp, writing and printing paper, and wood free.	40.00	40.00		
Zhaoqing Ding Feng Forestry Ltd.		Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	13.50	13.50		
Hwa Fong Paper (Hong Kong) Limited		Sale and print of paper merchandise	100.00	100.00		
Systax Communication (H.K.) Limited		Sale and print of paper merchandise	100.00	100.00		
YFY Paper Mfg. (Jiangyin) Co., Ltd.		Manufacture, sale and print of cardboard and paper	94.00	94.00		
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.		Development the technology of agricultural resource recycling	100.00	100.00		
YFY Biopulp Technology Limited		Investment and holding	60.00	60.00		
YFY Firstpak Packaging (YangZhou) Co., Ltd.		Manufacture and sale of product packaging; design, manufacture and sale of packaging equipment and molding equipment	70.00	70.00		
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	70.30	81.20	
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding	100.00	100.00	
	YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and card board	93.80	93.80		
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00		
	YFY Mauritius Corp.					

(Continued)



Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2017	2016	
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00	
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00	
	YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and card board	90.00	90.00	
	YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and card board	100.00	100.00	
YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	29.70	18.80	
Hwa Fong Paper (Hong Kong) Limited	Shenzhen Systax Paper Co., Ltd.	Sale of paper merchandise and import/export business	100.00	100.00	
YFY Cayman Co., Ltd.	YFY International Labuan Co., Ltd.	Investment and holding	100.00	100.00	
	YFY Mauritius Corp.	Investment and holding	52.10	57.80	
	YFY Packaging Capital Corp.	Investment and holding	100.00	100.00	
YFY International Labuan Co., Ltd.	YFY Jupiter (BVI) Inc.	Investment and holding	38.45	38.45	
	YFY Packaging Inc.	Production and sale of high-quality craft paper and corrugated paper	100.00	100.00	
YFY Jupiter (BVI) Inc.	Mobius105 Ltd.	Investment and holding	100.00	100.00	
	YFY Jupiter Ltd.	Design of packaging and sale of paper	100.00	100.00	
	Jupiter Prestige Group Holdings Limited	Investment and holding	57.00	57.00	
	YFY Jupiter US, Inc.	Design of packaging and sale of paper	100.00	100.00	
	Mobius105 (HK) Ltd.	Design of packaging and sale of paper	-	100.00	9)
	YFY Jupiter Malaysia Sdn. Bhd.	Design of packaging and sale of paper	99.00	99.00	3)
	YFY Jupiter Singapore Pte. Ltd.	Design of packaging and sale of paper	-	100.00	2)
YFY Jupiter US, Inc.	Innovativ Packaging Worldwide, LLC	Design of packaging and sale of paper	100.00	51.00	12)
	YFY Jupiter Mexico, S. de R.L.	Design of packaging and sale of paper	1.00	1.00	5)
	Spectiv Brands, LLC	Investment and holding	100.00	-	7)
Mobius105 Ltd.	YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	100.00	100.00	
	YFY Jupiter Malaysia Sdn. Bhd.	Design of packaging and sale of paper	1.00	1.00	3)
	YFY Jupiter Mexico, S. de R.L.	Design of packaging and sale of paper	99.00	99.00	5)
YFY Jupiter (Shenzhen) Ltd.	Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	100.00	100.00	
	YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	100.00	100.00	
Jupiter Prestige Group Holdings Limited	Rimagine Limited	Investment and holding	-	100.00	11)
	Jupiter Prestige Group Europe Limited	Graphic design	100.00	100.00	
	Jupiter Prestige Group Australia Pty Ltd.	Graphic design	100.00	100.00	
	Opal BPM Limited	Design of process system and assistance of graphic design	82.50	82.50	
	Jupiter Prestige Group North America Inc.	Design of packaging and sale of paper	100.00	100.00	
Rimagine Limited	Rimagine Group Limited	Investment and holding	-	100.00	11)
	Rimagine Design (Shanghai) Co., Ltd.	Photograph	-	100.00	11)
Jupiter Prestige Group Europe Limited	Jupiter Prestige Group Asia Limited	Graphic design	100.00	100.00	
Opal BPM Limited	Opal BPM India Private Limited	Workflow system coding	100.00	100.00	
	Opal BPM Consulting Limited	Consulting services of workflow system coding	100.00	-	8)
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	50.00	50.00	
YFY Paper Enterprise (Xiamen) Co., Ltd.	Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	50.00	50.00	
Kunshan YFY Advertising and Printing Co., Ltd.	Shanghai YFY Advertising and Printing Co., Ltd.	Printing service of publications	51.00	51.00	
YFY Packaging Inc.	YFY Packaging (BVI) Corp.	Investment and holding	100.00	100.00	
	Pek Crown Paper Co., Ltd.	Manufacture and sale of containers	66.80	66.80	
YFY Packaging (BVI) Corp.	YFY Mauritius Corp.	Investment and holding	47.90	42.20	
YFY Global Investment BVI Corp.	YFY RFID Co., Ltd.	Investment and holding	100.00	100.00	
	YFY Jupiter (BVI) Inc.	Investment and holding	38.45	38.45	
	YFY RFID Technologies Co., Ltd.	Investment and holding	100.00	100.00	
YFY RFID Co., Ltd.	Arizon RFID Technologies (Yangzhou) Co., Ltd.	Sale and design RFID (radio frequency identification) products	95.00	100.00	
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Yeon Technologies (Yang Zhou) Co., Ltd.	Sale and design RFID (radio frequency identification) products	100.00	100.00	
	Yeon Technologies (Hong Kong) Co., Ltd.	Investment and holding	100.00	-	10)
YFY RFID Technologies Co., Ltd.	Yeon Technologies Co., Ltd.	Sale and design of RFID (radio frequency identification) products	100.00	100.00	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2017	2016	
YFY Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited (formerly Trifaith Ltd.)	Investment and holding	100.00	100.00	
	Ever Growing Agriculture Biotech Co., Ltd.	Wholesale of agriculture products	85.00	85.00	
	Livebricks Inc.	Information processing services	-	-	4)
	Yuen Foong Shop Co., Ltd.	Sale of paper	50.00	50.00	
Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Investment and holding and sale of paper	100.00	100.00	
YFY Investment Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.00	100.00	
	YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.00	100.00	
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of high quality tissue paper and napkin	100.00	100.00	
YFY Capital Co., Ltd.	Chung Hwa Pulp Corporation	Manufacture and sale of pulp	0.10	0.10	
YFY Venture Capital Investment Co., Ltd.	Effion Enertech Co., Ltd.	Sale and manufacture of TFT-LCD	1.00	1.00	
Effion Enertech Co., Ltd.	Chung Hwa Pulp Corporation	Manufacture and sale of pulp	-	0.86	6)
YFY Capital Holdings Corp.	YFY Capital Holdings Corp.	Investment and holding	100.00	100.00	
	YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform.	100.00	100.00	
YFY Paradigm Investment Co., Ltd.	Union Paper Co., Ltd.	Manufacture and sale of paper	4.10	4.10	1)
	YFY Biotech Management Company	Consulting	100.00	100.00	
	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.70	0.70	
	Yuen Foong Shop Co., Ltd.	Sale of paper	50.00	50.00	
	Livebricks Inc.	Information processing services	100.00	100.00	4)
Yuen Foong Shop Co., Ltd.	Shanghai YFY International Trade Co., Ltd.	General trade	100.00	100.00	
	Yuen Foong Shop (HK) Limited	Investment and holding	100.00	-	7)
Lotus Ecoscings & Engineering Co., Ltd.	Yuen Yan Paper Container Co., Ltd.	Sale and manufacture of corrugated paper and materials	0.07	0.07	
	Shin Foong Specialty and Applied Materials Co., Ltd.	Production and sale of SBR (styrene butadiene rubber) latex	-	-	1)
	Pek Crown Paper Co., Ltd.	Manufacture and sale of containers	0.03	0.03	
	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.01	0.01	
San Ying Enterprise Co., Ltd.	Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	66.40	66.40	
Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	Investment and holding	100.00	100.00	
	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	49.00	49.00	
	Hwa Fong Investment Co., Ltd.	Investment and holding	100.00	100.00	
CHP International (BVI) Corporation	Guangdong Ding Feng Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	60.00	60.00	
	Zhaoqing Ding Feng Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	20.20	20.20	
Hwa Fong Investment Co., Ltd.	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	1.00	1.00	
	Kuang Hwa Fertilizer Limited Company	To produce fertilizer	100.00	100.00	13)
Guangdong Ding Feng Pulp & Paper Co., Ltd.	Zhaoqing Ding Feng Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	66.30	66.30	

(Concluded)

#### Remarks:

1) China Color Printing Co., Ltd. and Union Paper Co., Ltd. were deemed subsidiaries because the Group had actual control over them even though the Group held less than 50% equity interests in each of the subsidiaries' voting shares; the Group disposed of its partial ownership of Shin Foong Specialty and Applied Materials Co., Ltd. and did not subscribe for additional new shares at its existing ownership percentage, which reduced its shareholding ratio to 49.8%. The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

2) YFY Jupiter Singapore Pte. Ltd. was established in January 2016 and has been included in the consolidated financial statements since then. It was dissolved after liquidation in June 2017.

- 3) YFY Jupiter Malaysia Sdn. Bhd. was established in January 2016 and has been included in the consolidated financial statements since then.
- 4) YFY Consumer Products Co., Ltd. sold all of its ownership of Livebricks Inc. to YFY Paradigm Investment Co., Ltd. in February 2016.
- 5) YFY Jupiter Mexico, S. de R.L. was established in March 2016 and has been included in the consolidated financial statements since then.
- 6) YFY Venture Capital Investment Co., Ltd. disposed sold all of its ownership of Chung Hwa Pulp Corporation in February 2017.
- 7) Spectiv Brands, LLC and Yuen Foong Shop (HK) Limited was established in March 2017 and has been included in the consolidated financial statements since then.
- 8) Opal BPM Consulting Limited was established in April 2017 and has been included in the consolidated financial statements since then.
- 9) Mobius105 (HK) Ltd. was dissolved after liquidation in September 2017.
- 10) Arizon RFID Technology (Hong Kong) Co., Ltd. was established in October 2017 and has been included in the consolidated financial statements since then.
- 11) Jupiter Prestige Group Holdings Limited disposed of all of its ownership of Rimage Limited in October 2017, and so Rimage Limited and its subsidiaries have been excluded from the consolidated financial statements since then.
- 12) For the year ended December 31, 2017, the impairment loss on goodwill of Innovativ Packaging Worldwide, LLC was recognized in the amount of \$1,175 thousand.
- 13) Except for Eihoyo Shoji Co., Ltd. and Kuang Hwa Fertilizer Limited Company, investments accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments were calculated based on audited financial statements. Management believes there will not be a material differences even if the financial statements were audited.

See Table 8 and Table 9 for the information on place of incorporation and principal place of business.

b. Details of subsidiaries that have material non-controlling interests

<b>Name of Subsidiary</b>	<b>Proportion of Ownership and Voting Rights Held by Non-controlling Interests</b>	
	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Chung Hwa Pulp Corporation	42.26%	41.40%

The summarized financial information below represents amounts before intragroup eliminations:

Chung Hwa Pulp Corporation and subsidiaries

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current assets	\$ 12,832,812	\$ 11,884,530
Non-current assets	17,333,938	17,768,363
Current liabilities	(8,851,905)	(7,416,126)
Non-current liabilities	<u>(3,219,365)</u>	<u>(4,177,440)</u>
Equity	18,095,480	18,059,327
Consolidated adjustments	<u>94,109</u>	<u>94,109</u>
 Adjusted equity	 <u>\$ 18,189,589</u>	 <u>\$ 18,153,436</u>
Equity attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 9,112,929	\$ 9,263,621
Non-controlling interests of Chung Hwa Pulp Corporation	6,670,149	6,544,445
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	<u>2,406,511</u>	<u>2,345,370</u>
	<u>\$ 18,189,589</u>	<u>\$ 18,153,436</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating revenue	<u>\$ 22,708,148</u>	<u>\$ 22,001,536</u>
Profit for the year	\$ 726,215	\$ 349,718
Other comprehensive loss for the year	<u>(301,708)</u>	<u>(742,077)</u>
Total comprehensive income (loss) for the year	<u>\$ 424,507</u>	<u>\$ (392,359)</u>
Profit (loss) attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 357,688	\$ 228,995
Non-controlling interests of Chung Hwa Pulp Corporation	260,894	162,119
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	<u>107,633</u>	<u>(41,396)</u>
	<u>\$ 726,215</u>	<u>\$ 349,718</u>
Total comprehensive income (loss) attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 210,301	\$ (84,862)
Non-controlling interests of Chung Hwa Pulp Corporation	153,065	(59,610)
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	<u>61,141</u>	<u>(247,887)</u>
	<u>\$ 424,507</u>	<u>\$ (392,359)</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Net cash inflow (outflow) from:		
Operating activities	\$ 1,898,399	\$ 2,046,183
Investing activities	(1,221,799)	(1,400,726)
Financing activities	51,042	(477,888)
Effects of exchange rate changes	<u>(4,665)</u>	<u>(16,654)</u>
Net cash inflow	<u>\$ 722,977</u>	<u>\$ 150,915</u>
Dividends paid to non-controlling interests	<u>\$ 163,126</u>	<u>\$ 273,940</u>
		(Concluded)

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Material associates		
E Ink Holdings Inc.	\$ 4,680,947	\$ 4,718,365
Associates that are not individually material	<u>1,626,765</u>	<u>2,234,764</u>
	<u>\$ 6,307,712</u>	<u>\$ 6,953,129</u>

Refer to Table 8 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

### a. Material associates

<b>Name of Associate</b>	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
E Ink Holdings Inc.	16.4%	16.5%

The investments in E Ink Holdings Inc. was accounted for using the equity method since the Group had significant influence over E Ink Holdings Inc. even though the Company held less than 20% of the investee’s voting shares.

In 2013, the Group increased its investment in E Ink Holdings Inc. by buying 40,000 thousand shares of the investee’s privately placed ordinary shares for \$658,000 thousand. Under the related regulations, privately placed ordinary shares should not be transferred within three years from the date of acquisition. E Ink Holdings Inc. has not yet completed publishing procedures as of March 22, 2018, the report date. The other rights and obligations are the same as those of ordinary shares.

Fair values (Level 1) of investments in E Ink Holdings Inc. with available published price quotations are summarized as follows (excluding the privately placed ordinary shares):

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
	<u>\$ 6,944,218</u>	<u>\$ 3,320,204</u>

The summarized financial information below represents amounts shown in the E Ink Holdings Inc. financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current assets	\$ 17,747,740	\$ 14,707,222
Non-current assets	18,128,180	18,706,341
Current liabilities	(6,871,552)	(5,143,950)
Non-current liabilities	<u>(1,777,473)</u>	<u>(1,180,474)</u>
Equity	27,226,895	27,089,139
Non-controlling interests	<u>(294,397)</u>	<u>876</u>
	<u>\$ 26,932,498</u>	<u>\$ 27,090,015</u>
Proportion of the Group's ownership	16.4%	16.5%
Equity attributable to the Group	\$ 4,427,487	\$ 4,464,905
Goodwill	<u>253,460</u>	<u>253,460</u>
Carrying amount	<u>\$ 4,680,947</u>	<u>\$ 4,718,365</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating revenue	<u>\$ 15,203,334</u>	<u>\$ 14,006,206</u>
Profit from continuing operations	\$ 2,932,298	\$ 2,057,909
Loss from discontinued operations	<u>(849,968)</u>	<u>(64,588)</u>
Net profit for the year	2,082,330	1,993,321
Other comprehensive income (loss)	<u>(368,115)</u>	<u>(591,333)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,714,215</u>	<u>\$ 1,401,988</u>

b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
The Group's share of:		
Net profit (loss) for the year	\$ (22,850)	\$ 144,918
Other comprehensive income (loss)	<u>(170,075)</u>	<u>(226,642)</u>
Total comprehensive income (loss) for the year	<u>\$ (192,925)</u>	<u>\$ (81,724)</u>

Refer to Note 27 for information relating to the Group's subscription of ordinary shares of YFY Biotech Co., Ltd. in cash.

Except for Quan Hwa Venture Capital Co., Ltd., GST Packaging Ltd., YJY Packaging Ltd., JLD Logistics Ltd., Foster and Balyis (Prestige) Limited., Chengdu JieLianDa Warehousing Co., Ltd., ChengDu JingShiTong Packing Co., Ltd. and ChengDu YongJunYu Environmental Protection Packing Co., Ltd., investments accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments were calculated based on the audited financial statements. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of associates that have been audited.

