

YFY INC. 2018 Annual Report



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TWSE Website: <http://mops.twse.com.tw>
Company Website: <http://www.yfy.com>

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Letter to Shareholders

Ladies and Gentlemen, YFY Stockholders,

2018 was a challenging year for YFY. One of the prime reasons, retrospectively, was the amendment of Mainland China environmental policy, which provoked the restraint on the circulation quota of regenerative raw materials in various Asian regions, and eventually disarrayed the global supply chain. What is more, the China-US trade war had formally come to fore mid-year, resulting in tremendous impact on global economy and trade. Taiwan certainly cannot stay out of the afore-mentioned overall economic chaos, yet apart from this, domestic natural disasters like earthquake and torrential rain also took their toll. By the same token, the deepening multiform ideological conflicts had in all aspects exacerbated the economic momentum of Taiwan as well.

As for the primary economies in the world, the deceleration of economic growth had been evident in regions like Europe, Japan, and Mainland China, the only acceleration came about in the United States. The strong confrontational main theme of the Trump Administration had echoed all over the world, hence global politics and economy had passed into a new epoch of opposition. Mainland China had borne the brunt of China-US trade war—the immediate and considerable impacts are trade sanctions and economic obstructions—and Asian regions that kept perennial strong economic connections with China also got caught in the crossfire inevitably. Taiwan showed mediocre growth at a modest rate of 2.6% while global economic growth of 2018 reached around 3.9%. Though maintained an up-to-par rate of 6.6%, the growth of Mainland China hit a record low in past 28 years.

Facing the pincer envelopment of both the turmoil of capital market and the slump of global economy, YFY persisted in our cumulative and steadfast investment strategy. Leveraging strengths from our portfolio, YFY Inc. dispatched and distributed our resources, adapted to the circumstances and coped with contingency in order to render prompt and effective assistance to our portfolio of businesses. Specific actions are summarized below :

- “Integrity” has been the enterprise value of YFY since our founding, and “sustainability” the purpose we labored to preserve. From Day 1, we are dedicated to excellence in corporate governance, and devoted ourselves unreservedly to social welfare and philanthropy for social reciprocation. “Integrity, Governance, Environment, Society” are our four prime directives. In 2018, YFY Board approved “Corporate Governance Principles”, “Ethical Corporate Management Principles” and “Sustainability & Corporate Social Responsibility Principles” These three “Principles” stipulated the afore-said four directives in explicit terms and articles, so that the corporation received standardized norms to conform to, ab intra and ab extra.
- Packaging Business Group brought online Xinwu No. 3 paper machine and the No. 2 Cogeneration plant, both commenced full operation in 2018. More importantly, our gas emission and effluent discharge have

secured a standard of excellence, well below the limits of statutory regulatory environmental standards. These new investment allowed us to improve performance for our Taiwan packaging business, while minimizing our environmental footprint.

- In June, we acquired additional shares in our South Veitnam joint venture, thus incorporating four additional box plants in Vietnam into our consolidated financials. Late in the year, we commenced pilot run of our North Vietnam packaging plants, further strengthening YFY’s market-leading position in Vietnam packaging market.
- Pulp and Fine Paper Business Group enjoyed market demand growth during the first half of the year, with YoY revenue growth of 4.9%.
- In the Consumer Products Business Group, we continued to optimize our product portfolio. In Taiwan, we focused on high value-added products; on Mainland China, we changed our selling and marketing tactics, with YoY revenue growth of 6.5%.
- Shin Foong Specialty and Applied Materials Co. benefited from flourishing demand of customer plant expansion, YoY revenue growth reached 24.1%. Arizon RFID Technology (Yangzhou) Co. Ltd. grew 3.9% YoY as customer demands in apparel, logistics, and supply chain management continued to be robust.
- 2018 was a year of drastic currency fluctuation. Throughout this volatility, YFY assisted portfolio businesses to hedge their currency exposure, controlled hedging cost, and dynamically adjusted hedging ratio as required. As a consequence, we minimized the impact of currency fluctuation to YFY operations.
- We began installation of solar power generation across seven plants on both sides of the Strait, with capacity totaling 12 Megawatts. This capacity is enough to power 3,400 households annually, and the combined carbon sequestration is equivalent to 20 Da-an Parks (the largest park in Taipei City).

Through the efforts of all portfolio businesses, YFY secured continued growth in consolidated revenue for a turbulent year of economic instability. Consolidated revenues grew to 76.44 billion NTD, a YoY growth of 14.5%. However, due to unfavorable policies in Mainland China, net operating profit slid to 2.36 billion NTD, with after-tax income of 1.96 billion NTD. Deducting minority interests, consolidated net income attributed to shareholders of YFY was 1.44 billion NTD, or 0.87 NTD a share, below our 2017 results

Faced with escalating trade conflict and unpredictable currency fluctuation in 2019, risk management continues to be front and center for all economies.

As a result, 2019 economic forecasts are all relatively conservative. IMF predicts a 3.7% growth rate for the global economy, with Chinese growth of only 6.2%, the lowest since its Chinese economic reform in the early 1980s. Meanwhile, the economic growth rate in Taiwan is expected to maintained at around 2%.