The Group recognized impairment losses on investments accounted for using the equity method of \$9,545 thousand in 2017.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 12,348,790	\$ 13,031,044	\$ 58,084,485	\$ 11,578,936	\$ 2,532,539	\$ 97,575,794
Additions	-	197,717	1,050,854	295,502	1,742,222	3,286,295
Disposals	(1,896)	(9,658)	(462,505)	(126,615)	-	(600,674)
Effect of foreign currency exchange differences	-	(150,834)	(764,120)	(98,837)	(12,649)	(1,026,440)
Outflow on disposal of subsidiaries	-	-	-	(3,654)	-	(3,654)
Transfer from prepaid equipment	35,921	17,868	238,412	74,353	2,067,634	2,434,188
Transfer from construction	-	502,001	814,872	244,724	(1,561,597)	-
Reclassification	-	-	-	-	(68,053)	(68,053)
Balance at December 31, 2017	<u>\$ 12,382,815</u>	<u>\$ 13,588,138</u>	<u>\$ 58,961,998</u>	<u>\$ 11,964,409</u>	<u>\$ 4,700,096</u>	<u>\$ 101,597,456</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ 2,597	\$ 5,873,779	\$ 36,951,746	\$ 7,981,077	\$ -	\$ 50,809,199
Depreciation expense	-	421,904	2,353,476	678,564	-	3,453,944
Impairment loss	-	-	51,829	-	-	51,829
Disposals	-	(8,937)	(302,403)	(123,183)	-	(434,523)
Effect of foreign currency exchange differences	-	(37,368)	(187,263)	(50,588)	-	(275,219)
Outflow on disposal of subsidiaries	-	-	-	(2,428)	-	(2,428)
Balance at December 31, 2017	<u>\$ 2,597</u>	<u>\$ 6,249,378</u>	<u>\$ 38,867,385</u>	<u>\$ 8,483,442</u>	<u>\$ -</u>	<u>\$ 53,602,802</u>
Carrying amounts at December 31, 2017	<u>\$ 12,380,218</u>	<u>\$ 7,338,760</u>	<u>\$ 20,094,613</u>	<u>\$ 3,480,967</u>	<u>\$ 4,700,096</u>	<u>\$ 47,994,654</u>
<u>Cost</u>						
Balance at January 1, 2016	\$ 12,348,790	\$ 12,854,692	\$ 56,834,982	\$ 11,207,927	\$ 2,851,569	\$ 96,097,960
Additions	-	139,042	772,487	384,106	3,413,924	4,709,559
Disposals	-	(8,751)	(279,505)	(134,418)	-	(422,674)
Effect of foreign currency exchange differences	-	(636,215)	(2,059,077)	(357,467)	(70,910)	(3,123,669)
Transfer from prepaid equipment	-	25,577	174,291	114,750	-	314,618
Transfer from construction	-	646,565	2,649,619	365,860	(3,662,044)	-
Reclassification	-	10,134	(8,312)	(1,822)	-	-
Balance at December 31, 2016	<u>\$ 12,348,790</u>	<u>\$ 13,031,044</u>	<u>\$ 58,084,485</u>	<u>\$ 11,578,936</u>	<u>\$ 2,532,539</u>	<u>\$ 97,575,794</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ 2,985	\$ 5,635,143	\$ 35,645,766	\$ 7,635,824	\$ -	\$ 48,919,718
Depreciation expense	-	401,647	2,316,629	667,019	-	3,385,295
Impairment loss	-	-	12,882	-	-	12,882
Disposals	-	(6,468)	(199,259)	(129,852)	-	(335,579)
Effect of foreign currency exchange differences	-	(166,283)	(815,835)	(190,999)	-	(1,173,117)
Reclassification	(388)	9,740	(8,437)	(915)	-	-
Balance at December 31, 2016	<u>\$ 2,597</u>	<u>\$ 5,873,779</u>	<u>\$ 36,951,746</u>	<u>\$ 7,981,077</u>	<u>\$ -</u>	<u>\$ 50,809,199</u>
Carrying amounts at December 31, 2016	<u>\$ 12,346,193</u>	<u>\$ 7,157,265</u>	<u>\$ 21,132,739</u>	<u>\$ 3,597,859</u>	<u>\$ 2,532,539</u>	<u>\$ 46,766,595</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-55 years
Others	3-50 years
Machinery and equipment	3-20 years
Miscellaneous equipment	3-50 years

The non-cash investing activities of the Group for the years ended December 31, 2017 and 2016 were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Acquisition of property, plant and equipment	\$ 3,286,295	\$ 4,709,559
Changes in prepaid equipment	639,479	1,313,517
Changes in payment of payables on equipment (accounted for as other payables)	<u>237,387</u>	<u>(726,592)</u>
	<b><u>\$ 4,163,161</u></b>	<b><u>\$ 5,296,484</u></b>

For the amounts of collateral pledged for bank borrowings, refer to Note 28.

## 17. INVESTMENT PROPERTIES

	<b>Amount</b>
<u>Cost</u>	
Balance at January 1, 2017	\$ 2,921,498
Disposals	<u>(33,013)</u>
Balance at December 31, 2017	<u>\$ 2,888,485</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ 173,068
Depreciation expense	<u>3,710</u>
Balance at December 31, 2017	<u>\$ 176,778</u>
Carrying amounts at December 31, 2017	<u>\$ 2,711,707</u>
<u>Cost</u>	
Balance at January 1, 2016	\$ 2,973,367
Additions	7,547
Disposals	<u>(59,416)</u>
Balance at December 31, 2016	<u>\$ 2,921,498</u>

(Continued)



	<b>Amount</b>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2016	\$ 170,355
Depreciation expense	4,898
Disposals	<u>(2,185)</u>
Balance at December 31, 2016	<u>\$ 173,068</u>
Carrying amounts at December 31, 2016	<u>\$ 2,748,430</u> (Concluded)

The fair values of the investment properties owned by the Group were \$6,992,430 thousand and \$7,043,127 thousand as of December 31, 2017 and 2016, respectively. The valuation was made by the Group using market transaction prices for similar properties and not by independent qualified professional valuers. The rental incomes were \$44,911 thousand for 2017 and \$44,115 thousand for 2016, respectively.

The investment properties held by the Group were depreciated over their estimated useful lives of 20 to 55 years, using the straight-line method.

All of the Group's investment property was held under freehold interests.

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Bank credit loans	\$ 11,380,364	\$ 9,304,726
Bank secured loans	<u>4,193</u>	<u>-</u>
	<u>\$ 11,384,557</u>	<u>\$ 9,304,726</u>

Short-term borrowings include bank credit and bank secured loans. As of December 31, 2017 and 2016, the interest rate intervals of bank credit loans were 0.8%-5.6% per annum and 0.9%-4.92% per annum, respectively. As of December 31, 2017, the interest rate of bank secured loans was 3.62%.

### b. Short-term bills payable

Short-term bills payable are commercial paper due within one year. Interest rate intervals on these bills payable were 0.95%-1.26% per annum and 0.91%-1.17% per annum as of December 31, 2017 and 2016, respectively.

c. Long-term borrowings

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Syndicated loans	\$ 26,167,306	\$ 28,189,100
Long-term bank credit loans	5,534,000	7,145,564
Long-term bank secured loans	<u>450,000</u>	<u>-</u>
	32,151,306	35,334,664
Less: Current portion	<u>(187,300)</u>	<u>(161,564)</u>
	<u>\$ 31,964,006</u>	<u>\$ 35,173,100</u>

Long-term bank loans included secured, credit and syndicated loans. Secured and credit loans expire in December 2021 and have interest rate intervals of 0.99%-1.99% per annum and 0.99%-3.99% per annum as of December 31, 2017 and 2016, respectively; syndicated loans expire in December 2022 and have interest rate intervals of 1.79%-3.03% per annum and 1.63%-2.85% per annum as of December 31, 2017 and 2016, respectively.

For the amounts of collateral pledged for bank borrowings, refer to Note 28.

## 19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and certain subsidiaries of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company and certain subsidiaries of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and certain subsidiaries contribute amounts equal to certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Present value of defined benefit obligation	\$ 3,403,885	\$ 3,660,848
Fair value of plan assets	<u>(2,275,264)</u>	<u>(2,116,446)</u>
Net defined benefit liabilities	1,128,621	1,544,402
Defined benefit assets (accounted for as other non-current assets)	<u>5,519</u>	<u>996</u>
Defined benefit liabilities	<u>\$ 1,134,140</u>	<u>\$ 1,545,398</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2017	<u>\$ 3,660,848</u>	<u>\$ (2,116,446)</u>	<u>\$ 1,544,402</u>
Service cost			
Current service cost	60,978	-	60,978
Net interest expense (income)	<u>61,933</u>	<u>(39,893)</u>	<u>22,040</u>
Recognized in profit or loss	<u>122,911</u>	<u>(39,893)</u>	<u>83,018</u>
Remeasurement			
Return on plan assets	-	(178,409)	(178,409)
Actuarial loss - changes in demographic assumptions	22	-	22
Actuarial loss - experience adjustments	<u>13,995</u>	<u>-</u>	<u>13,995</u>
Recognized in other comprehensive income (loss)	<u>14,017</u>	<u>(178,409)</u>	<u>(164,392)</u>
Contributions from the employer	-	(308,412)	(308,412)
Benefits paid	(367,896)	367,896	-
Liabilities extinguished on settlement	<u>(25,995)</u>	<u>-</u>	<u>(25,995)</u>
Balance at December 31, 2017	<u>\$ 3,403,885</u>	<u>\$ (2,275,264)</u>	<u>\$ 1,128,621</u>
Balance at January 1, 2016	<u>\$ 3,741,865</u>	<u>\$ (2,183,645)</u>	<u>\$ 1,558,220</u>
Service cost			
Current service cost	66,084	-	66,084
Net interest expense (income)	<u>63,727</u>	<u>(49,705)</u>	<u>14,022</u>
Recognized in profit or loss	<u>129,811</u>	<u>(49,705)</u>	<u>80,106</u>
Remeasurement			
Return on plan assets	-	67,885	67,885
Actuarial loss - changes in demographic assumptions	77	-	77
Actuarial loss - experience adjustments	<u>145,748</u>	<u>-</u>	<u>145,748</u>
Recognized in other comprehensive income (loss)	<u>145,825</u>	<u>67,885</u>	<u>213,710</u>
Contributions from the employer	-	(297,559)	(297,559)
Benefits paid	(346,578)	346,578	-
Liabilities extinguished on settlement	<u>(10,075)</u>	<u>-</u>	<u>(10,075)</u>
Balance at December 31, 2016	<u>\$ 3,660,848</u>	<u>\$ (2,116,446)</u>	<u>\$ 1,544,402</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating costs	\$ 46,082	\$ 51,864
Operating expenses	<u>36,936</u>	<u>28,242</u>
	<u>\$ 83,018</u>	<u>\$ 80,106</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a two-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Discount rates	1.75%	1.75%
Expected rates of salary increase	1.00%-1.50%	1.00%-1.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Discount rates		
0.125% increase	<u>\$ (33,968)</u>	<u>\$ (37,916)</u>
0.125% decrease	<u>\$ 34,734</u>	<u>\$ 38,792</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 34,785</u>	<u>\$ 38,840</u>
0.125% decrease	<u>\$ (34,153)</u>	<u>\$ (38,110)</u>

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the defined benefit obligation because it was unlikely that the changes in assumptions had occurred in isolation of one another, i.e., some of the assumptions might have been correlated.

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
The expected contributions to the plan for the next year	<u>\$ 456,570</u>	<u>\$ 561,690</u>
The average duration of the defined benefit obligation	7.1-12.0 years	8.0-12.7 years

## 20. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Numbers of shares authorized (in thousand)	<u>2,200,000</u>	<u>2,200,000</u>
Shares authorized	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>
Number of shares issued and fully paid (in thousand)	<u>1,660,372</u>	<u>1,660,372</u>
Shares issued	<u>\$ 16,603,715</u>	<u>\$ 16,603,715</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

### b. Capital surplus

Depending on the source, capital surplus may be used in these ways: (1) arising from shares issued in excess of par (including share premiums from issuance of ordinary shares for mergers, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) - may be used to offset a deficit; in addition, when the Company has no deficit, this capital surplus may be distributed as cash dividends, or may be transferred to share capital once a year within a certain percentage of the Company's capital surplus; (2) arising from the effect of changes in ownership interests in subsidiaries due to equity transactions other than actual disposals or acquisitions - may be used to offset a deficit.; (3) arising from changes in equity in associates - may be used in compliance with related regulations if the capital surplus source is either of the foregoing two sources.

### c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations or in the necessary situation, and then any remaining profit together with any undistributed retained earnings shall be used for distribution of dividends and bonus to shareholders.

In making its dividend policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, dividends should be distributed as follows:

- 1) At least 20% as cash dividends; and
- 2) Remainder, as share dividends. If there is a requirement of capital expenditures, the Company may distribute only share dividends.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reverse from a special reserve by the Company. For the subsequent decrease in the deduction amount to shareholders’ equity, to be appropriate for the net debit balance reverses.

Except for non-ROC resident shareholders, all shareholders are allowed a tax credit equal to their proportionate share of the income tax paid by the Company; however, based on the revised Article 66-6 of the Income Tax Law, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

The appropriations of earnings for 2016 and 2015 approved in the shareholders’ meetings on June 7, 2017 and June 15, 2016, respectively were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> <u>(NT\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended</u> <u>December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Legal reserve	\$ 12,612	\$ 50,190		
Cash dividends	-	498,111	\$ -	\$ 0.3

The appropriations of earnings for 2017 had been proposed by the Company’s board of directors on March 22, 2018. The appropriations and dividends per share were as follows:

	<u>Appropriation</u> <u>of Earnings</u>	<u>Dividends Per</u> <u>Share (NT\$)</u>
Legal reserve	\$ 160,651	
Cash and share dividends	996,223	\$ 0.6

The appropriations of earnings are subject to the resolution of the shareholders’ meeting to be held on June 21, 2018.

d. Special reserves

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Beginning at January 1	\$ 4,031,432	\$ 4,031,432
Reversal:		
Disposal of property, plant and equipment	<u>(1,393)</u>	<u>-</u>
Balance at December 31	<u>\$ 4,030,039</u>	<u>\$ 4,031,432</u>

e. Other equity items

	<b>Exchange Differences Arising on Translating the Foreign Operations</b>	<b>Unrealized Gain (Loss) on Available-for- sale Financial Assets</b>	<b>Cash Flow Hedges</b>	<b>Total</b>
<u>2017</u>				
Balance at January 1	\$ 798,656	\$ 1,744,884	\$ (11,183)	\$ 2,532,357
Exchange differences arising on translating the foreign operations	(979,267)	-	-	(979,267)
Unrealized gain (loss) on available-for-sale financial assets	-	368,154	-	368,154
Cash flow hedges	-	-	(3,688)	(3,688)
Share of associates accounted for using the equity method	<u>(82,800)</u>	<u>(148,631)</u>	<u>-</u>	<u>(231,431)</u>
Balance at December 31	<u>\$ (263,411)</u>	<u>\$ 1,964,407</u>	<u>\$ (14,871)</u>	<u>\$ 1,686,125</u>
<u>2016</u>				
Balance at January 1	\$ 2,724,091	\$ 2,801,627	\$ 7,881	\$ 5,533,599
Exchange differences arising on translating the foreign operations	(1,807,593)	-	-	(1,807,593)
Unrealized gain (loss) on available-for-sale financial assets	-	(860,840)	-	(860,840)
Cash flow hedges	-	-	(19,064)	(19,064)
Share of associates accounted for using the equity method	<u>(117,842)</u>	<u>(195,903)</u>	<u>-</u>	<u>(313,745)</u>
Balance at December 31	<u>\$ 798,656</u>	<u>\$ 1,744,884</u>	<u>\$ (11,183)</u>	<u>\$ 2,532,357</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 9,460,270	\$ 9,730,808
Attributable to non-controlling interests:		
Share of profit for the year	525,613	428,990
Cash dividend	(390,858)	(494,611)
Exchange difference arising on translation of foreign operations	(66,987)	(163,695)
Unrealized gain (loss) on available-for-sale financial assets	16,780	(29,705)
Gain (loss) on fair value changes of cash flow hedges	2,130	(5,955)
Actuarial loss on defined benefit plans	(4,998)	(25,529)
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Share of other comprehensive loss of associates accounted for using the equity method	\$ (15,078)	\$ (22,882)
Adjustment relating to changes in equity of associates accounted for using the equity method	930	2,946
Adjustment for the changes in equity of subsidiaries	627,518	8,819
Disposal or acquisition of subsidiaries	<u>139,826</u>	<u>31,084</u>
Balance at December 31	<u>\$ 10,295,146</u>	<u>\$ 9,460,270</u> (Concluded)

## 21. NET PROFIT

### a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Interest on bank loans	\$ 972,415	\$ 963,886
Less: Capitalization amount of interest	<u>(43,171)</u>	<u>(28,020)</u>
	<u>\$ 929,244</u>	<u>\$ 935,866</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Capitalization rate	1.02%-1.56%	1.00%-1.49%

### b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 3,453,944	\$ 3,385,295
Investment properties	3,710	4,898
Long-term prepayments for leases and other non-current assets	<u>128,355</u>	<u>86,823</u>
	<u>\$ 3,586,009</u>	<u>\$ 3,477,016</u>
An analysis of deprecation by function		
Operating costs	\$ 3,194,680	\$ 3,110,473
Operating expenses	<u>262,974</u>	<u>279,720</u>
	<u>\$ 3,457,654</u>	<u>\$ 3,390,193</u>
An analysis of amortization by function		
Operating costs	\$ 62,074	\$ 36,424
Operating expenses	<u>66,281</u>	<u>50,399</u>
	<u>\$ 128,355</u>	<u>\$ 86,823</u>



c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Post-employment benefits		
Defined contribution plans	\$ 172,374	\$ 171,270
Defined benefit plans	<u>83,018</u>	<u>80,106</u>
	255,392	251,376
Other employee benefits	<u>7,365,467</u>	<u>7,345,861</u>
Total employee benefits expense	<u>\$ 7,620,859</u>	<u>\$ 7,597,237</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,275,177	\$ 4,313,121
Operating expenses	<u>3,345,682</u>	<u>3,284,116</u>
	<u>\$ 7,620,859</u>	<u>\$ 7,597,237</u>

d. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by the Company's board of directors on March 22, 2018 and March 16, 2017, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Employees' compensation	0.11%	0.10%
Remuneration of directors	0.43%	-

Amount

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 1,758	\$ 92
Remuneration of directors	7,000	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax		
In respect of the current year	\$ (524,367)	\$ (371,459)
Income tax on unappropriated earnings	(13,032)	(6,783)
Adjustment for prior periods	(3,939)	(24,109)
Deferred tax		
In respect of the current year	(164,984)	(16,238)
Adjustment for prior periods	<u>(604)</u>	<u>9,995</u>
Income tax expense recognized in profit or loss	<u>\$ (706,926)</u>	<u>\$ (408,594)</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Income before tax	<u>\$ 2,839,049</u>	<u>\$ 963,701</u>
Income tax expense calculated at the statutory rate	\$ (482,638)	\$ (163,829)
Nondeductible expenses in determining taxable income	(7,995)	(12,154)
Additional income tax under the Alternative Minimum Tax Act	-	(19,969)
Tax-exempt income (loss)	(141,733)	57,880
Unrecognized loss carryforwards and deductible temporary differences	(69,687)	(620,846)
Income tax on unappropriated earnings	(13,032)	(6,783)
Loss carryforwards	(1,221)	2,818
Overseas company withholding income taxes	(57,342)	(43,791)
Effect of different tax rate of group entities operating in other jurisdictions	71,265	412,194
Adjustments for prior years' tax	<u>(4,543)</u>	<u>(14,114)</u>
Income tax expense recognized in profit or loss	<u>\$ (706,926)</u>	<u>\$ (408,594)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$54,378 thousand and \$12,995 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income (loss)

**For the Year Ended December 31**  
**2017**                      **2016**

Deferred tax

In respect of the current year:

Remeasurement on defined benefit plan	\$ (27,947)	\$ 36,331
Share of the other comprehensive income (loss) of associates	<u>199</u>	<u>306</u>
	<u>\$ (27,748)</u>	<u>\$ 36,637</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Defined benefit plan	\$ 253,404	\$ (46,188)	\$ (27,414)	\$ -	\$ 179,802
Loss carryforwards	189,164	(111,015)	-	(1,687)	76,462
Allowance for impaired receivables	19,756	3,748	-	(110)	23,394
Payable for annual leave	22,762	(2,429)	-	(24)	20,309
Unrealized loss on inventories	7,790	5,402	-	(31)	13,161
Deferred revenue	6,181	4,611	-	-	10,792
Others	<u>65,583</u>	<u>(19,452)</u>	<u>-</u>	<u>(1,805)</u>	<u>44,326</u>
	<u>\$ 564,640</u>	<u>\$ (165,323)</u>	<u>\$ (27,414)</u>	<u>\$ (3,657)</u>	<u>\$ 368,246</u>
<u>Deferred tax liabilities</u>					
Reserve for land revaluation increment tax	\$ 3,313,013	\$ -	\$ -	\$ -	\$ 3,313,013
Others	<u>72,922</u>	<u>265</u>	<u>533</u>	<u>(83)</u>	<u>73,637</u>
	<u>\$ 3,385,935</u>	<u>\$ 265</u>	<u>\$ 533</u>	<u>\$ (83)</u>	<u>\$ 3,386,650</u>

For the year ended December 31, 2016

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Defined benefit plan	\$ 257,007	\$ (39,934)	\$ 36,331	\$ -	\$ 253,404
Loss carryforwards	168,738	22,890	-	(2,464)	189,164
Allowance for impaired receivables	22,182	(1,787)	-	(639)	19,756
Investment tax credits	20,059	(20,059)	-	-	-
Payable for annual leave	15,683	7,173	-	(94)	22,762
Unrealized loss on inventories	10,642	(2,485)	-	(367)	7,790
Deferred revenue	13,237	(7,056)	-	-	6,181
Others	<u>44,269</u>	<u>24,276</u>	<u>-</u>	<u>(2,962)</u>	<u>65,583</u>
	<u>\$ 551,817</u>	<u>\$ (16,982)</u>	<u>\$ 36,331</u>	<u>\$ (6,526)</u>	<u>\$ 564,640</u>
<u>Deferred tax liabilities</u>					
Reserve for land revaluation increment tax	\$ 3,313,013	\$ -	\$ -	\$ -	\$ 3,313,013
Others	<u>83,702</u>	<u>(10,739)</u>	<u>-</u>	<u>(41)</u>	<u>72,922</u>
	<u>\$ 3,396,715</u>	<u>\$ (10,739)</u>	<u>\$ -</u>	<u>\$ (41)</u>	<u>\$ 3,385,935</u>

- d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Loss carryforwards		
Expire in 2017	\$ -	\$ 474,292
Expire in 2018	422,647	447,308
Expire in 2019	547,977	1,124,296
Expire in 2020	1,847,786	1,938,083
Expire in 2021	1,867,471	2,261,433
Expire in 2022	144,295	24,395
Expire in 2023	16,353	16,353
Expire in 2024	73,667	81,165
Expire in 2025	49,791	49,791
Expire in 2026	305,432	338,601
Expire in 2027	<u>63,558</u>	<u>-</u>
	<u>\$ 5,338,977</u>	<u>\$ 6,755,717</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 422,647	2018
561,265	2019
1,835,901	2020
1,879,356	2021
153,317	2022
294,868	2023
171,466	2024
59,266	2025
326,624	2026
67,371	2027
<u>16,085</u>	Unlimited (Note)
 <u>\$ 5,788,166</u>	

Note: Generated from Hong Kong subsidiaries.

f. Integrated income tax

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Unappropriated earnings		
Generated on and after January 1, 1998	Note	<u>\$ 4,948,452</u>
Imputation credits accounts	Note	<u>\$ 720,710</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Creditable ratio for distribution of earning	Note	16.07%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

	<b>Final Approved Year</b>
The Company	2013
Chung Hwa Pulp Co., Ltd.	2015
Hwa Fong Investments Co., Ltd.	2015
Effion Enertech Co., Ltd.	2015
YFY Packaging Inc.	2015
YFY Consumer Products Co., Ltd.	2013
Shin Foong Specialty and Applied Materials Co., Ltd.	2014
China Color Printing Co., Ltd.	2015
YFY Capital Co., Ltd.	2015
Union Investment Co., Ltd.	2015

(Continued)

**Final Approved Year**

YFY Venture Capital Investment Co., Ltd.	2015
YFY Paradigm Investment Co., Ltd.	2015
Lotus Ecoscings & Engineering Co., Ltd.	2015
Yuen Yan Paper Container Co., Ltd.	2015
San Ying Enterprise Co., Ltd.	2015
Cupid InfoTech Co., Ltd.	2015
Ever Growing Agriculture Biotech Co., Ltd.	2015
Pek Crown Paper Co., Ltd.	2015
Yeon Technologies Co., Ltd.	2016
YFY Biotech Management Company	2015
Kuang Hwa Fertilizer Limited Company	2015
YFY Operation Management Consulting Co., Ltd.	2015
Livebricks Inc.	2016
Yuen Foong Shop Co., Ltd.	2015
	(Concluded)

**23. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Basic earnings per share	<u>\$ 0.97</u>	<u>\$ 0.08</u>
Diluted earnings per share	<u>\$ 0.97</u>	<u>\$ 0.08</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

**Net Profit for the Year**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Profit for the period attributable to owners of the Company	<u>\$ 1,606,510</u>	<u>\$ 126,117</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,606,510</u>	<u>\$ 126,117</u>

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
<u>Number of share (in thousands)</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	1,660,372	1,660,372
Effect of potentially dilutive ordinary shares:		
Employee's compensation	<u>128</u>	<u>19</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,660,500</u>	<u>1,600,391</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 24. DISPOSAL OF SUBSIDIARIES

Jupiter Prestige Group Holdings Limited disposed of all ownership of Rimage Limited and subsidiaries in October 2017.

- a. Analysis of assets and liabilities on the date control was lost

	<b>Rimage Limited and Subsidiaries</b>
Current assets	
Cash	\$ 7,750
Accounts receivable	9,583
Prepayments	272
Non-current assets	
Property, plant and equipment	1,226
Current liabilities	
Accounts payable	(3,034)
Other current liabilities	<u>(18,639)</u>
Net assets disposed of	<u>\$ (2,842)</u>

- b. Gain on disposal of subsidiaries

The proceeds of the disposal of Rimage Limited was \$963 thousand, and the recognized gain on the disposal of investments was \$3,805 thousand.

- c. Net cash outflow on disposal of subsidiary

	<b>For the Year Ended December 31, 2017</b>
Consideration received in cash	\$ 963
Less: Cash disposed of	<u>(7,750)</u>
	<u>\$ (6,787)</u>

## 25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management of the Group considers that the carrying amounts of those financial assets and financial liabilities that are not measured at fair value recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - held for trading				
Non-derivative financial assets held for trading	\$ 320,975	\$ -	\$ -	\$ 320,975
Derivative financial assets	<u>-</u>	<u>4,351</u>	<u>-</u>	<u>4,351</u>
	<u>\$ 320,975</u>	<u>\$ 4,351</u>	<u>\$ -</u>	<u>\$ 325,326</u>
Financial assets held for hedging (accounted for as other current assets)	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>
Available-for-sale financial assets				
Listed shares	<u>\$ 13,244,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,244,667</u>
Financial liabilities at FVTPL - held for trading				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 278,060</u>	<u>\$ -</u>	<u>\$ 278,060</u>
Financial liabilities held for hedging (accounted for as other current liabilities)	<u>\$ -</u>	<u>\$ 292</u>	<u>\$ -</u>	<u>\$ 292</u>



December 31, 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL - held for trading				
Non-derivative financial assets held for trading	\$ 755,959	\$ -	\$ -	\$ 755,959
Derivative financial assets	<u>-</u>	<u>285,093</u>	<u>289,860</u>	<u>574,953</u>
	<u>\$ 755,959</u>	<u>\$ 285,093</u>	<u>\$ 289,860</u>	<u>\$ 1,330,912</u>
Financial assets held for hedging (accounted for as other current assets)	<u>\$ -</u>	<u>\$ 3,380</u>	<u>\$ -</u>	<u>\$ 3,380</u>
Available-for-sale financial assets				
Listed shares	<u>\$ 12,557,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,557,891</u>
Financial liabilities at FVTPL - held for trading				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 10,883</u>	<u>\$ -</u>	<u>\$ 10,883</u>
Financial liabilities held for hedging (accounted for as other current liabilities)	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ -</u>	<u>\$ 606</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2017

	<b>Financial Assets at FVTPL</b>
Balance at January 1, 2017	\$ 289,860
Total gains or losses	
In profit or loss	93,527
Effect of foreign currency exchange differences	(16,345)
Redeem the bonds	<u>(367,042)</u>
Balance at December 31, 2017	<u>\$ -</u>

For the year ended December 31, 2016

	<b>Financial Assets at FVTPL</b>
Balance at January 1, 2016	\$ 295,084
Total gains or losses	
In profit or loss	(55)
Effect of foreign currency exchange differences	<u>(5,169)</u>
Balance at December 31, 2016	<u>\$ 289,860</u>

The total gains or losses for the years ended December 31, 2017 and 2016 included a gain of \$93,527 thousand and loss of \$55 thousand relating to assets measured at fair value on Level 3 fair value measurement and held at the end of reporting date (accounted for as gain (loss) arising on financial instruments at FVTPL).

3) Valuation techniques and inputs used to make Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts and cross-currency swap contracts	Each determined using the average exchange rates (i.e., difference between the highest and the lowest exchange rates) (a) For a certain period by the counterparties' financial institutions in accordance with the Reuters quoting system, or (b) Daily for spot exchange rates quoted by financial institutions, and other using discounted cash flow by financial institutions.

4) Valuation techniques and inputs used to make Level 3 fair value measurement

The fair value of exchangeable bonds is determined using the applicable valuation model as well as the value analysis report provided by a financial institution, for which the significant unobservable inputs used are the net asset value of each share, interest rate fluctuation, risk-free rate, risk premium and discount. The fair value of exchangeable bonds would increase if the net asset value of each share increases, and the fair value would decrease if the interest rate, risk-free rate, risk premium or discount decreases.

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 325,326	\$ 1,330,912
Derivative instruments in designated hedge accounting relationships	2	3,380
Loans and receivables (1)	22,057,748	19,275,397
Available-for-sale financial assets (2)	14,739,810	14,113,770
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	278,060	10,883
Derivative instruments in designated hedge accounting relationships	292	606
Amortized cost (3)	62,290,835	62,448,419

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market (including non-current), notes receivable, accounts receivable, and other financial assets.
  - 2) The balances included the carrying amount of available-for-sale financial assets carried at cost.
  - 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, other payables, current portion of long-term borrowings and long-term borrowings.
- d. Financial risk management objectives and policies

The Group's main target of financial risk management was to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group was devoted to identify, estimate and hedge the uncertainties of the market.

The Group sought to minimize the effects of these risks by using both derivative and nonderivative financial instruments to avoid risk exposures. The use of financial instruments was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

a) Foreign currency risk

The Group and most subsidiaries had foreign currency assets and liabilities, which exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Group used foreign exchange forward contracts and cross-currency swap contracts to eliminate foreign currency exposure. These foreign exchange forward contracts are intended to reduce the influence of the exchange rate fluctuations on the Group's income.

Sensitivity analysis

For the position of financial assets and liabilities that had significant influence on the Group, the risk was measured by considering the net position of foreign currency forward contract that is undue.

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Influence to profit or loss at 5% variance		
USD	<u>\$ 192,601</u>	<u>\$ 240,248</u>
RMB	<u>\$ 116,203</u>	<u>\$ 296,492</u>

b) Interest rate risk

The Group was exposed to interest rate risk arising from borrowing at both fixed and floating interest rates.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Fair value interest rate risk		
Financial assets	\$ 4,144,016	\$ 3,387,800
Financial liabilities	8,021,936	6,964,751
Cash flow interest rate risk		
Financial assets	2,752,372	2,441,127
Financial liabilities	43,535,863	44,639,390

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by \$84,626 thousand and \$87,561 thousand, respectively, which was mainly a result of the Group's exposure to floating interest rates on borrowings of cash flow interest rates.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and mutual funds.

## Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the changes in fair value of held-for-trading investments and available-for-sale investments for the years ended December 31, 2017 and 2016 would increase/decrease by \$678,282 thousand and \$665,693 thousand, respectively.

### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets which comprise receivables from operating activities and financial assets from investing activities as stated in the consolidated balance sheets.

The Group's customer base is vast and various industries. The Group continuously evaluated the financial conditions of those customers.

To maintain the quality of the accounts receivable, the Group has built a credit risk management procedure to reduce the credit risk from specific customer. The credit evaluation of individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Group's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, thus, there's no significant credit risk.

### 3) Liquidity risk

The objective of liquidity risk management is to maintain adequate cash and cash equivalents with high liquidity and sufficient bank facilities that business operation requires and to ensure the Group has sufficient financial flexibility.

As of December 31, 2017 and 2016, the amount of unused financing facilities were \$28,939,983 thousand and \$34,059,111 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods by financial institutions. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the financial institutes choosing to exercise their rights.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2017

	<b>Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>		
Variable interest rate liabilities	\$ 11,678,061	\$ 33,998,939
Fixed interest rate liabilities	<u>8,022,342</u>	<u>-</u>
	<u>\$ 19,700,403</u>	<u>\$ 33,998,939</u>

December 31, 2016

	<b>Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>		
Variable interest rate liabilities	\$ 9,499,420	\$ 37,280,477
Fixed interest rate liabilities	<u>6,980,000</u>	<u>-</u>
	<u>\$ 16,479,420</u>	<u>\$ 37,280,477</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### a. Names and categories of related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Hsin-Yi Enterprise Co., Ltd.	Entities with key management personnel
Taiwan Global BioFund Co., Ltd.	Associate
YFY Biotech Co., Ltd.	Associate
E Ink Holdings Inc.	Associate
Transcend Optronics (Yangzhou) Co., Ltd.	Associate
Willpower Industries Ltd.	Associate
Chengdu JieLianDa Warehousing Co., Ltd.	Associate
ChengDu YongJunYu Environmental Protection Packing Co., Ltd.	Associate
GST Packaging Ltd.	Associate
JLD Logistics Ltd.	Associate
YJY Packaging Ltd.	Associate
SinoPac Financial Holdings Company	Substantive related party
SinoPac Securities Corporation	Substantive related party
SinoPac Leasing Corporation	Substantive related party
Bank SinoPac	Substantive related party
YFY Paper Co., Ltd.	Substantive related party
Hsinex International Corp.	Substantive related party

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Huashan Creative Co., Ltd.	Substantive related party
Fu Hwa Development Enterprise Co., Ltd.	Substantive related party
Hsin-Yi Foundation	Substantive related party
Hsin-Yi Foundation& Publishing Co., Ltd	Substantive related party
YFY BioTechnology (Kunshan) Co., Ltd.	Substantive related party
Lui Co., Ltd.	Substantive related party
Hsin Yuan Investment Co., Ltd.	Substantive related party
Ho-Jielai Co., Ltd.	Substantive related party
Chen Yu Co., Ltd.	Substantive related party
Ho Tien Co., Ltd.	Substantive related party
Shanghai Futai Food Co., Ltd.	Substantive related party
Hoi Toy&Play Corporation	Substantive related party
YFY Co., Ltd.	Substantive related party

(Concluded)

b. Operating Revenue

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Associate	\$ 82,740	\$ 97,175
Substantive related party	75,515	998
Entities with key management personnel	<u>2,687</u>	<u>3,980</u>
	<u>\$ 160,942</u>	<u>\$ 102,153</u>

For sales of goods to related parties, the prices and terms of receivables were made by the agreements between parties.

c. Purchases of goods

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Associate	\$ 138,579	\$ 61,115
Substantive related party	<u>11,087</u>	<u>22,165</u>
	<u>\$ 149,666</u>	<u>\$ 83,280</u>

For purchases of goods related parties, the prices and terms of payables were made by the agreements between parties.

d. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2017</b>	<b>2016</b>
Account receivable	Substantive related party	\$ 13,094	\$ -
	Associate	8,962	3,700
	Entities with key management personnel	122	328
		<u>22,178</u>	<u>4,028</u>

The outstanding accounts receivable from related parties are unsecured and unrecognized impairment loss.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2017	2016
Notes and accounts payable	Associate	\$ 32,170	\$ 21,910
	Entities with key management personnel	4,621	4,940
	Substantive related party	<u>4,230</u>	<u>4,296</u>
		<u>\$ 41,021</u>	<u>\$ 31,146</u>

The outstanding accounts payable to related parties are unsecured.

f. Others

Rental income

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Substantive related party		
YFY Paper Co., Ltd.	\$ 7,907	\$ -
Others	<u>5,444</u>	<u>-</u>
	13,351	-
Others	<u>468</u>	<u>468</u>
	<u>\$ 13,819</u>	<u>\$ 468</u>

Rental expenses (accounted for as operating expenses)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Entities with key management personnel	\$ 45,369	\$ 45,256
Substantive related party	6,147	-
Associate	<u>247</u>	<u>280</u>
	<u>\$ 51,763</u>	<u>\$ 45,536</u>

Depending on the agreements, rental income and expenses were received or paid by per month or per half-year.