With global conflict and economic uncertainty in the backdrop, YFY continues to be watchful for risk factors such as currency, government policies, and the adjustments of global supply chain. In 2019, we will direct our portfolio businesses to further necessary restructuring, with long term goal of sustainability of both business and environmental footprint, while at the same time prepared to cope with short-term challenges. Expected actions are listed as follows :

- To confront mounting pressure from increasing wood chip costs and instability of pulp prices, Forest Product and Fine Paper Business Group shall optimize portfolio mix and focus on developing new products, especially functional products with higher gross margins. At the same time, we shall continue to reduce cost while ensuring product quality.
- Packaging Business Group shall continue to improve operational efficiency and invest in further automation. We will expand capacity in Vietnam to fulfill market growth. Packaging business shall also strengthen our position as practitioner of circular economy, find ways to reclaim all production residue, towards the our ultimate goal of “zero waste.”
- Consumer needs and wants continues to be the at the core of our Consumer Products Business Group. Our focus shall be to develop new products to solve vexing problems of consumers, continue to optimize product and channel mix, and focusing on the growth beyond paper category.
- Continue to promote and invest in renewable energy: At Xinwu Mill, expansion of methane power generation and installation of biomass boiler will set benchmark for renewable energy. Outside of Packaging Business Group, we will continue to study and implement solar energy programs where appropriate.
- At our extraordinary general meeting on February 1, 2019, Arizon RFID Technology (Yangzhou) Co. Ltd. received support from shareholders to apply for listing in Mainland China. With market growth in new retail, logistics, and ticketing, once listed, Arizon will have access to additional financing to expand production and to enhance investment in research and development.
- Shin Foong Specialty and Applied Materials Co.’s cultivation medical equipment market continues to bear fruit. With the completion of

expansion at its Pingtung facility, capacity will grow by an additional 30% to fulfill growing demand.

- Our directives of “Integrity, Governance, Environment, Society” of YFY has been clearly spelled out in the three principles passed by the board. Accordingly, related employee training will be planned and implemented in 2019, to ensure that all members of YFY understand the principles fully and continue to practice them our everyday undertakings.

With vigilant retrospect and vigorous prospect, YFY must assess all potential risks in our portfolio. We shall then constructively clarify and address those risks in order to control our investment risk and safeguard our interest. In response increasingly evident climate change and the resulting extreme climate, we must evaluate positive and negative impacts and map out plans for enterprise adaptation, not only to ensure the security of all personnel and equipment, but also to avoid operational disruption. Upholding the spirit of circular economy, we must enhance our recycling efforts at all facilities, support Waste-to-Energy (WtE), and work with respective governments in promoting renewable energy. With rising IT risk, we have strengthened our information security from both hardware/software and administrative management to protect our critical assets in operation and governance.

Consistent in our long-term asset allocation, we will continue to invest in the potential incubation both internally and externally, to carrying forth our heritage of investing in innovation and paradigm shifts, embracing new opportunities in preparation of our centennial. With official approval of our “Sustainability and Corporate Social Responsibility Principles,” we will follow the principles to foster our three pillars—employees, community, and environment—to develop in proportional harmony, continuing to generate equitable return to our shareholders.

Wishing all great health and prosperity,

Chairman of the Board



1.Date of Establishment : 1950/2/20

2.Company History

1924

Ho Jei Lai Trading Company

Mr. Ho Chuan, and his brothers, Mr. Ho Yung and Mr. Ho Yi, established Ho Jei Lai Trading Company, a company in their father's name. The company mainly dealt in fertilizers, sugar, and grain.

1950

Yuen Foong Yu Paper Manufacturing Co., Ltd Established.

The first paper manufacturing plant located in Jioutang Village, Dashu District in Kaohsiung. The plant manufactured Kraft paper and one-side coated paper, and the company is widely regarded as the pioneer of privately owned paper manufacturers in Taiwan.



1960

Developed the First Domestic Coated Paper.

Successfully developed and mass production the domestic coated paper to replaced the imported products resulted to YFY's leading position in cultural paper market.

1966

Merged with Yuen Foong Paper Co., Ltd.

The company located at No. 21 Gushan 3rd Rd., Kaohsiung City.

1968

Chung Hwa Pulp Co., Ltd.

In response to the investment policy in the east coast, YFY invested CHP in Hualien city. In the same year, the company constructed Taitung plant to manufacture coated white paper board.

1934

Yuen Foong Corporation was established and the business went corporatization.

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Yuen Foong Corporation was established and the business went corporatization.

1986

Launched "10 Billion Grand Vision Investment Plan.

Established the company's paper industry foundation.

Cultivate and training talents for the company.

Launch strategy of business diversification.

Step into paper packaging manufacturing business

Taoyuan packaging plant commenced production.

1987

Yangmei plant commenced production to elevate competitiveness in the household paper product market.

1988

Issued the first exchangeable bond in Taiwan with the shares of YFY subsidiary Chung Hwa Pulp Co., Ltd as underlying stock.

YFY subsidiary Chung Hwa Pulp Co., Ltd as underlying stock.

Issued the first in Taiwan

Convertible Preferred Stock

Merged Yuen Foong Yuan Paper Manufacturing Co., Ltd.



1993-2000

Extended Footprint to China

Built plants started from Guanzhou, Kunshan to Xiamen to developed southern China market. Built household paper plant in Kunshan. Invested Guangdong Dingfeng Pulp and Paper Co., Ltd for pulp market.



1989

Issued the first Foreign Convertible Bond

Foreign Convertible Corporate Bond

1990

Xinwu plant commenced production as YFY's first fully-automated plant equipped with a computerized integrated manufacturing (CIM) system.

1992

Invested in Technology Business.

Invested in E-Ink as the pioneer company in Taiwan LCD panel industry.

Design and manufactured CHP's No. 2 paper dryer machine and commenced production.



2000

Invested in Organic Diet Industry

Set up Yuen Foong Yu Biotech Co., Ltd. to develop organic diet in Taiwan and China.

Through the various channel such as retail shops, door to door delivery, organic restaurant to promote organic diet to consumers.



2003

Expand Investment Portfolio into Biomedical Business.

Set up YFY Biotech Management Company and form a consulting incubate team for the investment evaluation and business operation of biopharmaceutical industry.

The subsidiary Laiya Co. signed a purchase agreement with P & G Taiwan to acquire Qinshui plant.

2003

Containerboard and Packaging Business spun off and renamed YFY Packaging Inc.

2004

Set up YFY Paper (Vietnam) Co., Ltd.

as a step into the Vietnamese market.

E-ink listed in Taiwan OTC board.

Set up subsidiary YFY Paper Manufacturing(Yangzhou) Co., Ltd. Officially enter China's containerboard market.

2005

The first e-reader device using e-paper launched in the market and E-ink supplied the key component -- e-paper.

Containerboard and Packaging Business spun off and renamed YFY Packaging Inc.

2001

Invested in TaiGen Biotechnology Co., Ltd.

Invested in incubate pharmaceutical R & D company, TaiGen Biotechnology, as the leading company in Taiwan Biopharmaceutical industry.



2006

Paper mill commenced production in Yangzhou plant.

2007

Consumer Product Division spun off into Yuen Foong Yu Consumer Products Co., Ltd.

Signed strategic alliance memorandum of cooperation with Japan's Nippon Paper Group, Inc.(NPG).



Expanded Technology Business further.

YEON Technologies Co., Ltd. established Asia Pacific RFID Certification Center, which is the only RD center that qualified by EPC Global in Asia.

Acquired the first FSC certification for forest management in domestic paper manufacturing industry.

2012

YFY INC.



Yuen Foong Yu Paper Manufacturing Co., Ltd. renamed to YFY INC., the investment holding structure established.

Transferred Paper and Paperboard Division to Chung Hwa Pulp Co., Ltd., which streamlined pulp and cultural paper under the same management team.



2009

Acquired a leading technology of Electronic Paper Display (EPD) and e-paper R & D and mass production company, E Ink Corporation (EIC) USA, to further expand the development and sales footprint of e-paper.

YFY Packaging Inc. established an Packaging Examination Center and it was certified by a international organization from Taiwan

Accreditation Foundation(TAF) to be the only ISO/ IEC 17025 containerboard packaging lab in Taiwan.

Acquired Jupiter Group, one of the top-three packaging and brand design companies in the USA, and established YFY Jupiter.

2010

Acquired Arizon RFID Technology (Yangzhou) Co., Ltd

Established Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd. to utilize agricultural straw in the biopulping progress.

2013

After 12 years cultivation and development, the new eco technology of nPulp commenced production in Yangzhou plant.

2014

Arizon RFID Technology (Yangzhou) Co., Ltd. commenced new plant

Equip with the most advanced manufacturing line and the finest manufacturing procedures, the new plant set a new standard to RFID industry.

The technology of nPulp, recycling agricultural by-product to produce pulp, won Edison Award from the USA.

Established YFY Shop to develop a platform for e-commerce and monetary service.

2016

Shin Foong Specialty & Applied Materials listed in OTC market.

2017

New factory of Eco-friendly cleaning product, Orange House, commenced production in Taoyuan.

Shin Foong Specialty & Applied Materials Listed in TWSE board.

2018

Increased investment in Southern Vietnam and consolidated Vietnam packaging operation. Packaging factories located in Northern Vietnam commenced production.

2018 Recap

YFY Consolidated Revenue

NT\$
76.44
Billion

YoY Growth
14.5%

YFY Containerboard upgraded : Renewable Energy, Low-Carbon and Innovated Factory

YFY's 2018 revenue growth was mainly drive by the business expansion of Containerboard and Packaging BG and the company continuous strengthen the competitiveness of the business. The investment in Xinwu No. 3 paper mill amounted NT\$4 billion and it is the biggest scale of Taiwan investment in 25 years. The total containerboard capacity in Taiwan is 720 thousand Ton per year.

Revenue of
Containerboard
and Packaging BG

NT\$
31.935
Billion

YoY Growth
26.7%

1

No.3 paper mill commenced production

- No.3 paper mill commenced production and increased at least 20% medium paper volume
- Upgraded medium paper quality to improve customer satisfaction
- Optimize product mix to meet packaging demand, improve packaging competitiveness and expand market shares. Created three-way win: Containerboard+Packaging+Customers



Renewable Energy × Low-Carbon × Innovated



Among capacity expansion project of the key investments, we simultaneously raised the standard of factory discharge, actively reduce pollution and improve production efficiency by using renewable energy.

High self-sufficient
electricity

Low discharge

Strengthen emergency
response mechanism

2

Built the most innovated cogeneration facilities supplied electricity of the factory

↑90%

● Power Generation Efficiency :

No.2 cogeneration facility generates 25,000kW electricity, in addition to the electricity generated by No.1 cogeneration facility, Xinwu factory self-sufficient electricity reached 90%

● Intensify Environmental facilities: Reduce the SOx, NOx, and particles from the sources.

Composite dust collection system:

Electrostatic Precipitator
and bag collector

Reduced
99.5%

Flue Gas Desulfurization equipment :

FGD

Reduced
95%

Flue Gas deNOx equipment:

SNCR+SCR

Reduced
80%

- The No. 2 cogeneration boiler added FGD equipment and largely reduced the low sulfur discharge. As the result from the lower discharge temperature (around 60°C) and higher humidity, the emission condensed to steam.

● Discharged emission values much lower than regulated standard

SOx
Discharged
value of
No.2 Cogen

Regulated Standard
43ppm

NOx
Discharged
value of
No.2 Cogen

Regulated Standard
43ppm

Dust
Discharged
value of
No.2 Cogen

Regulated Standard
14mg/Nm3

3

Designed anaerobic digestion system

- Reduced COD during the anaerobic digestion process and generate resources (Biogas, anaerobes) to save the power consumption during the aeration.
- Well designed facility improved the stability of the anaerobes biological process.