Other

In November 2015, the Group bought Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015, which amounted to \$400,000 thousand (accounted for as debt investments with no active market - non-current) and had an interest rate of 3.9%. As of December 31, 2017 and 2016, the interest receivable (accounted for under other current assets) were \$2,418 thousand and \$2,600 thousand, respectively.



The Group's subscription of such ordinary shares in July 2016 in the amount of \$36,000 thousand in cash was contributed to the capital increase of YFY Biotech Co., Ltd. and resulted in the Group's percentage of ownership of 36%. Because this investment is significant, it has been accounted for using the equity method.

g. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Salaries and benefits	\$ 52,315	\$ 36,275
Bonus and executive fees	<u>1,631</u>	<u>1,686</u>
	<u>\$ 53,946</u>	<u>\$ 37,961</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 28. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for the portion of bank loans, guarantees provided on certain commitments, drawn a check and other credit accommodation:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Notes receivable (Note)	\$ 2,126,559	\$ 1,255,890
Property, plant and equipment	482,719	502,647
Pledged time deposits (accounted for as other financial assets and other non-current assets)	<u>405,481</u>	<u>294,201</u>
	<u>\$ 3,014,759</u>	<u>\$ 2,052,738</u>

Note: In preparing the consolidated financial statements, an amount of \$1,803,813 thousand has been eliminated as of December 31, 2017.

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$610,658 thousand and \$904,840 thousand, respectively.

### 30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follow:

	<b>December 31, 2017</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 55,698	29.76 (USD:NTD)	\$ 1,657,577
RMB	1,270,123	0.153 (RMB:USD)	5,784,771
RMB	345,828	4.554 (RMB:NTD)	1,575,074
<u>Financial liabilities</u>			
Monetary items			
USD	284,931	6.53 (USD:RMB)	8,479,550
RMB	1,474,358	0.153 (RMB:USD)	6,714,959
	<b>December 31, 2016</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 49,909	32.25 (USD:NTD)	\$ 1,609,579
USD	32,437	6.94 (USD:RMB)	1,046,102
RMB	1,129,570	0.144 (RMB:USD)	5,251,351
<u>Financial liabilities</u>			
Monetary items			
USD	488,962	6.94 (USD:RMB)	15,769,028
RMB	1,404,103	0.144 (RMB:USD)	6,527,651

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gain were \$398,796 thousand and loss \$1,114,045 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 2)
- 2) Endorsements/guarantees provided. (Table 3)

- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 4)
  - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 5)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
  - 9) Information on investees. (Table 8)
  - 10) Trading in derivative instruments. (Notes 7 and 9)
  - 11) Intercompany relationships and significant intercompany transactions. (Table 10)
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 3)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 2)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

### 32. SEGMENT INFORMATION

The following was an analysis of the Group's revenue and results by reportable segment.

	Business Unit of Pulp and Fine Paper	Business Unit of Container - Board and Packaging	Business Unit of Consumer Products	Other Segment	Total
<u>For the year ended December 31, 2017</u>					
Revenue from external customers	\$ 18,167,846	\$ 25,197,075	\$ 10,447,179	\$ 12,957,808	\$ 66,769,908
Revenue from other internal operating segments	<u>4,670,634</u>	<u>2,021,179</u>	<u>1,016,402</u>	<u>1,438,982</u>	<u>9,147,197</u>
Segment revenue	<u>\$ 22,838,480</u>	<u>\$ 27,218,254</u>	<u>\$ 11,463,581</u>	<u>\$ 14,396,790</u>	<u>75,917,105</u>
Eliminations					<u>(9,147,197)</u>
Consolidated revenue					<u>\$ 66,769,908</u>
Profit or loss from other internal operating segments	<u>\$ 821,573</u>	<u>\$ 1,311,197</u>	<u>\$ 54,926</u>	<u>\$ 653,095</u>	\$ 2,840,791
Eliminations					<u>119,635</u>
Segment profit or loss					<u>2,960,426</u>
Finance costs					<u>(929,244)</u>
Net loss on fair value change of financial instruments at fair value through profit or loss					<u>(783,844)</u>
Net non-operating income and expenses					<u>1,591,711</u>
Profit before income tax					<u>\$ 2,839,049</u>
<u>For the year ended December 31, 2016</u>					
Revenue from external customers	\$ 18,064,489	\$ 21,709,008	\$ 11,281,203	\$ 12,299,452	\$ 63,354,152
Revenue from other internal operating segments	<u>4,025,189</u>	<u>1,988,226</u>	<u>746,682</u>	<u>1,311,730</u>	<u>8,071,827</u>
Segment revenue	<u>\$ 22,089,678</u>	<u>\$ 23,697,234</u>	<u>\$ 12,027,885</u>	<u>\$ 13,611,182</u>	<u>71,425,979</u>
Eliminations					<u>(8,071,827)</u>
Consolidated revenue					<u>\$ 63,354,152</u>
Profit or loss from other internal operating segments	<u>\$ 413,605</u>	<u>\$ (667,137)</u>	<u>\$ 395,913</u>	<u>\$ 826,158</u>	\$ 968,539
Eliminations					<u>146,279</u>
Segment profit or loss					<u>1,114,818</u>
Finance costs					<u>(935,866)</u>
Net gain on fair value change of financial instruments at fair value through profit or loss					<u>318,341</u>
Net non-operating income and expenses					<u>466,408</u>
Profit before income tax					<u>\$ 963,701</u>

The Group classifies its products into three segments in accordance with their characteristics, as follows:

a. Pulp and fine paper segment

Manufacture and sale of cardboard, paper and pulp.

b. Containerboard and packaging segment

Manufacture and sale of paper for cardboard cases, colored cases and food containers.

c. Consumer product segment

Manufacture and sale of tissue paper, napkins and detergents.

The accounting policies of each segment are the same as those accounting policies stated in Note 4. The performance of segments is measured at income after tax. Revenue and profit between segments have been adjusted; these adjustments include the elimination of intra-segment transactions to reconcile the segment information with that reported for the Group as a whole.

## Segment Total Assets

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Segment assets</u>		
Business unit of pulp and fine paper	\$ 30,285,625	\$ 29,761,112
Business unit of containerboard and packaging	42,251,244	41,999,651
Business unit of consumer products	9,275,974	8,979,013
Other segments	70,820,279	71,816,970
Adjustment and elimination	<u>(40,047,349)</u>	<u>(41,853,825)</u>
Consolidated total assets	<u>\$ 112,585,773</u>	<u>\$ 110,702,921</u>

## Geographical Information

The Group operates in two principal geographical areas - Taiwan and Mainland China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

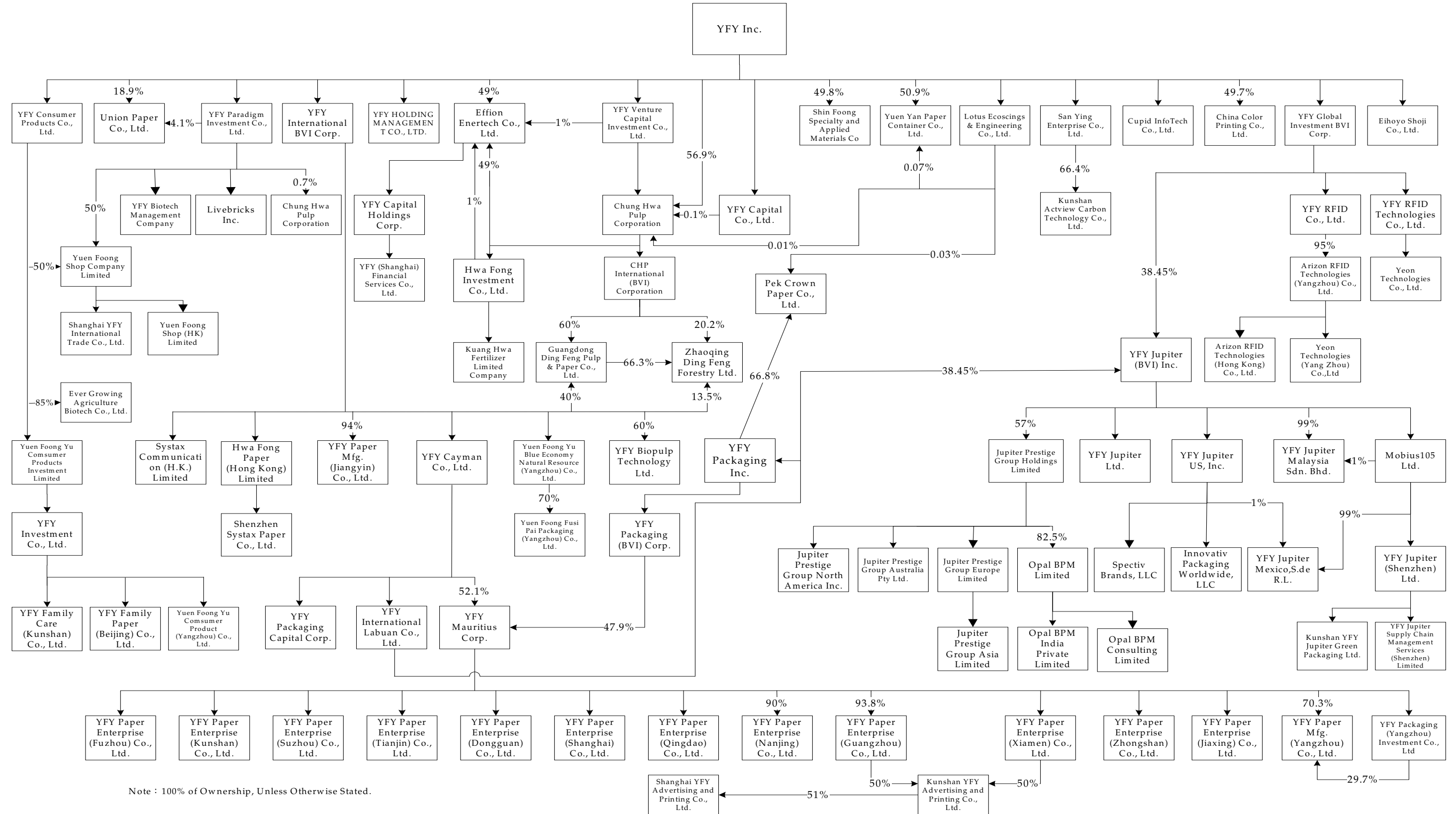
	<b>Revenue from</b>		<b>Non-current Assets</b>	
	<b>External Customers</b>			
	<b>For the Year Ended</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Taiwan	\$ 35,852,164	\$ 35,750,473	\$ 31,266,881	\$ 30,083,103
Mainland China	27,435,732	24,281,530	22,355,166	23,997,298
Others	<u>3,482,012</u>	<u>3,322,149</u>	<u>617,992</u>	<u>716,047</u>
	<u>\$ 66,769,908</u>	<u>\$ 63,354,152</u>	<u>\$ 54,240,039</u>	<u>\$ 54,796,448</u>

## Information about Major Customers

No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

YFY INC. AND SUBSIDIARIES

DIAGRAM OF INVESTMENT STRUCTURE  
FOR THE YEAR ENDED DECEMBER 31, 2017



## YFY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 1)	Note
													Item	Value			
1	YFY Inc.	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	\$ 547,560	\$ 535,680	\$ -	2.00	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 12,872,744	\$ 25,745,487	Note 2
2	YFY International BVI Corp.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Long-term receivables from related parties	Yes	1,230,577	755,327	755,327	2.37-3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	4,375,762	2,529,600	2,529,600	2.37-3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		Systax Communication (H.K.) Limited	Other receivables from related parties	Yes	63,382	51,844	51,844	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	491,407	286,933	286,933	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	7,195,088	14,390,177	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	219,415	208,320	208,320	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	7,195,088	14,390,177	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	1,432,612	1,101,120	1,101,120	2.00-2.25	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY BioTechnology (Kunshan) Co., Ltd.	Other receivables	Yes	344,838	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	7,195,088	14,390,177	-
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Long-term receivables from related parties	Yes	30,633	30,515	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Long-term receivables from related parties	Yes	133,275	132,764	132,764	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	205,652	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Long-term receivables from related parties	Yes	228,602	227,725	227,725	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	470,175	446,400	446,400	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	35,975,442	35,975,442	Note 2
		YFY Biopulp Technology Limited	Other receivables from related parties	Yes	3,135	2,976	2,976	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	7,195,088	14,390,177	Note 2
3	YFY Global Investment BVI Corp.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	313,450	297,600	297,600	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	8,780,184	8,780,184	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	247,626	235,104	235,104	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	1,756,037	3,512,073	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	1,330,334	996,871	980,503	1.50-3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	8,780,184	8,780,184	Note 2
		YFY International BVI Corp.	Other receivables from related parties	Yes	288,990	119,040	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	8,780,184	8,780,184	Note 2
		YFY Jupiter Ltd.	Other receivables from related parties	Yes	60,340	59,520	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	439,009	3,512,073	Note 2
4	YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	278,370	156,846	134,598	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	156,846	1,254,769	Note 2
		Shenzhen Systax Paper Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		Kunshan YFY Advertising and Printing Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	383,238	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	228,084	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	271,548	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Fuzhou) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	505,638	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	240,869	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 1)	Note
													Item	Value			
		YFY BioTechnology (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	\$ 137,161	\$ -	\$ -	-	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 156,846	\$ 1,254,769	-
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	278,370	156,846	87,580	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	156,846	1,254,769	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	190,856	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		RImagine Design (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	914,008	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	278,370	156,846	42,606	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	156,846	1,254,769	Note 2
		Guangdong Ding Feng Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Family Paper (Beijing) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	31,761	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		Qmin Restaurant (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	123,445	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	156,846	1,254,769	-
		YFY Jupiter (Shenzhen) Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		Kunshan YFY Jupiter Green Packaging Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	244,553	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	914,008	683,175	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
		Shanghai YFY International Trade Co., Ltd.	Other receivables from related parties	Yes	4,570	2,245	1,856	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,136,922	3,136,922	Note 2
5	YFY Paper Enterprise (Kunshan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	604,900	581,793	364,486	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	900,608	900,608	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	604,900	581,793	50,805	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	900,608	900,608	Note 2
		YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	274,322	273,270	54,654	5.00	Short-term financing	-	Financing for working capital requirements	-	-	-	900,608	900,608	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	45,720	45,545	45,545	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	180,122	360,243	Note 2
6	YFY Paper Enterprise (Qingdao) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,298,585	1,293,604	585,566	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,521,329	1,521,329	Note 2
		YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	228,602	227,725	54,654	5.00	Short-term financing	-	Financing for working capital requirements	-	-	-	1,521,329	1,521,329	Note 2
7	YFY Paper Enterprise (Guangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	42,571	42,408	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	42,408	339,260	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	137,161	136,635	136,635	5.00	Short-term financing	-	Financing for working capital requirements	-	-	-	169,630	339,260	Note 2
8	YFY Paper Enterprise (Zhongshan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,222,700	1,146,516	307,320	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,419,786	1,419,786	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	274,322	273,270	273,270	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	283,957	567,914	Note 2

(Continued)