95%

Effluent COD less than
2/3 of the regulated standard.

0ppm

H2S content
in discharged emission.

57.6 kW

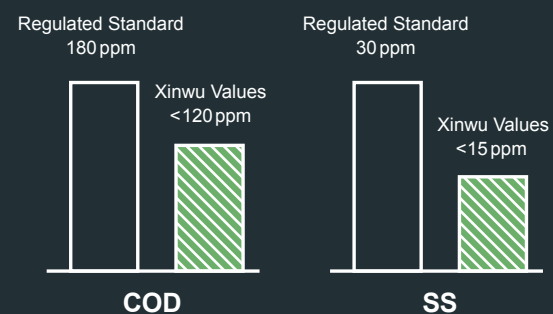
Daily power generation
from biogas.

- COD< 120ppm during 95% of the effluent time 100% qualified for the regulated standard 180ppm
- Reduce the H2S density of discharge, and the H2S has reduced to 0ppm.
- Renewable energy-power generation from biogas reached 57.6kW per day
- We have excess anaerobes available to sell to other industry that using anaerobes process system, such as peer companies and food industry. It could improve the biological process efficiency and stabilized effluent quality to reduce resources consumption and environmental impact.

Protect system of self-management : Advanced oxidation through Fenton Fluidized Bed and three-stage of Flocculation Sludge Clarifier

- Due to the environmental changes lead to extreme climate, the mobility response system has to be implemented to deal with the heat temperatures. Through the advanced oxidation ($\cdot\text{OH}$) reaction could efficiently dissolved the organic pollutant density in the water.
- YFY enhanced system stability to manage the effluent values qualified all the time.

- Successfully stabilized biological process system (aerobic and anaerobic) Effluent values much lower than regulated standard.

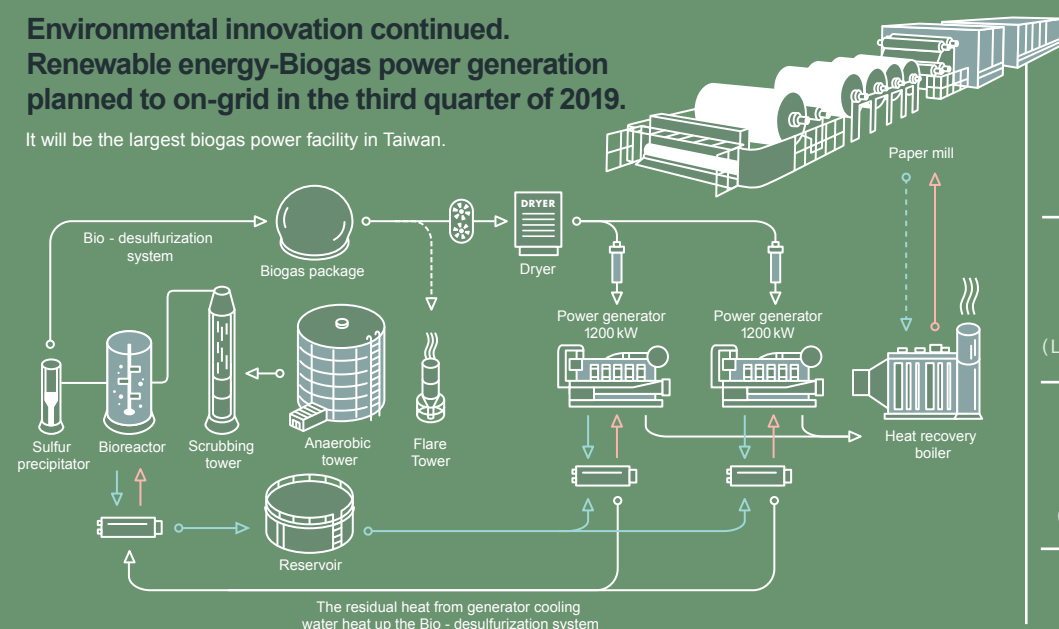


YFY believes employees are the most valuable assets of the company. Good living environment makes us create a better future.

Despite of the enhancement on the investment and operation, YFY also provides better working and living environment in the new project. Due to the expansion of Xinwu plant, the commencement of No. 3 paper mill and new cogeneration facility requires more employees to stay in the dorm for the efficiency needs. The Containerboard and Packaging BG renovated the dorm and optimized the public area and the dorm by mutual communication to meet the employees' needs.

Environmental innovation continued. Renewable energy-Biogas power generation planned to on-grid in the third quarter of 2019.

It will be the largest biogas power facility in Taiwan.



Daily biogas production
18000m³

(Livestock industry daily production
170-180 m)

Methane concentration
80%

(Livestock industry concentration 65%)

Power generation efficiency
>40%

(Livestock industry efficiency 32%)

2400 kW

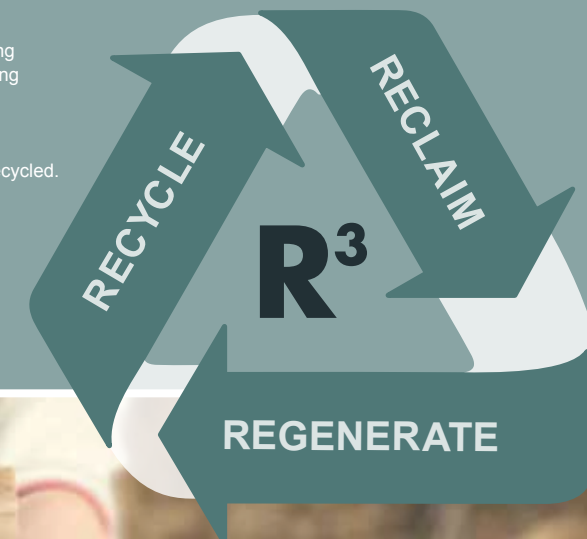
Revenue of Pulp and Fine Paper BG

NT\$
19.04
Billion

YoY
4.9%

Pulp and Fine Paper BG devoted in sustainable circulation and actively promote industry transformation by R³. Implement green and environmental friendly manufacturing process to produce reliable products for consumers.

- Starting from Nov 2018, using self-R&D manufacturing process to produce extreme white paper without adding fluorescent.
- In response to the plastic-free trend globally, we developed "Easy Straw Paper" that can be fully recycled. Taking the concrete action to love the planet and step to the next milestone of 50 years.



Revenue of Consumer Product BG

NT\$
11.13
Billion

YoY Growth
6.5%



- Consumer products in Taiwan well managed the local advantages by crossover "Delight" tissue paper with Dajia Matsu. During the period of Dajia Matsu pilgrimage procession, the BG set marketing locations in 9 temples to direct contact with more than 10K consumers to enhance brand preference.

Concurrently we promote the Delight cleaning products that features with high cleaning strength by using active oxygen-bonding technology. Continuous expand the cleaning product market by utilizing multi-band marketing strategy.

- Consumer products in Mainland China used natural manufacturing process that combined wheat straws and bamboo pulp without cutting any single tree to make environmental friendly nPulp tissue paper series products.

Precise marketing by cooperate with e-commerce channel to win the market praise and boosted sales.

We will cultivate the high-quality market by strategic cooperation with multiple marketing alternatives.



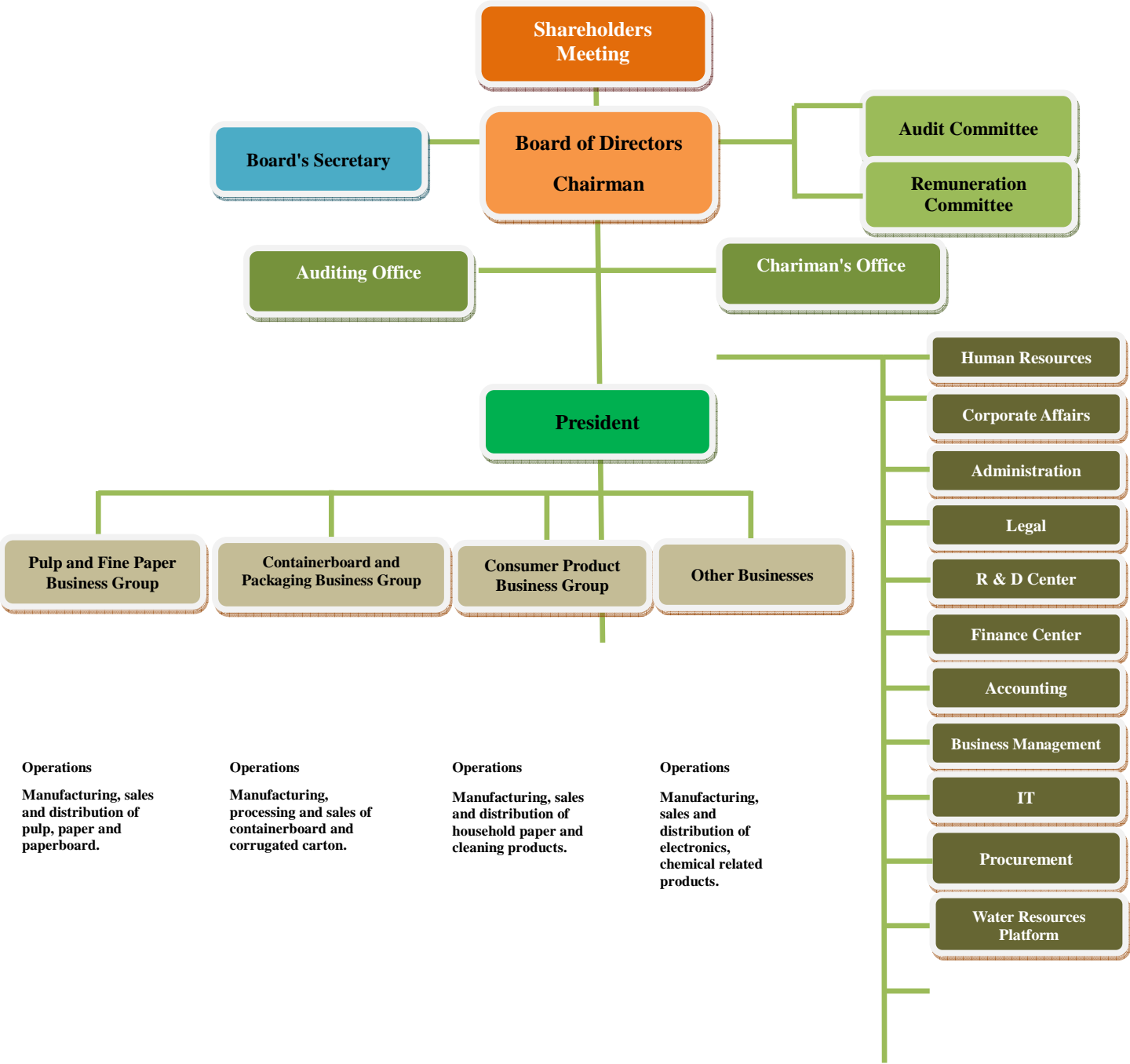
**Arizon RFID
Technology
(Yangzhou)**

Arizon RFID Technology expand along with the growing demand from clothing, logistics, IoT and manufacturing management industries. The accumulated shipments reached 3 billion units and has become the most important RFID ODMs in the world. The company takes the leading position in R&D and production volume in the industry.