No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 1)	Note	
													Item	Value				
9	YFY Paper Enterprise (Dongguan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 620,068	\$ 578,817	\$ 193,834	3.25	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 597,946	\$ 597,946	Note 2	
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	19,129	19,129	19,129	5.00	Short-term financing	-	Financing for working capital requirements	-	-	-	119,589	239,178	Note 2	
10	YFY Paper Enterprise (Tianjin) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,196,983	1,192,392	595,575	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,192,392	1,192,392	Note 2	
11	YFY Cayman Co., Ltd.	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	48,878	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Long-term receivables from related parties	Yes	125,731	125,249	125,249	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Long-term receivables from related parties	Yes	81,176	80,865	80,865	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	62,690	59,520	-	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Long-term receivables from related parties	Yes	168,479	167,833	167,833	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Long-term receivables from related parties	Yes	201,558	200,785	138,844	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	250,760	-	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Long-term receivables from related parties	Yes	327,013	327,013	327,013	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Long-term receivables from related parties	Yes	189,922	189,194	189,194	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	168,479	167,833	167,833	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,486,686	8,973,372	Note 2	
		YFY Paper Enterprise (Fuzhou) Co., Ltd.	Other receivables from related parties	Yes	47,018	-	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	219,415	208,320	208,320	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	522,046	327,636	209,219	2.37-3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	537,567	297,600	297,600	2.37	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Long-term receivables from related parties	Yes	4,412,191	4,301,241	4,027,971	2.37-3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2	
YFY Packaging (Yangzhou) Investment Co., Ltd.	Long-term receivables from related parties	Yes	459,490	457,727	457,727	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	22,433,430	22,433,430	Note 2			
12	YFY Jupiter Ltd.	Jupiter Prestige Group Asia Limited	Other receivables from related parties	Yes	17,240	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	68,750	137,500	Note 2	
13	YFY Paper Enterprise (Nanjing) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	22,728	19,501	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	19,501	156,010	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	22,728	19,501	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	19,501	156,010	Note 2	
14	YFY RFID Co., Ltd.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	6,112	5,803	5,803	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	3,466,600	3,466,600	Note 2	
15	YFY Jupiter (Shenzhen) Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	348,931	347,593	2,894	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	395,210	395,210	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	45,700	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	395,210	395,210	Note 2	
		ChengDu YongJunYu Environmental Protection packing Co., Ltd.	Other receivables from related parties	Yes	2,080	2,072	2,072	12.00	Short-term financing	-	Financing for working capital requirements	-	-	-	79,042	158,084	-	
16	Guangdong Ding Feng Pulp & Paper Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	486,695	474,637	63,465	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	474,637	3,797,099	Note 2	
17	YFY Family Paper (Beijing) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	488,881	487,005	44,290	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	974,011	974,011	Note 2	
18	YFY Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,995,096	1,987,444	243,392	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	3,974,887	3,974,887	Note 2	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 1)	Note
													Item	Value			
19	Shenzhen Systax Paper Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 134,771	\$ 134,254	\$ 30,170	3.25	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 134,254	\$ 134,254	Note 2
20	Effion Enertech Co., Ltd.	Lotus Ecoscings & Engineering Co., Ltd.	Other receivables from related parties	Yes	100,000	80,000	80,000	1.25	Short-term financing	-	Financing for working capital requirements	-	-	-	280,773	561,546	Note 2
		YFY Venture Capital Investment Co., Ltd.	Other receivables from related parties	Yes	200,000	200,000	200,000	1.25	Short-term financing	-	Financing for working capital requirements	-	-	-	280,773	561,546	Note 2
21	YFY Family Care (Kunshan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	877,877	465,001	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	930,002	930,002	Note 2
22	CHP International (BVI) Corporation	YFY International BVI Corp.	Other receivables from related parties	Yes	282,105	267,840	-	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,949,924	3,899,847	Note 2
		Guangdong Ding Feng Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,034,385	982,080	982,080	1.77	Short-term financing	-	Financing for working capital requirements	-	-	-	1,949,924	3,899,847	Note 2
		Zhaoqing Ding Feng Forestry Ltd.	Other receivables from related parties	Yes	376,140	357,120	357,120	1.77	Short-term financing	-	Financing for working capital requirements	-	-	-	1,949,924	3,899,847	Note 2
23	Eihoyo Shoji Co., Ltd.	YFY International BVI Corp.	Other receivables from related parties	Yes	55,120	52,840	52,840	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	158,394	158,394	Note 2
24	YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	765,022	399,390	31,216	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	399,390	399,390	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	765,022	399,390	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	399,390	399,390	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	765,022	399,390	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	399,390	399,390	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	765,022	399,390	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	399,390	399,390	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	765,022	399,390	2,326	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	399,390	399,390	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	38,251	19,969	3,565	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	19,969	159,756	Note 2
25	YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	317,622	184,710	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	230,255	230,255	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	317,622	184,710	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	230,255	230,255	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	45,720	45,545	45,545	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	46,051	92,102	Note 2
26	YFY Consumer Products Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	824,916	59,208	59,208	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	965,827	1,931,655	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	320,042	318,815	318,815	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	965,827	1,931,655	Note 2
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	500,995	500,995	364,360	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	965,827	1,931,655	Note 2
27	YFY Paper Enterprise (Shanghai) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	245,158	200,680	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	250,779	250,779	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	245,158	200,680	19,332	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	250,779	250,779	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	50,292	50,099	50,099	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	50,156	100,312	Note 2
28	YFY Paper Enterprise (Jiaxing) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	228,367	166,691	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	203,127	203,127	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	228,367	166,691	18,717	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	203,127	203,127	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	36,576	36,436	36,436	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	40,625	81,251	Note 2
29	Hwa Fong Paper (Hong Kong) Limited	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	3,761	3,571	3,571	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	133,037	133,037	Note 2

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 1)	Note
													Item	Value			
30	YFY Packaging BVI Corp.	YFY International BVI Corp.	Long-term receivables from related parties	Yes	\$ 313,450	\$ -	\$ -	-	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 6,224,258	\$ 6,224,258	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	810,268	174,096	174,096	1.00-1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	6,224,258	6,224,258	Note 2
31	YFY Packaging Capital Corp.	YFY International BVI Corp.	Long-term receivables from related parties	Yes	426,139	424,504	424,504	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	11,765,940	11,765,940	Note 2
		YFY International BVI Corp.	Other receivables from related parties	Yes	650,572	648,077	648,077	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	11,765,940	11,765,940	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	425,542	423,910	409,905	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	11,765,940	11,765,940	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	66,111	66,040	66,040	0.50-2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	11,765,940	11,765,940	Note 2
		YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	4,323,361	4,306,777	4,306,777	0.50	Short-term financing	-	Financing for working capital requirements	-	-	-	11,765,940	11,765,940	Note 2
32	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Long-term receivables from related parties	Yes	940,350	892,800	892,800	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	5,037,786	5,037,786	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	626,900	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	5,037,786	5,037,786	Note 2
33	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	952,701	949,047	56,391	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,898,094	1,898,094	Note 2
34	YFY Capital Co., Ltd.	Yeon Technologies Co., Ltd.	Other receivables from related parties	Yes	35,000	35,000	30,000	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	142,686	285,372	Note 2
		Cupid Info Tech Co., Ltd.	Other receivables from related parties	Yes	50,000	50,000	50,000	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	142,686	285,372	Note 2
35	YFY RFID Technologies Co., Ltd.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	6,896	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	-	-	Note 2
36	YFY International Labuan Co., Ltd.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	100,304	95,232	95,232	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	11,121,853	11,121,853	Note 2
37	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	403,020	281,024	58,312	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	281,024	281,024	Note 2
38	Kunshan YFY Jupiter Green Packaging Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	18,288	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	120,092	120,092	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	102,266	101,874	2,986	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	120,092	120,092	Note 2
39	Zhaoqing Ding Feng Forestry Ltd.	Guangdong Ding Feng Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	182,881	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	1,183,394	2,366,787	Note 2
40	Shanghai YFY International Trade Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	781	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	-	-	Note 2
41	YFY Operation Management Consulting Co., Ltd.	YFY Packaging Inc.	Other receivables from related parties	Yes	40,000	40,000	40,000	1.10	Short-term financing	-	Financing for working capital requirements	-	-	-	99,991	199,981	Note 2
		YFY Venture Capital Investment Co., Ltd.	Other receivables from related parties	Yes	59,000	59,000	59,000	1.10	Short-term financing	-	Financing for working capital requirements	-	-	-	99,991	199,981	Note 2

Note 1: a. In the provision of business dealing, total loans should not exceed 40% of the lender's net equity of the prior year. Individual loans should not exceed total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term financing, individual and total loans should not exceed 40% of the lender's net equity of the prior year. To sum up, in the provision of business dealing and short-term financing, both aggregate loans and individual loans should not exceed 80% of the lender's net equity of the prior year.

b. For YFY Inc.'s wholly owned foreign subsidiaries are not subject to the foregoing 40% and 80% limits when they provide financing to each other. For those subsidiaries of YFY Inc., if the lending is for the borrower's business purposes or short-term financing, the amount of financing should not exceed twice of the lender's net equity as of the end of the prior year.

c. For YFY Inc.'s other foreign subsidiaries that are not wholly owned and are based in China, their individual contributions to a cash pool to be used for lending purposes should not exceed 10% of their respective net equities as of the end of the prior year.

d. For Guangdong Ding Feng Pulp & Paper Co., Ltd. and CHP International (BVI) Corporation, individual loans and total loans should not exceed 40% and 80% of the lender's net equity, respectively.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

TABLE 3

## YFY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	<u>Endorsement</u> YFY Inc.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3 a.	\$ 48,272,789	\$ 2,591,841	\$ 2,575,815	\$ 409,905	\$ -	7.75	\$ 64,363,718	Yes	No	Yes
2	YFY Packaging Inc.	YFY Cayman Co., Ltd.	Note 3 b.	8,419,386	4,701,750	4,464,000	2,767,680	-	66.75	11,225,848	No	Yes	No
3	YFY Cayman Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3 a.	16,825,073	502,460	497,980	497,980	-	3.68	22,433,430	Yes	No	Yes
4	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	Note 3 a.	23,570,936	642,573	431,520	-	-	2.75	31,427,915	Yes	No	No
1	<u>Credit lines (Note 4)</u> YFY Inc.	YFY Capital Co., Ltd.	Note 3 a.	48,272,789	3,200,000	2,700,000	1,080,000	-	8.12	64,363,718	No	No	No
		YFY Venture Capital Investment Co., Ltd.	Note 3 a.	48,272,789	2,170,000	1,920,000	907,000	-	5.78	64,363,718	No	No	No
		San Ying Enterprise Co., Ltd.	Note 3 a.	48,272,789	200,000	50,000	-	-	0.15	64,363,718	No	No	No
		YFY Paradigm Investment Co., Ltd.	Note 3 a.	48,272,789	1,920,000	1,670,000	1,101,000	-	5.03	64,363,718	No	No	No
		Lotus Ecoscings & Engineering Co., Ltd.	Note 3 a.	48,272,789	230,000	230,000	88,000	-	0.69	64,363,718	No	No	No
		Yeon Technologies Co., Ltd.	Note 3 a.	48,272,789	60,000	40,000	-	-	0.12	64,363,718	No	No	No
		YFY International BVI Corp.	Note 3 a.	48,272,789	4,471,460	4,003,176	457,564	-	12.05	64,363,718	No	No	No
		YFY Global Investment BVI Corp.	Note 3 a.	48,272,789	1,105,350	909,000	223,200	-	2.74	64,363,718	No	No	No
		YFY Jupiter Ltd.	Note 3 a.	48,272,789	534,290	325,440	59,520	-	0.98	64,363,718	No	No	No
		Arizon RFID Technologies (Yangzhou) Co., Ltd.	Note 3 a.	48,272,789	78,363	-	-	-	-	64,363,718	No	No	No
		YFY (Shanghai) Financial Services Co., Ltd.	Note 3 a.	48,272,789	546,843	542,920	258,240	-	1.63	64,363,718	No	No	No
		Eihoyo Shoji Co., Ltd.	Note 3 a.	48,272,789	84,000	84,000	-	-	0.25	64,363,718	No	No	No
2	YFY Packaging Inc.	YFY Cayman Co., Ltd.	Note 3 b.	8,419,386	3,697,772	2,148,672	297,600	-	32.13	11,225,848	No	No	No
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Note 3 b.	8,419,386	94,035	-	-	-	-	11,225,848	No	No	No
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 3 b.	8,419,386	94,035	-	-	-	-	11,225,848	No	No	No
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 3 b.	8,419,386	202,489	-	-	-	-	11,225,848	No	No	No
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Note 3 b.	8,419,386	91,441	91,090	-	-	1.36	11,225,848	No	No	No
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 3 b.	8,419,386	91,441	91,090	-	-	1.36	11,225,848	No	No	No
3	YFY Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Note 3 a.	3,621,853	783,625	446,400	-	-	18.61	4,829,137	No	No	No
		YFY Investment Co., Ltd.	Note 3 a.	3,621,853	470,175	297,600	-	-	12.41	4,829,137	No	No	No
		YFY Family Care (Kunshan) Co., Ltd.	Note 3 a.	3,621,853	470,175	297,600	-	-	12.41	4,829,137	No	No	No
4	YFY Jupiter (Shenzhen) Ltd.	YFY Jupiter Ltd.	Note 3 b.	296,407	60,520	59,520	4,196	18,218	22.59	395,212	No	No	No
5	Kunshan YFY Jupiter Green Packaging Ltd.	YFY Jupiter Ltd.	Note 3 b.	90,070	60,520	59,520	-	-	61.23	120,093	No	No	No

Note 1: Represents 150% of the prior year's net equity of YFY Inc., Chung Hwa Pulp Corporation, YFY Packaging Inc., YFY Consumer Products Co., Ltd. and YFY Cayman Co., Ltd.

Note 2: Represents 200% of the prior year's net equity of YFY Inc., Chung Hwa Pulp Corporation, YFY Packaging Inc., YFY Consumer Products Co., Ltd., YFY Cayman Co., Ltd., YFY Jupiter (Shenzhen) Ltd. and Kunshan YFY Jupiter Green Packaging Ltd.

(Continued)

Note 3: The relationships between endorsee and guarantee are as follow:

- a. Subsidiary.
- b. Same parent company.

Note 4: In accordance with regulations, the credit lines jointly issued by the Company were disclosed.

(Concluded)

## YFY INC. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Inc.	<u>Ordinary shares</u>							
	SinoPac Holdings Co., Ltd.	Note 1	Available-for-sale financial assets - non-current	459,299,167	\$ 4,441,423	4.2	\$ 4,441,423	
	TaiGen Biopharmaceuticals Holdings Ltd.	Note 1	Available-for-sale financial assets - non-current	84,509,502	1,833,856	11.8	1,833,856	
	Boardtek Electronics Corporation	-	Available-for-sale financial assets - non-current	37,323,087	1,345,497	16.7	1,345,497	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets carried at cost - non-current	22,750,000	227,500	14.9	-	
	Canada Investment and Development Co., Ltd.	Note 1	Financial assets carried at cost - non-current	20,826,000	133,500	12.9	-	
	Synmax Biochemical Co., Ltd.	Note 1	Financial assets carried at cost - non-current	5,999,371	61,611	13.9	-	
	Universal Investment Co., Ltd.	Note 1	Financial assets carried at cost - non-current	5,562,000	50,000	2.9	-	
	Fu Hwa Development Enterprise Co., Ltd.	Note 1	Financial assets carried at cost - non-current	4,200,000	42,000	14.0	-	
	Taiwan Cultural-Creative Development Co., Ltd.	Note 1	Financial assets carried at cost - non-current	1,600,000	19,200	8.0	-	
	Sino Cell Technologies Ltd.	-	Financial assets carried at cost - non-current	995,313	9,962	10.0	-	
	Shin Taiwan Agricultural Machinery Co., Ltd.	Note 1	Financial assets carried at cost - non-current	5,612	5,612	5.5	-	
	China Trade and Development Corp.	-	Financial assets carried at cost - non-current	377,634	3,776	0.6	-	
	Taiwan Stock Exchange Corporation	-	Financial assets carried at cost - non-current	20,817,024	3,458	3.0	-	
	Yuen Foong Paper Co., Ltd.	-	Financial assets carried at cost - non-current	544,067	810	0.7	-	
	Lang Kuan Co., Ltd.	-	Financial assets carried at cost - non-current	665,000	-	9.5	-	
		<u>Subordinated bank debentures</u>						
	Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	Note 2	Debt investment with no active market - non-current	-	160,000	-	-	
	<u>Beneficiary certificates</u>							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	434,854	6,021	-	6,021	
YFY Paper Enterprise (Xiamen) Co., Ltd.	<u>Share certificates</u>							
	Xiamen Taiwanese Investment Association Management Company	-	Financial assets carried at cost - non-current	-	RMB 70 thousand	-	-	
YFY Global Investment BVI Corp.	<u>Ordinary shares</u>							
	SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	75,925,719	US\$ 24,671 thousand	0.7	US\$ 24,671 thousand	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shin Foong Specialty and Applied Materials Co	<u>Preference shares</u> Neutron Innovation (BVI) Ltd.	-	Financial assets carried at cost - non-current	1,692,250	US\$ 1,354 thousand	6.6	\$ -	
	Micareo Inc.	-	Financial assets carried at cost - non-current	8,124,999	US\$ 4,500 thousand	19.9	-	
	Omni-ID Corporation Inc.	-	Financial assets carried at cost - non-current	3,867,750	US\$ 3,928 thousand	5.5	-	
	<u>Beneficiary certificates</u> WI Harper INC Fund VII LP	-	Financial assets carried at cost - non-current	-	US\$ 174 thousand	0.2	-	
	<u>Ordinary shares</u> SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - non-current	21,461,905	207,537	0.2	207,537	
	Foongtone Technology Co., Ltd.	-	Financial assets carried at cost - non-current	2,622,196	11,784	11.8	-	
	Huashan Cultural-Creative Co., Ltd.	-	Financial assets carried at cost - non-current	3,200,000	21,694	6.2	-	
	<u>Beneficiary certificates</u> Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	339,593	5,001	-	5,001	
	<u>Ordinary shares</u> China Development Financial Holding Corporation	-	Available-for-sale financial assets - current	9,959,081	101,085	0.1	101,085	
	China Parcel Co., Ltd.	-	Financial assets carried at cost - non-current	463,917	5,804	10.8	-	
YFY Capital Co., Ltd.	<u>Ordinary shares</u> SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	28,481,679	275,418	0.3	275,418	
	Advance Materials Corporation Co., Ltd.	-	Financial assets carried at cost - non-current	1,713,620	9,631	1.3	-	
	Leadwell Machines Mfg. Corp.	-	Financial assets carried at cost - non-current	2,090,000	23,957	3.4	-	
YFY Venture Capital Investment Co., Ltd.	<u>Ordinary shares</u> SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss - current	10,809,002	104,523	0.1	104,523	
	SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	92,909,940	898,439	0.8	898,439	
	Medeon Biodesign, Inc.	-	Available-for-sale financial assets - current	185,000	15,429	0.4	15,429	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Available-for-sale financial assets - non-current	1,265,000	27,451	0.2	27,451	
	Quan Yuan Investment Co., Ltd.	Note 1	Financial assets carried at cost - non-current	7,000,000	70,000	5.5	-	
	Taiwan Global BioFund Co., Ltd.	Note 1	Financial assets carried at cost - non-current	5,600,000	69,384	4.7	-	
	Ever Terminal Co., Ltd.	-	Financial assets carried at cost - non-current	2,401,920	27,562	2.5	-	
	Echem Solutions Corp.	-	Financial assets carried at cost - non-current	1,419,369	20,625	2.9	-	
	Overseas Investment & Development Co., Ltd.	-	Financial assets carried at cost - non-current	1,000,000	9,960	1.1	-	
	Advance Materials Corporation Co., Ltd.	-	Financial assets carried at cost - non-current	1,113	11	-	-	
Hanmore Investment Corp.	-	Financial assets carried at cost - non-current	1,635,245	-	8.3	-		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Paradigm Investment Co., Ltd.	<u>Ordinary shares</u>							
	SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	111,002,769	\$ 1,073,397	1.0	\$ 1,073,397	
	Darfon Electronics Corp.	-	Available-for-sale financial assets - current	801,076	23,752	0.3	23,752	
	Well Shin Technology Co., Ltd.	-	Available-for-sale financial assets - current	233,954	13,523	0.2	13,523	
	Shen's Art Printing Co., Ltd.	Note 1	Available-for-sale financial assets - current	43,109	554	0.1	554	
	Medeon Biodesign, Inc.	-	Available-for-sale financial assets - current	108,000	9,007	0.2	9,007	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Available-for-sale financial assets - non-current	24,154,353	524,149	3.4	524,149	
	Canada Investment and Development Co., Ltd.	Note 1	Financial assets carried at cost - non-current	2,574,000	16,500	1.6	-	
	Locus Publishing Company	Note 1	Financial assets carried at cost - non-current	1,402,386	16,442	13.4	-	
	Huashan Cultural-Creative Co., Ltd.	-	Financial assets carried at cost - non-current	6,893,333	46,732	13.3	-	
	Sino Cell Technologies Ltd.	Note 1	Financial assets carried at cost - non-current	994,687	9,971	9.9	-	
	Foongtone Technology Co., Ltd.	-	Financial assets carried at cost - non-current	801,077	500	3.6	-	
Taiwan Stock Exchange Corporation	-	Financial assets carried at cost - non-current	1,440	50	-	-		
YFY Packaging Inc.	<u>Beneficiary certificates</u>							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	722,288	10,000	-	10,000	
Lotus Ecoscings & Engineering Co., Ltd.	<u>Ordinary shares</u>							
	SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	29,627,530	286,498	0.3	286,498	
	Boardtek Electronics Corporation	Note 1	Available-for-sale financial assets - current	2,335,530	84,196	1.0	84,196	
	Fu Hwa Development Enterprise Co., Ltd.	-	Financial assets carried at cost - non-current	1,050,000	26,750	3.5	-	
	Foongtone Technology Co., Ltd.	Note 1	Financial assets carried at cost - non-current	445,042	2,000	2.0	-	
Chung Hwa Pulp Corporation	<u>Beneficiary certificates</u>							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,588,964	22,000	-	22,000	
	<u>Ordinary shares</u>							
	SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	97,852,282	946,232	0.9	946,232	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Available-for-sale financial assets - non-current	15,315,356	332,343	2.1	332,343	
	NTU Innovation & Incubation Co., Ltd.	Note 1	Financial assets carried at cost - non-current	800,000	8,000	6.3	-	
	Groundhog Technologies Inc.	-	Financial assets carried at cost - non-current	275,000	3,902	1.0	-	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets carried at cost - non-current	22,750,000	227,500	14.9	-	
	<u>Subordinated bank debentures</u>							
	Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Debt investment with no active market - non-current	-	170,000	-	-	
Hwa Fong Investment Co., Ltd.	<u>Ordinary shares</u>							
	Caihui Technology Co., Ltd.	-	Financial assets carried at cost - non-current	150,000	-	0.2	-	
YFY Operating Management Consulting Co., Ltd.	<u>Beneficiary certificates</u>							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,482,876	131,295	-	131,295	