Chapter 3 Corporate governance report

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- V. Information on Fees to CPA
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- VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the past year
- VIII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the past year
- IX. Information disclosing the spouse, kinship within second degree, and relationship between any of the top ten shareholders
- X. Numbers of shares in the subsidiaries held by YFY, YFY's directors, independent directors, and managers, and entities directly or indirectly controlled by YFY and the total numbers of shares on a consolidated basis

I. Organization



II. Profiles of directors, independent directors, president, vice presidents, and management

(I) Profiles of directors and independent directors

December 31, 2018

Title	Nationality or place of registration	Name	Gender	Date elected	Term (Year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and Work Experiences	Positions held at the Company or other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relation
Chairman	Republic of China	Shin-Yi Enterprise Co., Ltd. Representative: Felix Ho	Male	2018/6/21	3 years	2003/5/05	77,794,610	4.69	77,794,610	4.69	0	0	0	0	MBA, MIT Sloan School of Management	Note 1	Director	Ho, S. C.	Father and son
							*35,529,953	2.14	*35,529,953	2.14									
Director	Republic of China	Shin-Yi Enterprise Co., Ltd. Representative: Ho, S. C.	Male	2018/6/21	3 years	1972/2/10	77,794,610	4.69	77,794,610	4.69	0	0	0	0	Master of Mechanical Engineering, Univ. of Wisconsin	Note 2	Director	Ho, Felix	Father and son
							*168,615,028	10.16	*168,615,028	10.16									
Director	Republic of China	Shin-Yi Enterprise Co., Ltd. Representative: Ho, Richard	Male	2018/6/21	3 years	1994/3/23	77,794,610	4.69	77,794,610	4.69	88,024	0.01	0	0	B.A., Department of Economics, University of Washington, USA	Assistant Vice President, YFY Investment Holding Co., Ltd. Director, Shin-Yi Enterprise Co., Ltd. Director, Taitung Enterprise Corp. Director, YFY Packaging Inc.	N/A	N/A	N/A
							*1,000,000	0.06	*1,000,000	0.06									
Director	Republic of China	Yuen Foong Paper Co., Ltd. Representative: Huang, Kirk	Male	2018/6/21	3 years	2016/3/16	18,268,073	1.10	18,268,073	1.10	0	0	0	0	Ph.D. in Chemistry Material Science, University of Wisconsin, USA	Note 3	N/A	N/A	N/A
							*51,909	0.00	*51,909	0.00									
Director	Republic of China	Yuen Foong Paper Co., Ltd. Representative, Chin-San Wang	Male	2018/6/21	3 years	2018/6/21	18,268,073	1.10	18,268,073	1.10	0	0	0	0	EMBA, Accounting, National Taiwan University, ROC	Note 4	N/A	N/A	N/A
							0	0.00	0	0.00									

Title	Nationality or place of registration	Name	Gender	Date elected	Term	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and Work Experiences	Positions held at the Company or other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares			Title	Name	Relation
Director	Republic of China	Yuen Foong Paper Co., Ltd. Representative, Jung-Tsung Chien	Male	2018/6/21	3 years	2018/6/21	18,268,073	1.10	18,268,073	1.10	0	0	0	0	MA, Law, Soochow University, ROC	Note 5	N/A	N/A	N/A
							0	0.00	0	0.00									
Independent Director	Republic of China	Wen-Cheng. Huang	Male	2018/6/21	3 years	2012/6/27	0	0.00	0	0.00	0	0	0	0	MBA, National Chengchi University, ROC	Note 6	N/A	N/A	N/A
Independent Director	Republic of China	Hsi-Peng Lu	Male	2018/6/21	3 years	2015/6/30	0	0.00	0	0.00	0	0	0	0	Ph.D. in Industrial Engineering, University of Wisconsin - Madison	Professor, Department of Information Management, National Taiwan University of Science and Technology, ROC Independent Director, SHUI-MU International Co., Ltd., ROC Director, Joint Credit Information Center Technical Advisor, Ministry of Economic Affairs	N/A	N/A	N/A
Independent Director	Republic of China	Thomas Chen	Male	2018/6/21	3 years	2012/6/27	0	0.00	0	0.00	0	0	0	0	MBA, Indiana University, USA	Independent Director, E Ink Holdings	N/A	N/A	N/A

*personal holdings

Note 1.

Director, Sinopac Financial Holdings Company Limited.; Director, YFY Packaging Inc.; Chairman, Yuen Foong Yu Consumer Products Co., Ltd.; Chairman, YFY Holding Management Co., Ltd.; Chairman, Yuen Foong Yu Inc.; Director, Yuen Foong Paper Co., Ltd.; Chairman, Yuen Foong Shop Co., Ltd.; Chairman, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, Shin-Yi Enterprise Co., Ltd.; Director, Prime View International Co., Ltd.; Director, Fu Hwa Enterprise Co., Ltd.; Director, Artone Investment (H.K.) Ltd.; Director, eCrowd Media Inc.; Director, Livebricks Inc.; Director, Chen Yu Co., Ltd.; Director, YFY RFID Co., Ltd.; Director, Chung Hwa Pulp Corp.; Chairman, E Ink Corporation; Chairman, Willpower Industries Limited; Chairman, YFY Jupiter (BVI) Inc.; Chairman, Yuen Foong Yu Paper Enterprise (Vietnam) Company Limited; Chairman, Arizon RFID Technology (Yangzhou) Co., Ltd.; Chairman, YFY Packaging (Yangzhou) Investment Co., Ltd.; Chairman, YFY Investment Co., Ltd.; Chairman, YFY Cayman Co., Ltd.; Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.; Director, Jupiter Prestige Group Holding Limited; Director, Yuen Foong International (Samoa) Ltd.; Director, Yuen Foong Yu Consumer Products Investment Ltd.; Director, Eihoyo Shoji Co., Ltd.; Director, YFY Mauritius Corp.; Director, The Eisenhower Fellows Association in the Republic of China; Chairman, Association of Corporate Patent Executives; Chairman, Taiwan Paper Industry Association; Director, Epoch Foundation; Chairman, Monte Jade Taiwan Science & Tech Association.

Note 2.

Director, E Ink Corporation; Director, YFY Jupiter (BVI), Inc.; Director, San Ying Enterprise Co., Ltd.; Director, Taiwan Global Biofund Co., Ltd.; Director, Hsinex International Corp.; Director, Shin-Yi Enterprise Co., Ltd.; Chairman, Shin-Yi Investment Co., Ltd.; Director, Shin-Yi Recreation Co., Ltd.; Director, YFY Biotech Management Company; Standing Director, China Investment and Development Co., Ltd.; Director, China Color Printing Co., Ltd.; Director, Prime View International Co., Ltd.; Director, Cupid InfoTech Co., Ltd.; Director, TaiGen Biotechnology Co., Ltd.; Director, TaiGen Biopharmaceuticals Holdings Ltd.; Director, Taitung Enterprise Corp.;

Director, Yong-An Leasing Co., Ltd.; Chairman, Yuen Shin Yi Enterprise Co., Ltd.; Director, Yuen Foong Chemical Co., Ltd.; Director, EFFION Enertech Co., Ltd.; Chairman, Yuen Foong Paper Co., Ltd.; Director, Yuen Foong International (Samoa) Ltd.; Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.; Director, YFY Biotech Co., Ltd.; Director, YFY Paradigm Investment Co., Ltd.; Director, Yuen Foong Yu Consumer Products Investment Ltd.; Director, Yuen Foong Yu Consumer Products Co., Ltd.; Director, Eihoyo Shoji Co., Ltd.; Director, SinoCell Technologies Co., Ltd.; Director, Ru Yi Enterprise Co., Ltd.; Director, Xing Yuan Investment Co., Ltd.; Director, Shen's Art Print Co., Ltd.; Chairman, Fu Hwa Enterprise Co., Ltd.; Director, Lotus Ecoscings & Engineering Co., Ltd.; Director, HuaDong Industrial Co., Ltd.; Director, Artone Investment (H.K.) Ltd.; Director, Artone Specialties Company Limited.; Director, Synmax Biochemical Co., Ltd.; Supervisor, Pioneer Chemical Co., Ltd.; Shareholder, Ho Jei Lai Kosan Unlimited Company; Director, Hsin Yi Holding Company; Director, Taiwan Research-based Biopharmaceutical Manufacturers Association; Legal representative, Pre-school Education Magazine of Hsin yi Foundation; Chairman, Foundation of Fire Fighting Development; Director, Shang Shan Human Culture Foundation; Director, Liver Disease Prevention & Treatment Research Foundation; Director, Hsin Yi Foundation; Director, The Eisenhower Fellows Association in the Republic of China; Standing Director, Yuan T. Lee Foundation Science Education for All; Director, Chinese International Economic Cooperation Association.

Note 3

Chief Technology Officer, Yuen Foong Yu Investment Holding Co., Ltd.; Chairman and CEO, Chung Hwa Pulp Corp.; Director, Guangdong Dingfung Pulp & Paper Co., Ltd.; Director, Zhaoqing Dingfung Forestry Co., Ltd.; Director, Shin Foong Specialty and Applied Materials Co., Ltd.; Director, CHP International (BVI) Corporation; Director, Taiwan Global Biofund; Director, N.T.U Innovation Incubation Center.

Note 4.

Independent Director, Taiwan Cement; Independent Director, Taiwan Navigation Co. Ltd.; Independent Director, DACIN Construction Co., Ltd.; Independent Director, Fulin Plastic Industry (Cayman) Holding Co., Ltd.; Director, Yageo Corporation; Director, Chilisun Electronics Corp.; Supervisor, DIVA Laboratories. Ltd.; Supervisor, Papivax Biotech Inc.; Chairman, T N Soong Foundation; Chairman, Soochow University Department of Accounting Student Education Foundation.

Note 5

Chairman, Zhongrui International Intellectual Property Consulting Co., Ltd.; Director, Wise Team Cross Strait Innovation Consulting Co., Ltd.; Director, Wise Team Strategy Consulting Co., Ltd.; Director, Shanghai Wise Team Business Consulting Co., Ltd.; Founding Partner, Wise Team & Associate, Director, Andyson International Co., Ltd.; Director, Comehere Inc.; Supervisor, Havas/Euro RSCG Worldwide; Supervisor, Fang Lui Advertising Co., Ltd.; Supervisor, Ling Chih Advertising Co., Ltd.; Supervisor, Kdan Mobile Software Ltd.

Note 6

Chairman, Hung Ching International Investment Co., Ltd.; Chairman, Guo Fu Management Consulting Co.; Chairman, Huazhan Venture Capital; Director, TungThih Electronic Co., Ltd.; Independent Director, Chenbro Micom; Director, Aces Electronic Co., Ltd.; Independent Director, Enterex International Limited; Independent Director, E-CMOS Corporation; Supervisor, ez Travel; Supervisor, EZ Travel Travel Agency; Director, Guo Fu Investment Co.; Director, eLand Information Co. Ltd., Director, Wealthy Hill International Investment Ltd.