(Continued)



Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Yeon Technologies Co., Ltd.	<u>Beneficiary certificates</u> Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	270,849	\$ 4,080	-	\$ 4,080	
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	72,557	1,005	-	1,005	
Union Paper Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,640,171	22,709	-	22,709	
	<u>Subordinated bank debentures</u> Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Debt investment with no active market - non-current	-	20,000	-	-	
Eihoyo Shoji Co., Ltd.	<u>Ordinary shares</u> Beautone Japan Co., Ltd.	-	Financial assets carried at cost - non-current	440	JPY 37,400 thousand	36.7	-	
Effion Energetech Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	217,925	3,017	-	3,017	
	<u>Subordinated bank debentures</u> Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Debt investment with no active market - non-current	-	50,000	-	-	
Kuang Hwa Fertilizer Limited Company	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	528,767	7,321	-	7,321	
Cupid InfoTech Co., Ltd.	<u>Ordinary shares</u> SinoPac Holdings Co., Ltd.	-	Available-for-sale financial assets - current	7,309,253	70,680	0.1	70,680	
Sam Ying Enterprise Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	289,100	4,003	-	4,003	

Note 1: The investor is the member of the board of directors or supervisors.

Note 2: The investor is the member of investee's parent company of the board of directors.

(Concluded)

## YFY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Security	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments (Note 4)	Ending Balance		Note
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Number of Shares	Amount	
YFY Packaging Inc.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	(Note 1)	-	-	7,247,806	\$ 100,000	180,052,037	\$ 2,489,000	186,577,555	\$ 2,579,223	\$ 2,578,997	\$ 226	\$ (3)	722,288	\$ 10,000	-
	Yuanta Wan Tai Money Market Fund	(Note 1)	-	-	3,997,175	60,000	119,657,425	1,800,000	123,654,600	1,860,149	1,860,000	149	-	-	-	-
Chung Hwa Pulp Corporation	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	(Note 1)	-	-	942,220	13,000	78,390,763	1,083,000	77,744,019	1,074,036	1,074,000	36	-	1,588,964	22,000	-
	Mega International Baotou Money Market Fund		-	-	-	-	55,067,118	685,000	55,067,118	685,222	685,000	222	-	-	-	-
YFY Capital Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	(Note 1)	-	-	-	-	135,324,905	1,870,900	135,324,905	1,871,091	1,870,900	191	-	-	-	-
	Capital Money Market Fund	(Note 1)	-	-	-	-	31,191,626	500,000	31,191,626	500,016	500,000	16	-	-	-	-
YFY Global Investment BVI Corp.	<u>Exchangeable corporate bonds</u> Giant Crystal Universal Development Inc.				-	US\$ 8,988 thousand	-	-	-	US\$ 12,061 thousand	US\$ 12,061 thousand	-	US\$ 3,073 thousand	-	-	-
YFY Inc.	<u>Ordinary shares</u> YFY International BVI Corp.	(Note 2)	(Note 3)	-	550,098,758	19,495,301	30,000,000	905,442	-	-	-	-	(79,003)	580,098,758	20,321,740	Note 5
YFY International BVI Corp.	<u>Ordinary shares</u> YFY Cayman Co., Ltd.	(Note 1)	(Note 3)	Subsidiary	309,918,142	US\$ 376,906 thousand	30,000,000	US\$ 30,000 thousand	-	-	-	-	US\$ 47,485 thousand	339,918,142	US\$ 454,391 thousand	Note 5
YFY Cayman Co., Ltd.	<u>Ordinary shares</u> YFY International Labuan Co., Ltd.	(Note 1)	(Note 3)	Subsidiary	135,901,099	US\$ 186,860 thousand	30,000,000	US\$ 30,000 thousand	-	-	-	-	US\$ 21,184 thousand	165,901,099	US\$ 238,044 thousand	Note 5
YFY International Labuan Co., Ltd.	<u>Ordinary shares</u> YFY Packaging Inc.	(Note 1)	(Note 3)	Subsidiary	320,150,000	US\$ 174,044 thousand	90,000,000	US\$ 29,853 thousand	-	-	-	-	US\$ 20,807 thousand	410,150,000	US\$ 224,704 thousand	Note 5
YFY Packaging (BVI) Corp.	<u>Ordinary shares</u> YFY Mauritius Corp.	(Note 2)	(Note 3)	The ultimate parent of the Company	115,000,000	US\$ 68,471 thousand	30,000,000	US\$ 30,000 thousand	-	-	-	-	US\$ 16,094 thousand	145,000,000	US\$ 114,565 thousand	Note 5
YFY Mauritius Corp.	<u>Share certificates</u> YFY Packaging (Yangzhou) Investment Co., Ltd.	(Note 2)	(Note 3)	Subsidiary	-	US\$ 6,321 thousand	-	US\$ 30,000 thousand	-	-	-	-	US\$ (11,960) thousand	-	US\$ 24,361 thousand	Note 5
YFY Packaging (Yangzhou) Investment Co., Ltd.	<u>Share certificates</u> YFY Paper Mfg. (Yangzhou) Co., Ltd.	(Note 2)	(Note 3)	The ultimate parent of the Company	-	RMB 64,906 thousand	-	RMB 203,223 thousand	-	-	-	-	RMB (82,905) thousand	-	RMB 185,224 thousand	Note 5
Yuen Foong Yu Consumer Products Investment Limited	<u>Share certificates</u> YFY Investment Co., Ltd.	(Note 2)	(Note 3)	Subsidiary	-	US\$ 32,904 thousand	-	US\$ 20,000 thousand	-	-	-	-	US\$ 2,315 thousand	-	US\$ 55,219 thousand	Note 5

Note 1: Accounted for as financial assets at fair value through profit or loss - current.

Note 2: Accounted for as investments accounted for using the equity method.

Note 3: The Group's subscription of ordinary shares of investees is in cash.

(Continued)

Note 4: Includes the exchange differences on translating foreign operations, the share of other comprehensive income (loss) of associates and unrealized gains (loss) on available-for-sale financial assets.

Note 5: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

## YFY INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)	Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total		
YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 b.	Sales	\$ 5,589,983	62	In agreed terms	\$ -	-	\$ 2,759,016	87	\$ -	Note 2
	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 1 b.	Sales	584,346	6	In agreed terms	-	-	56,094	2	-	Note 2
	YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 1 b.	Sales	498,777	6	In agreed terms	-	-	40,616	1	-	Note 2
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Note 1 b.	Sales	397,043	4	In agreed terms	-	-	34,190	1	-	Note 2
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Note 1 b.	Sales	418,323	5	In agreed terms	-	-	61,700	2	-	Note 2
	YFY Paper Enterprise (Qingdao) Co., Ltd.	Note 1 b.	Sales	307,763	3	In agreed terms	-	-	24,353	1	-	Note 2
	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Note 1 b.	Sales	336,931	4	In agreed terms	-	-	29,918	1	-	Note 2
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Note 1 b.	Sales	218,535	2	In agreed terms	-	-	35,955	1	-	Note 2
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Note 1 b.	Sales	177,567	2	In agreed terms	-	-	25,796	1	-	Note 2
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 1 b.	Sales	174,555	2	In agreed terms	-	-	17,730	1	-	Note 2
	YFY Paper Enterprise (Fuzhou) Co., Ltd.	Note 1 b.	Sales	174,404	2	In agreed terms	-	-	12,510	-	-	Note 2
	YFY Paper Enterprise (Nanjing) Co., Ltd.	Note 1 b.	Sales	138,963	2	In agreed terms	-	-	18,456	1	-	Note 2
	YFY Packaging Inc.	Pek Crown Paper Co., Ltd.	Note 1 a.	Sales	622,851	7	3 months after transaction month	-	-	83,803	4	1,234
Chung Hwa Pulp Corporation		Note 1 b.	Sales	1,675,648	18	2 months after transaction month	-	-	320,716	16	(1,153)	Note 2
YFY Consumer Products Co., Ltd.		Note 1 b.	Sales	138,957	1	1 month after transaction month	-	-	50,972	3	-	Note 2
Chung Hwa Pulp Corporation	YFY Packaging Inc.	Note 1 b.	Sales	358,797	2	2 months after transaction month	-	-	98,021	3	-	Note 2
	YFY Capital Co., Ltd.	Note 1 b.	Sales	964,918	5	2 months after transaction month	-	-	48,976	2	-	Note 2
	YFY Consumer Products Co., Ltd.	Note 1 b.	Sales	791,937	4	2 months after transaction month	-	-	259,515	9	-	Note 2
	Shenzhen Systax Paper Co., Ltd.	Note 1 b.	Sales	891,435	4	5 months after transaction month	-	-	542,346	19	-	Note 2
	Union Paper Co., Ltd.	Note 1 b.	Sales	1,104,645	6	1 month after transaction month	-	-	61,114	2	(593)	Note 2
	China Color Printing Co., Ltd.	Note 1 b.	Sales	127,848	1	In agreed terms	-	-	22,962	1	(184)	Note 2
YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Note 1 a.	Sales	506,880	6	In agreed terms	-	-	66,976	4	-	Note 2
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Note 1 a.	Sales	1,778,565	22	In agreed terms	-	-	551,454	36	-	Note 2
	YFY Family Paper (Beijing) Co., Ltd.	Note 1 b.	Sales	146,674	2	In agreed terms	-	-	63,869	4	-	Note 2
	Guangdong Ding Feng Pulp & Paper Co., Ltd.	Note 1 b.	Sales	171,062	2	In agreed terms	-	-	36,418	2	-	Note 2
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	1,721,793	100	In agreed terms	-	-	149,765	56	969	Note 2
YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	671,850	100	In agreed terms	-	-	-	-	(1,717)	Note 2

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)	Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	\$ 1,779,255	77	In agreed terms	\$ -	-	\$ 232,833	70	\$ -	Note 2
	YFY Family Care (Kunshan) Co., Ltd.	Note 1 b.	Sales	483,435	21	In agreed terms	-	-	39,608	12	-	Note 2
YFY Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Note 1 a.	Sales	831,558	28	In agreed terms	-	-	145,974	9	(2,000)	Note 2
Guangdong Ding Feng Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	1,136,356	41	2 months after transaction month	-	-	177,814	41	-	Note 2
YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Enterprise (Shanghai) Co., Ltd.	Note 1 b.	Sales	362,598	4	In agreed terms	-	-	72,091	1	3,191	Note 2
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 1 b.	Sales	467,596	5	In agreed terms	-	-	25,296	1	3,558	Note 2
	YFY Paper Enterprise (Nanjing) Co., Ltd.	Note 1 b.	Sales	497,789	5	In agreed terms	-	-	42,659	1	2,739	Note 2
	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 1 b.	Sales	448,651	4	In agreed terms	-	-	29,341	1	5,017	Note 2
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Note 1 b.	Sales	272,760	3	In agreed terms	-	-	70,071	1	2,447	Note 2
	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Note 1 b.	Sales	235,039	2	In agreed terms	-	-	-	-	3,227	Note 2
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Note 1 b.	Sales	166,255	2	In agreed terms	-	-	12,398	-	1,634	Note 2
	YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 1 b.	Sales	145,242	1	In agreed terms	-	-	11,038	-	720	Note 2
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Note 1 b.	Sales	102,849	1	In agreed terms	-	-	4,243	-	169	Note 2
Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b.	Sales	356,673	12	4 months after transaction month	-	-	112,184	29	(5)	Note 2
Eihoyo Shoji Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b.	Sales	406,320	84	In agreed terms	-	-	-	-	-	Note 2
Ever Growing Agriculture Biotech Co., Ltd.	YFY Consumer Products Co., Ltd.	Note 1 b.	Sales	240,481	100	In agreed terms	-	-	93,433	100	(904)	Note 2
Union Paper Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b.	Sales	197,958	9	In agreed terms	-	-	16,924	6	-	Note 2
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Yeon Technologies (Yangzhou) Co., Ltd.	Note 1 b.	Sales	184,730	9	In agreed terms	-	-	51,588	13	-	Note 2
YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Enterprise (Kunshan) Co., Ltd.	Note 1 b.	Sales	281,443	42	In agreed terms	-	-	40,792	13	-	Note 2
Zhaoqing Ding Feng Forestry Ltd.	Guangdong Ding Feng Pulp & Paper Co., Ltd.	Note 1 b.	Sales	272,421	93	In agreed terms	-	-	219,708	100	6,508	Note 2

Note 1: The relationships are as follow:

- a. Subsidiary.
- b. Parent company or the same ultimate parent company.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

## YFY INC. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	\$ 149,765	5.95	\$ -	-	\$ 149,765	\$ -
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Same ultimate parent company	115,639	-	-	-	115,639	-
YFY Packaging Inc.	Chung Hwa Pulp Corporation	Same ultimate parent company	320,716	5.61	-	-	308,243	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	551,454	5.67	-	-	242,634	-
Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	Same ultimate parent company	112,184	2.60	-	-	57,420	-
YFY (Shanghai) Financial Services Co., Ltd.	YFY Firstpak Packaging (Yangzhou) Co., Ltd.	Same ultimate parent company	122,456	-	-	-	-	-
Chung Hwa Pulp Corporation	Shenzhen Systax Paper Co., Ltd.	Same ultimate parent company	542,346	1.82	-	-	142,309	-
	YFY Consumer Products Co., Ltd.	Same ultimate parent company	259,515	2.73	-	-	185,481	-
YFY International BVI Corp.	YFY Investment Co., Ltd.	Same ultimate parent company	585,066	-	-	-	227,479	-
YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Same ultimate parent company	2,759,016	3.06	-	-	209,507	-
Guangdong Ding Feng Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Same ultimate parent company	177,814	7.42	-	-	118,148	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	232,833	8.72	-	-	7,993	-
YFY Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	145,974	6.64	-	-	104,982	-
Zhaoqing Ding Feng Forestry Ltd.	Guangdong Ding Feng Pulp & Paper Co., Ltd.	Parent company	219,708	1.02	-	-	202,740	-

Note: In preparing the consolidated financial statements, the transaction has been eliminated.

## YFY INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
YFY Inc.	Chung Hwa Pulp Corporation	Hualien, Taiwan	Manufacture and sale of pulp.	\$ 5,715,988	\$ 5,715,988	627,827,088	56.90	\$ 8,984,769	\$ 618,582	\$ 352,927	Notes 1 and 4
	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale Thin-film transistor liquid crystal.	1,361,555	1,361,555	133,472,904	11.90	3,207,250	2,078,065	247,291	-
	YFY International BVI Corp.	British Virgin Islands	Investment and holding.	18,124,434	17,218,994	580,098,758	100.00	20,321,740	508,769	509,922	Notes 1 and 4
	YFY Global Investment BVI Corp.	British Virgin Islands	Investment and holding.	2,153,335	2,153,335	79,000,000	100.00	5,125,838	513,083	513,083	Notes 1 and 4
	YFY Consumer Products Co., Ltd.	Taipei, Taiwan	Sale and produce of paper, household cleansers, and related paper merchandise.	1,600,000	1,600,000	222,491,767	100.00	2,399,019	52,359	52,359	Notes 1 and 4
	Shin Foong Specialty and Applied Materials Co., Ltd.	Pingtung, Taiwan	Sale and production of SBR Latex.	73,020	73,398	51,914,248	49.80	1,555,126	345,096	182,213	Notes 1 and 4
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment.	310,125	516,875	31,012,500	23.00	627,275	(240,909)	(55,342)	-
	China Color Printing Co., Ltd.	Taipei, Taiwan	To print magazines, posters and books.	190,068	190,068	32,896,330	49.70	462,787	34,123	16,944	Notes 1 and 4
	YFY Venture Capital Investment Co., Ltd.	Taipei, Taiwan	Investment and holding.	200,000	200,000	52,893,600	100.00	830,210	73,365	73,365	Notes 1 and 4
	Effion Energetech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology.	343,000	343,000	34,300,000	49.00	316,882	(10,885)	(3,321)	Notes 1 and 4
	YFY Capital Co., Ltd.	Taipei, Taiwan	Paper and paper products, such as the trading business.	189,759	189,759	26,840,000	100.00	341,560	24,115	24,115	Notes 1 and 4
	YFY Operation Management Consulting Co., Ltd.	Taipei, Taiwan	Consulting management.	250,000	250,000	25,000,000	100.00	249,377	(1,406)	(1,406)	Notes 1 and 4
	Union Paper Co., Ltd.	Yunlin, Taiwan	Sale and manufacture of Kraft paper.	200,700	200,700	19,584,000	18.90	229,612	21,641	4,094	Notes 1 and 4
	YFY Paradigm Investment Co., Ltd.	Taipei, Taiwan	Investment and holding.	231,357	231,357	77,750,000	100.00	1,152,799	26,960	26,960	Notes 1 and 4
	San Ying Enterprise Co., Ltd.	Taipei, Taiwan	Design and construct water processing construction and environmental facilities.	100,003	100,003	12,600,000	100.00	126,781	3,222	3,222	Notes 1 and 4
	Lotus Ecoscings & Engineering Co., Ltd.	Taipei, Taiwan	Construction of sewage treatment plants and incinerators.	152,944	152,944	25,704,000	100.00	312,213	13,807	13,807	Notes 1 and 4
	Eihoyo Shoji Co., Ltd.	Japan	Trade of paper, chemical material and machinery.	2,099	2,099	200	100.00	81,799	2,732	2,732	Notes 1 and 4
	Yuen Yan Paper Container Co., Ltd.	Miaoli, Taiwan	Sale of corrugated paper and manufacture of material.	62,462	62,462	6,178,500	50.90	71,026	6,617	3,371	Notes 1 and 4
	Quan Hwa Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital.	-	27,331	-	-	-	(32,906)	(5,302)	-
	Cupid InfoTech Co., Ltd.	Taipei, Taiwan	1. To provide service in information software and information processing. 2. Wholesale of information software and electric appliance.	10,000	10,000	2,467,000	100.00	42,185	4,304	4,304	Notes 1 and 4
Taiwan Genome Sciences, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture, wholesale of chemical material. 3. Medicine test.	12,260	12,260	1,225,956	19.40	15,125	(9,464)	(1,832)	-	
YFY International BVI Corp.	YFY Cayman Co., Ltd.	Cayman Islands	Investment and holding.	US\$ 391,850 thousand	US\$ 361,850 thousand	339,918,142	100.00	US\$ 454,391 thousand	US\$ 19,354 thousand	US\$ 19,354 thousand	Notes 1 and 4
	Hwa Fong Paper (Hong Kong) Limited	Hong Kong, China	Sale and print of paper merchandise.	US\$ 13,520 thousand	US\$ 13,520 thousand	116,000,000	100.00	US\$ 3,017 thousand	US\$ 614 thousand	US\$ 614 thousand	Notes 1 and 4
	Systax Communication (H.K.) Limited	Hong Kong, China	Sale and print of paper merchandise.	US\$ 4,646 thousand	US\$ 4,646 thousand	20,500,000	100.00	-	US\$ 141 thousand	US\$ 141 thousand	Notes 1, 2 and 4
	YFY Biopulp Technology Limited	British Virgin Islands	Investment and holding.	US\$ 90 thousand	US\$ 90 thousand	90,000	60.00	-	US\$ (34) thousand	US\$ (20) thousand	Notes 1, 2 and 4
YFY Cayman Co., Ltd.	YFY International Labuan Co., Ltd.	Malaysia	Investment and holding.	US\$ 165,901 thousand	US\$ 135,901 thousand	165,901,099	100.00	US\$ 238,044 thousand	US\$ 16,083 thousand	US\$ 16,121 thousand	Notes 1 and 4
	YFY Mauritius Corp.	Mauritius	Investment and holding.	US\$ 157,502 thousand	US\$ 157,502 thousand	157,501,731	52.10	US\$ 124,443 thousand	US\$ 34,714 thousand	US\$ 19,133 thousand	Notes 1 and 4
	Willpower Industries Ltd.	British Virgin Islands	Investment and holding.	US\$ 10,898 thousand	US\$ 10,898 thousand	6,950,000	44.80	US\$ 23,948 thousand	US\$ 5,139 thousand	US\$ 2,304 thousand	-
	YFY Packaging Capital Corp.	British Virgin Islands	Investment and holding.	US\$ 200,000 thousand	US\$ 200,000 thousand	200,000,000	100.00	US\$ 199,440 thousand	US\$ 1,702 thousand	US\$ 1,702 thousand	Notes 1 and 4
YFY International Labuan Co., Ltd.	YFY Jupiter (BVI) Inc.	British Virgin Islands	Investment and holding.	US\$ 4,444 thousand	US\$ 4,444 thousand	4,571,427	38.45	US\$ 9,847 thousand	US\$ (5) thousand	US\$ (2) thousand	Notes 1 and 4
	YFY Packaging Inc.	Taipei, Taiwan	Production and sale of Kraft paper and corrugated paper.	US\$ 165,754 thousand	US\$ 135,901 thousand	410,150,000	100.00	US\$ 224,704 thousand	US\$ 16,036 thousand	US\$ 16,036 thousand	Notes 1 and 4
YFY Jupiter (BVI) Inc.	Mobius105 Ltd.	Hong Kong, China	Investment and holding.	HK\$ 10 thousand	HK\$ 10 thousand	10,000	100.00	US\$ 9,853 thousand	US\$ 2,464 thousand	US\$ 2,464 thousand	Notes 1 and 4
	YFY Jupiter Ltd.	Hong Kong, China	Design of packaging and sale of paper.	-	-	3	100.00	US\$ 5,524 thousand	US\$ (295) thousand	US\$ (295) thousand	Notes 1 and 4
	Jupiter Prestige Group Holdings Limited	United Kingdom	Investment and holding.	GBP 100 thousand	GBP 100 thousand	100,000	57.00	US\$ 2,970 thousand	US\$ 1,978 thousand	US\$ 1,059 thousand	Notes 1 and 4

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
	Mobius105 (HK) Ltd.	Hong Kong, China	Design of packaging and sale of paper.	\$ -	HK\$ 10 thousand	-	-	\$ -	\$ -	\$ -	Notes 1, 3 and 4
	YFY Jupiter US, Inc.	USA	Design of packaging and sale of paper.	US\$ 1 thousand	US\$ 1 thousand	100,000	100.00	-	US\$ (2,874) thousand	US\$ (2,874) thousand	Notes 1, 2 and 4
	YFY Jupiter Malaysia Sdn. Bhd.	Malaysia	Design of packaging and sale of paper.	-	-	99	99.00	-	US\$ (3) thousand	US\$ (3) thousand	Notes 1, 2 and 4
	YFY Jupiter Singapore Pte. Ltd.	Singapore	Design of packaging and sale of paper.	-	-	-	-	-	-	-	Notes 1, 3 and 4
YFY Jupiter US, Inc.	Innovativ Packaging Worldwide, LLC	USA	Design of packaging and sale of paper.	-	-	100,000	100.00	-	US\$ (1,374) thousand	US\$ (1,304) thousand	Notes 1, 2 and 4
	YFY Jupiter Mexico, S. de R.L.	Mexico	Design of packaging and sale of paper.	-	-	1	1.00	-	-	-	Note 4
	Spectiv Brands, LLC	USA	Trading business.	-	-	-	100.00	-	US\$ (355) thousand	US\$ (355) thousand	Notes 1 and 4
Mobius105 Ltd.	GST Packaging Ltd.	Hong Kong, China	Trading business.	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 123 thousand	US\$ 20 thousand	US\$ 7 thousand	-
	YJY Packaging Ltd.	Hong Kong, China	Trading business.	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 176 thousand	US\$ 58 thousand	US\$ 20 thousand	-
	JLD Logistics Ltd.	Hong Kong, China	Trading business.	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 48 thousand	US\$ 77 thousand	US\$ 27 thousand	-
	YFY Jupiter Malaysia Sdn. Bhd.	Malaysia	Design of packaging and sale of paper.	-	-	1	1.00	-	US\$ (3) thousand	-	Notes 2 and 4
	YFY Jupiter Mexico, S. de R.L.	Mexico	Design of packaging and sale of paper.	PHP 3 thousand	PHP 3 thousand	99	99.00	-	-	-	Notes 1 and 4
Jupiter Prestige Group Holdings Limited	Rimagine Limited	Hong Kong, China	Investment and holding.	-	-	-	-	-	US\$ 73 thousand	US\$ 73 thousand	Notes 1, 3 and 4
	Jupiter Prestige Group Europe Limited	United Kingdom	Graphic design.	GBP 30 thousand	GBP 30 thousand	30,000	100.00	US\$ 4,749 thousand	US\$ 776 thousand	US\$ 776 thousand	Notes 1 and 4
	Jupiter Prestige Group North America Inc.	USA	Design of packaging and sale of paper.	US\$ 1 thousand	US\$ 1 thousand	100,000	100.00	US\$ 902 thousand	US\$ 248 thousand	US\$ 248 thousand	Notes 1 and 4
	Jupiter Prestige Group Australia Pty Ltd.	Australia	Graphic design.	-	-	100	100.00	-	US\$ 29 thousand	US\$ 29 thousand	Notes 1, 2 and 4
	Opal BPM Limited	United Kingdom	Design of process system and assistance of graphic design.	GBP 1 thousand	GBP 1 thousand	1,000	82.50	US\$ 777 thousand	US\$ 688 thousand	US\$ 568 thousand	Notes 1 and 4
	Foster and Balyis (Prestige) Limited	United Kingdom	Graphic design.	-	-	300	33.30	US\$ 419 thousand	US\$ 186 thousand	US\$ 62 thousand	-
Rimagine Limited	Rimagine Group Limited	British Virgin Islands	Trading business.	-	-	-	-	-	US\$ 34 thousand	US\$ 34 thousand	Notes 1, 3 and 4
Jupiter Prestige Group Europe Limited	Jupiter Prestige Group Asia Ltd.	Hong Kong, China	Graphic design.	-	-	100	100.00	US\$ 2,325 thousand	US\$ 407 thousand	US\$ 407 thousand	Notes 1 and 4
Opal BPM Limited	Opal BPM India Private Limited	India	Workflow system coding.	INR 100 thousand	INR 100 thousand	1,000	100.00	US\$ 33 thousand	US\$ (20) thousand	US\$ (20) thousand	Notes 1 and 4
	Opal BPM Consulting Limited	United Kingdom	Workflow system coding.	GBP 1 thousand	-	1,000	100.00	US\$ 1 thousand	-	-	Notes 1 and 4
YFY Packaging Inc.	YFY Packaging (BVI) Corp.	British Virgin Islands	Investment and holding.	4,819,148	4,819,148	150,050,000	100.00	3,597,225	480,412	480,412	Notes 1 and 4
	Pek Crown Paper Co., Ltd.	Taichung, Taiwan	Sale and manufacture of paper container.	234,666	234,666	20,027,557	66.80	301,292	59,901	41,828	Notes 1 and 4
YFY Packaging (BVI) Corp.	YFY Mauritius Corp.	Mauritius	Investment and holding.	US\$ 145,000 thousand	US\$ 115,000 thousand	145,000,000	47.90	US\$ 114,565 thousand	US\$ 34,714 thousand	US\$ 15,581 thousand	Note 4
YFY Global Investment BVI Corp.	YFY RFID Co., Ltd.	Hong Kong, China	Investment and holding.	US\$ 25,600 thousand	US\$ 25,600 thousand	25,600,000	100.00	US\$ 76,763 thousand	US\$ 14,941 thousand	US\$ 14,941 thousand	Notes 1 and 4
	YFY Jupiter (BVI) Inc.	British Virgin Islands	Investment and holding.	US\$ 4,056 thousand	US\$ 4,056 thousand	4,571,428	38.45	US\$ 10,139 thousand	US\$ (5) thousand	US\$ (2) thousand	Notes 1 and 4
	YFY RFID Technologies Co., Ltd.	British Virgin Islands	Investment and holding.	US\$ 5,330 thousand	US\$ 5,330 thousand	5,330,000	100.00	-	US\$ 3 thousand	US\$ 3 thousand	Notes 1, 2 and 4
YFY RFID Technologies Co., Ltd.	Yeon Technologies Co., Ltd.	Taipei, Taiwan	Sale and design RFID products.	US\$ 2,035 thousand	US\$ 2,035 thousand	6,000,001	100.00	-	US\$ 4 thousand	US\$ 4 thousand	Notes 1, 2 and 4
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Hong Kong, China	Trading business.	US\$ 1,000 thousand	-	1,000,000	100.00	RMB 6,599 thousand	RMB (8) thousand	RMB (8) thousand	Notes 1 and 4

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	%	Carrying Amount			
YFY Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment and holding.	\$ 3,543,004	\$ 3,543,004	150,013,000	100.00	\$ 2,595,694	\$ (65,077)	\$ (65,077)	Notes 1 and 4
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Agricultural services, wholesale and manufacturing of fertilizers and other cleaning supplies wholesale.	107,595	107,595	16,569,513	85.00	210,709	21,904	19,531	Notes 1 and 4
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	Sale of paper.	25,000	25,000	2,500,000	50.00	3,912	6,823	5,412	Notes 1 and 4
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong, China	Sale of paper.	-	-	-	100.00	-	-	-	Notes 1 and 4
YFY Capital Co., Ltd.	Chung Hwa Pulp Corporation E Ink Holdings Inc.	Hualien, Taiwan	Manufacture and sale of pulp.	16,809	16,809	1,181,633	0.10	16,803	618,582	663	Note 4
		Hsinchu, Taiwan	To research, develop, produce and sale Thin-film transistor liquid crystal.	15,672	15,672	267,000	-	16,632	2,078,065	495	-
YFY Venture Capital Investment Co., Ltd.	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale Thin-film transistor liquid crystal.	412,244	412,244	23,059,296	2.10	598,503	2,078,065	42,723	-
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment.	53,130	88,550	5,313,000	3.90	107,465	(240,909)	(9,482)	-
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology.	7,000	7,000	700,000	1.00	6,792	(10,885)	(109)	Note 4
	Taiwan Genome Sciences, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture, wholesale of chemical material. 3. Medicine test.	1,660	1,660	165,972	2.60	2,048	(9,464)	(248)	-
YFY Paradigm Investment Co., Ltd.	Chung Hwa Pulp Corporation	Hualien, Taiwan	Manufacture and sale of pulp.	-	92,034	-	-	-	618,582	527	Note 4
	Union Paper Co., Ltd.	Yunlin, Taiwan	Investment and holding.	46,447	46,447	4,283,232	4.10	50,219	21,641	895	Note 4
	YFY Biotech Management Company	Taipei, Taiwan	To provide service in consultation and business management.	10,000	10,000	3,570,000	100.00	54,625	11,372	11,372	Notes 1 and 4
	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale Thin-film transistor liquid crystal.	296,300	296,300	6,094,000	0.50	301,409	2,078,065	11,291	-
	Chung Hwa Pulp Corporation	Hualien, Taiwan	Manufacture and sale of pulp.	77,666	77,666	7,635,485	0.70	108,630	618,582	4,283	Note 4
	Yuen Foong Shop Co., Ltd. Liverbricks Inc.	Taipei, Taiwan Taipei, Taiwan	Sale of paper. Information processing services.	25,000 77,000	25,000 77,000	2,500,000 7,700,002	50.00 100.00	5,924 -	6,823 2,889	3,412 2,889	4,283 2,889
Lotus Ecoscings & Engineering Co., Ltd.	Taiwan Genome Sciences, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture, wholesale of chemical material. 3. Medicine test.	450	450	43,408	0.70	535	(9,464)	(65)	-
	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale Thin-film transistor liquid crystal.	73,961	73,961	1,778,000	0.20	77,647	2,078,065	3,294	-
	Yuen Yan Paper Container Co., Ltd.	Miaoli, Taiwan	Sale of corrugated paper and manufacture of material.	107	107	9,000	0.07	103	6,617	5	Note 4
	Pek Crown Paper Co., Ltd.	Taichung, Taiwan	Sale and manufacture of paper container.	141	141	10,000	0.03	150	59,901	20	Note 4
	Chung Hwa Pulp Corporation	Hualien, Taiwan	Manufacture and sale of pulp.	1,226	1,226	117,247	0.01	1,663	618,582	66	Note 4
Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	British Virgin Islands	Investment and holding.	1,747,085	1,747,085	61,039,956	100.00	5,260,879	184,693	184,693	Notes 1 and 4
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology.	343,000	343,000	34,300,000	49.00	332,813	(10,885)	(5,334)	Note 4
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment.	60,000	100,000	6,000,000	4.40	130,808	(240,909)	(10,707)	-
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding.	36,000	36,000	3,600,000	100.00	49,099	5,767	5,767	Notes 1 and 4
	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale thin-film transistor liquid crystal display.	329,000	329,000	20,000,000	1.80	385,397	2,078,065	37,055	-
Hwa Fong Investment Co., Ltd.	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology.	7,000	7,000	700,000	1.00	6,792	(10,885)	(108)	Note 4
	Kuang Hwa Fertilizer Limited Company	Hualien, Taiwan	To produce fertilizer.	5,000	5,000	-	100.00	12,602	5,873	5,873	Notes 1 and 4
Effion Enertech Co., Ltd.	YFY Capital Holdings Corp.	British Virgin Islands	Investment and holding.	243,625	243,625	8,060	100.00	300,315	4,894	4,894	Notes 1 and 4
	YFY Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of seeds, oil and agricultural products.	36,000	36,000	3,600,000	36.00	-	(89,406)	(10,685)	-

Note 1: Subsidiary.