Requirement Name	Having more than 5 years work experience and professional qualifications listed below			Fulfillment of independence criteria (Note)										Number of concurrent posts at other listed companies as independent director
	Lecturer or a higher post at a public/private university/college in the field of commerce, law, finance, accounting, or another subject relevant to YFY's operations	Specialized professional or technician certified as a judge, district attorney, lawyer, accountant, or another designation relevant to YFY's operations and subject to national examinations	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to YFY's operations	1	2	3	4	5	6	7	8	9	10	
Felix Ho			✓									✓		
S. C. Ho			✓	✓								✓		
Richard Ho			✓		✓		✓			✓	✓	✓		
Kirk Huang			✓			✓	✓	✓	✓	✓	✓	✓		
Chin-San Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		4
Jung-Tsung Chien		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Wen-Cheng Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Hsi-Peng Lu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Thomas Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please mark "✓" in the space below the corresponding requirement code if a director or supervisor meets any of the requirements two years prior to his/her term and during his/her term.

- (1) Not an employee of YFY or one of its affiliates.
- (2) Not a Director or Supervisor of the Company of any of its affiliates (excluding Independent Directors set up by the Company, its parent company or subsidiaries in compliance of the local regulations).
- (3) Not a shareholding natural person who holds at least 1% of YFY's total outstanding shares in combination with his/her spouse, underage children, and third parties or is one of the ten largest shareholders.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds at least 5% of YFY's total outstanding shares or is one of the five largest corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding at least 5% of the shares of one of certain companies/organizations with whom YFY has financial or business dealings.
- (7) Not an owner, partner, director, supervisor, or manager of a professional or a proprietary or partner company/organization that provides commercial, legal, financial, accounting services or consulting services for YFY or one of its affiliates and not a spouse of any of the parties above, excluding members of remuneration committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse of or family member by less than two degrees in removal from another director.
- (9) No record of any of the incidents described in Article 30 of the Company Act.
- (10) Not elected as a government, legal entity, or its representative according to Article 27 of the Company Act.

1. Major Direct and Indirect Institutional Shareholders

(1) Major Direct Institutional Shareholders

December 31, 2018

Institutional Shareholders	Major Direct Shareholders of the Institutional Shareholders
Shin-Yi Enterprise Co., Ltd.	Ho, S. C. (27.84%), Jucheng Investment & Management Co., Ltd. (12.50%), Brilliant Pride Ltd. (12.50%), Gao Da Global Ltd. (12.50%), Ho, Mei Yu (12.50%), Guan Yu Investment Co., Ltd. (5.91%), Ho, Tsai Hui Shin (2.48%), Ho, Richard (2.18%), Jin Jie Investment Ltd.(1.52%), Hoss Educational Foundation (1.48%), Hoss Cultural Foundation (1.48%)
Yuen Foong Paper Co., Ltd.	Shin-Yi Enterprise Co., Ltd. (27.39%), Ho, S. C. (16.65%), Yu Hai Investment Corp. (9.69%), Shang Yi Cultural Enterprise Corp. (9.92%), Ru Hai Investment Corp. (5.81%), Ho, Mei Yu (3.59%), Jucheng Investment & Management Co., Ltd. (3.59%), Brilliant Pride Ltd. (3.59%), Gao Da Global Ltd. (3.59%), Ho, Tsai Hui Shin (3.18%)

(2) Major Indirect Institutional Shareholders

December 31, 2018

Name of the legal person	Major Indirect Institutional Shareholders
Jucheng Investment & Management Co., Ltd.	Samoa vendor RAINBOW TIME LIMITED (100.0%)
Brilliant Pride Ltd.	Teo Lily (100.0%)
Gao Da Global Ltd.	Jin Xing Lin (100.0%)
Guang Yu Investment Co., Ltd.	Ho, Tsai Hui Shin (57.49%), Ho, Richard (0.01%), Jie Ru He (7.5%), Wen Hua He (7.5%), Yi Jin Huang (6.25%), Yi Xuan Huang (6.25%), Jie Xi Liu (3.75%), Jie Ya Liu (3.75%), Jie Xiu Ka (3.75%), Jie Ke Ka (3.75%)
Jin Jie Investment Ltd.	Guang Yu Investment Co., Ltd. (100%)
Yu Hai Investment Corp.	Yu Hai Enterprise Co., Ltd. (34.78%), Shan Tao Investment Ltd. (24.98%), Jie Lai Investment Ltd. (19.98%), Ka Feng Investment Ltd. (19.98%), Hui Shin Tsai Ho (0.18%), Miao Zhen Lin (0.04%), Pei Shan Ho (0.02%), Pei Zhen Ho (0.02%), Pei Juan Ho (0.02%)
Hsinex International Corp.	S. C. Ho (53.13%), Yi Jia Ho (24.48%), Felix Ho (22.28%), Cheng Yu Co., Ltd. (0.11%)
Hoss Venture Inc.	Hoss Cultural Foundation (49.07%), Hoss Educational Foundation (40.03%), Ho, Yu Hui (6.81%), Ho Shi Investment Corp. (3.04%), Ho Shi International Corp. (0.37%), Chen, Hui Mei (0.26%), Ho, Shiou Chuan (0.19%), De Yong Chen(0.15%), Yo Tian Chuang (0.04%), Hui Zhu Chen (0.04%)

(II) Profiles of president, vice presidents, and management

December 31, 2018

Title	Nationality or place of registration	Name	Gender	Date elected	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education & Experience	Concurrent position(s) at YFY	Manager who is a spouse or family member by less than two degrees in removal		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	ROC	Felix Ho	Male	2014/06/17	35,529,953	2.14	0	0	0	0	MBA, MIT Sloan School of Management	Note 1	N/A	N/A	N/A
CSO	ROC	Hsianmin Chen	Male	2016/09/01	0	0	0	0	0	0	J.D., Syracuse University, USA	Note 2	N/A	N/A	N/A
CTO	ROC	Kirk Huang	Male	2016/01/01	51,909	0	0	0	0	0	Ph.D. in Chemistry Material Science, University of Wisconsin, USA	