Note 2: The amount was recognized as a deduction from investments accounted for using the equity method and accounted for as other liabilities.

Note 3: YFY Jupiter Singapore Pte. Ltd. and Mobius105 (HK) Ltd. were liquidated and dissolved in June and September 2017, respectively; Rimage Limited and its subsidiaries were not included in consolidated entity in October 2017, and the share of profit or loss and other comprehensive income of the investee were recognized until September 2017.

Note 4: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

## YFY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

## 1. Informational on investments in mainland China

Investee Company (Note 7)	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 4)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	\$ 148,800 (US\$ 5,000 thousand)	a.(a)	\$ 44,640 (US\$ 1,500 thousand)	\$ -	\$ -	\$ 44,640 (US\$ 1,500 thousand)	\$ (3,337)	100.0	\$ (3,337) (Note 2)	\$ -	\$ -
YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	327,360 (US\$ 11,000 thousand)	a.(a)	208,320 (US\$ 7,000 thousand)	-	-	208,320 (US\$ 7,000 thousand)	31,579	100.0	31,579 (Note 2)	482,228	-
YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	208,320 (US\$ 7,000 thousand)	a.(a)	208,320 (US\$ 7,000 thousand)	-	-	208,320 (US\$ 7,000 thousand)	44,356	100.0	44,356 (Note 2)	159,968	-
YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	238,080 (US\$ 8,000 thousand)	a.(a)	238,080 (US\$ 8,000 thousand)	-	-	238,080 (US\$ 8,000 thousand)	80,496	100.0	80,496 (Note 2)	677,572	-
YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	178,560 (US\$ 6,000 thousand)	a.(a)	59,520 (US\$ 2,000 thousand)	-	-	59,520 (US\$ 2,000 thousand)	68,488	100.0	68,488 (Note 2)	368,210	-
YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	238,080 (US\$ 8,000 thousand)	a.(a)	241,443 (US\$ 8,113 thousand)	-	-	241,443 (US\$ 8,113 thousand)	80,889	100.0	80,889 (Note 2)	207,162	-
YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	238,080 (US\$ 8,000 thousand)	a.(a)	238,080 (US\$ 8,000 thousand)	-	-	238,080 (US\$ 8,000 thousand)	71,416	100.0	71,416 (Note 2)	832,861	-
YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	296,380 (US\$ 9,959 thousand)	a.(a)	267,840 (US\$ 9,000 thousand)	-	-	267,840 (US\$ 9,000 thousand)	99,409	90.0	89,468 (Note 2)	265,957	-
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	282,720 (US\$ 9,500 thousand)	a.(a)	223,200 (US\$ 7,500 thousand)	-	-	223,200 (US\$ 7,500 thousand)	136,176	93.8	127,665 (Note 2)	526,631	-
YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	193,440 (US\$ 6,500 thousand)	a.(a)	193,440 (US\$ 6,500 thousand)	-	-	193,440 (US\$ 6,500 thousand)	24,966	100.0	24,966 (Note 2)	-	-
YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	178,560 (US\$ 6,000 thousand)	a.(a)	142,848 (US\$ 4,800 thousand)	-	-	142,848 (US\$ 4,800 thousand)	97,199	100.0	97,199 (Note 2)	808,155	-

(Continued)

Investee Company (Note 7)	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 4)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	\$ 148,800 (US\$ 5,000 thousand)	a.(a)	\$ 148,800 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 148,800 (US\$ 5,000 thousand)	\$ 42,287	100.0	\$ 42,287 (Note 2)	\$ 149,368	\$ -
YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding and paper trading.	1,985,200 (US\$ 66,707 thousand)	a.(a)	1,101,120 (US\$ 37,000 thousand)	892,800 (US\$ 30,000 thousand)	-	1,993,920 (US\$ 67,000 thousand)	50,803	100.0	50,803 (Note 2)	724,977	-
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Production and sale of paper and cardboard.	6,686,923 (US\$ 224,695 thousand)	a.(b)	5,803,200 (US\$ 195,000 thousand)	892,800 (US\$ 30,000 thousand)	-	6,696,000 (US\$ 225,000 thousand)	344,298	100.0	344,298 (Note 2)	2,842,101	-
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and cardboard cases.	443,424 (US\$ 14,900 thousand)	a.(c)	416,819 (US\$ 14,006 thousand)	-	-	416,819 (US\$ 14,006 thousand)	(23,399)	94.0	(21,995) (Note 2)	-	-
YFY Firstpak Packaging (YangZhou) Co., Ltd.	General trade.	127,526 (RMB 28,000 thousand)	a.(d)	-	-	-	-	(4,669)	70.0	(3,268) (Note 2)	1,705	-
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Development the technology of agricultural resource recycling.	238,080 (US\$ 8,000 thousand)	a.(c)	238,080 (US\$ 8,000 thousand)	-	-	238,080 (US\$ 8,000 thousand)	(17,863)	100.0	(17,863) (Note 2)	122,454	-
YFY Bio Technology (Yangzhou) Co., Ltd.	Manufacture, sale and print of cardboard.	13,663 (RMB 3,000 thousand)	a.(d)	-	-	-	-	(4,081)	49.5	(2,020) (Note 2)	2,693	-
Shenzhen Systax Paper Co., Ltd.	Sale of paper merchandise and import/export business.	14,574 (RMB 3,200 thousand)	a.(e)	-	-	-	-	18,738	100.0	18,738 (Note 2)	86,069	-
Kunshan YFY Advertising and Printing Co., Ltd.	To design, produce and act as agent releasing various domestic advertising and printing plate cum.	89,280 (US\$ 3,000 thousand)	a.(f)	-	-	-	-	(12,309)	100.0	(12,309) (Note 2)	-	-
Shanghai YFY Advertising and Printing Co., Ltd.	Prepress publications, publications printing, packaging printing, other printing, business card printing, and sale of paper and printing equipment.	9,109 (RMB 2,000 thousand)	a.(g)	-	-	-	-	(874)	51.0	(446) (Note 2)	136	-
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Sale and design RFID products.	783,164 (US\$ 26,316 thousand)	a.(h)	755,666 (US\$ 25,392 thousand)	-	-	755,666 (US\$ 25,392 thousand)	454,653	95.0	454,653 (Note 2)	2,278,495	-
Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design RFID products.	36,436 (RMB 8,000 thousand)	a.(i)	-	-	-	-	(625)	95.0	(594) (Note 2)	48,398	-
YFY Jupiter (Shenzhen) Ltd.	Design and sale of paper.	4,166 (US\$ 140 thousand)	a.(j)	-	-	-	-	69,181	76.9	53,197 (Note 2)	202,612	-

(Continued)

Investee Company (Note 7)	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 4)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper.	\$ 9,109 (RMB 2,000 thousand)	a.(k)	\$ -	\$ -	\$ -	\$ -	\$ 38,323	76.9	\$ 29,468 (Note 2)	\$ 74,750	\$ -
YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper.	-	a.(k)	-	-	-	-	25,257	76.9	19,422 (Note 2)	49,294	-
Chengdu JieLianDa Warehousing Co., Ltd.	Trading business.	6,832 (RMB 1,500 thousand)	a.(k)	-	-	-	-	1,237	26.9	333 (Note 6)	2,041	-
ChengDu JingShiTong Packing Co., Ltd.	Trading business.	9,109 (RMB 2,000 thousand)	a.(k)	-	-	-	-	(1,852)	26.9	(498) (Note 6)	-	-
ChengDu YongJunYu Environmental Protection Packing Co., Ltd.	Trading business.	9,109 (RMB 2,000 thousand)	a.(k)	-	-	-	-	2,108	26.9	567 (Note 6)	2,124	-
Rimagine Design (Shanghai) Co., Ltd.	Photography.	11,382 (EUR 320 thousand)	a.(l)	-	-	-	-	2,919	43.8	1,279 (Note 8)	-	-
YFY Investment Co., Ltd.	Investment and holding and sale of paper.	3,422,400 (US\$ 115,000 thousand)	a.(m)	2,827,200 (US\$ 95,000 thousand)	595,200 (US\$ 20,000 thousand)	-	3,422,400 (US\$ 115,000 thousand)	(73,185)	100.0	(73,185) (Note 2)	2,536,114	-
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkin.	892,800 (US\$ 30,000 thousand)	a.(n)	892,800 (US\$ 30,000 thousand)	-	-	892,800 (US\$ 30,000 thousand)	(7,976)	100.0	(7,976) (Note 2)	456,938	-
YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkin.	1,041,600 (US\$ 35,000 thousand)	a.(n)	1,041,600 (US\$ 35,000 thousand)	-	-	1,041,600 (US\$ 35,000 thousand)	(382)	100.0	(382) (Note 2)	486,619	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkin.	892,800 (US\$ 30,000 thousand)	a.(n)	892,800 (US\$ 30,000 thousand)	-	-	892,800 (US\$ 30,000 thousand)	52,545	100.0	52,545 (Note 2)	1,002,167	-
Shanghai YFY International Trade Co., Ltd.	Trading business.	4,554 (RMB 1,000 thousand)	b.(a)	4,554 (RMB 1,000 thousand)	-	-	4,554 (RMB 1,000 thousand)	(187)	100.0	(187) (Note 2)	-	-
Guangdong Ding Feng Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business.	2,548,349 (US\$ 85,630 thousand)	a.(o)	654,720 (US\$ 22,000 thousand)	-	-	654,720 (US\$ 22,000 thousand)	255,437	74.6	190,666 (Note 2)	3,735,595	-
Zhaoqing Ding Feng Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	651,149 (US\$ 21,880 thousand)	a.(p)	219,629 (US\$ 7,380 thousand)	-	-	219,629 (US\$ 7,380 thousand)	40,455	74.6	30,197 (Note 2)	2,238,834	-
YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform.	227,725 (RMB 50,000 thousand)	a.(q)	227,725 (RMB 50,000 thousand)	-	-	227,725 (RMB 50,000 thousand)	4,893	78.9	3,859 (Note 2)	236,645	-

(Continued)

Investee Company (Note 7)	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 4)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Kunshan Actview Carbon Technology Co., Ltd.	Research and development, manufacture, and sale of activated carbon and related products.	\$ 37,498 (US\$ 1,260 thousand)	b.(b)	\$ 24,879 (US\$ 836 thousand)	\$ -	\$ -	\$ 24,879 (US\$ 836 thousand)	\$ 2,866	66.4	\$ 1,902 (Note 2)	\$ 29,043	\$ -

Accumulated Investment in Mainland China as of December 31, 2017 (Notes 1 and 5)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$16,660,663	\$20,006,494	\$35,294,520

Note 1: Except for investment gain or loss which use exchange rates of US\$1=NT\$30.4315 or RMB1=NT\$4.505255 or EUR1=NT\$34.3525, the exchange rates are US\$1=NT\$29.76 or RMB1=NT\$4.554498 or EUR1=NT\$35.57 as of December 31, 2017.

Note 2: Recognized from financial statements audited by the auditors for the same years.

Note 3: Difference between the amount of the paid-in capital multiplied by percentage of ownership and the cumulative amount of investment export from Taiwan in the end of year: Guangdong Ding Feng Pulp & Paper Co., Ltd. and YFY Paper Enterprise (Guangzhou) Co., Ltd. are capitalization of retained earnings; YFY Paper Enterprise (Zhongshan) Co., Ltd., YFY Paper Enterprise (Kunshan) Co., Ltd., YFY Paper Enterprise (Dongguan) Co., Ltd. and YFY Paper Enterprise (Fuzhou) Co., Ltd. are subsidiaries reinvested earnings from China. YFY Jupiter (Shenzhen) Ltd. is indirect acquired due to the acquirement of YFY Jupiter (BVI) Inc.

Note 4: Methods of investment and the related investors are as follow:

a. Investment in mainland China through companies set up in another company. The related investees are as follow:

(a) YFY Mauritius Corp. (b) YFY Maruitius Corp. and YFY Packaging (Yangzhou) Investment Co., Ltd. (c) YFY International BVI Corp. (d) Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd. (e) Hwa Fong Paper (Hong Kong) Limited (f) YFY Paper Enterprise (Xiamen) Co., Ltd. and YFY Paper Enterprise (Guangzhou) Co., Ltd. (g) Kunshan YFY Advertising and Printing Co., Ltd. (h) YFY RFID Co., Ltd. (i) Arizon RFID Technologies (Yangzhou) Co., Ltd. (j) Mobius105 Ltd. (k) YFY Jupiter (Shenzhen) Ltd. (l) Rimage Limited (m) Yuen Foong Yu Consumer Products Co., Ltd. (n) YFY investment Co., Ltd. (o) YFY International BVI Corp. and CHP International (BVI) Corporation (p) YFY International BVI Corp., CHP International (BVI) Corporation and Guangdong Ding Feng Pulp & Paper Co., Ltd. (q) YFY Capital Holdings Corp.

b. Direct investment in mainland China and the investor is San Ying Enterprise Co., Ltd.

(a) Yuen Foong Shop Co., Ltd. (b) San Ying Enterprise Co., Ltd.

Note 5: In calculating the accumulated outward remittance for investment, the reinvestment amount of \$3,035,460 thousand made by investor of mainland China has been deducted.

Note 6: Recognized from financial statements that have not been audited.

Note 7: Except for YFY Bio Technology (Yangzhou) Co., Ltd., Chengdu JieLianDa Warehousing Co., Ltd., ChengDu JingShiTong Packing Co., Ltd. and ChengDu YongJunYu Environmental Protection Packing Co., Ltd. investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments have been eliminated in preparing the consolidated financial statements.

Note 8: The Group lost control due to reduced ownership interest and excluded the investee starting in October 2017. The share of profit or loss and other comprehensive income of the investee were recognized until September 2017.

2. Investment in mainland China's significant transaction events that occur directly or indirectly through companies set up in another country are referred to in Tables 2, 3, 6 and 7.

(Concluded)

## YFY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details (Note)				
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets	
1	YFY Packaging Inc.	Pek Crown Paper Co., Ltd. Chung Hwa Pulp Corporation	Subsidiary	Sales	\$ 622,851	By market price	0.9	
			The same ultimate parent company	Sales	1,675,648	By market price	2.5	
		YFY Consumer Products Co., Ltd.	The same ultimate parent company	Accounts receivable	320,716	2 months after transaction month	0.3	
			The same ultimate parent company	Sales	138,957	By market price	0.2	
2	Chung Hwa Pulp Corporation	YFY Capital Co., Ltd. Shenzhen Systax Paper Co., Ltd.	The same ultimate parent company	Sales	964,918	By market price	1.4	
			The same ultimate parent company	Sales	891,435	By market price	1.3	
		YFY Consumer Products Co., Ltd.	The same ultimate parent company	Accounts receivable	542,346	5 months after transaction month	0.5	
			The same ultimate parent company	Sales	791,937	By market price	1.2	
			The same ultimate parent company	Accounts receivable	259,515	2 months after transaction month	0.2	
		Union Paper Co., Ltd. YFY Packaging Inc.	The same ultimate parent company	Sales	1,104,645	By market price	1.7	
			The same ultimate parent company	Sales	358,797	By market price	0.5	
China Color Printing Co., Ltd.	The same ultimate parent company	Sales	127,848	By market price	0.2			
3	Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	356,673	By market price	0.5	
				Accounts receivable	112,184	4 months after transaction month	0.1	
4	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	1,721,793	By market price	2.6	
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	The same ultimate parent company	Accounts receivable	149,765	In agreed terms	0.1	
Accounts receivable	115,639			In agreed terms	0.1			
5	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd. Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales	506,880	By market price	0.8	
			Subsidiary	Sales	1,778,565	By market price	2.7	
		YFY Family Paper (Beijing) Co., Ltd. Guangdong Ding Feng Pulp & Paper Co., Ltd.	The same ultimate parent company	Accounts receivable	551,454	In agreed terms	0.5	
				Subsidiary	Sales	146,674	By market price	0.2
				Sales	171,062	By market price	0.3	
6	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	1,779,255	By market price	2.7	
				Accounts receivable	232,833	In agreed terms	0.2	
		YFY Family Care (Kunshan) Co., Ltd.	The same ultimate parent company	Sales	483,435	By market price	0.7	
7	YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	671,850	By market price	1.0	
8	YFY (Shanghai) Financial Services Co., Ltd.	YFY Firstpak Packaging (Yangzhou) Co., Ltd.	The same ultimate parent company	Accounts receivable	122,456	In agreed terms	0.1	

(Continued)

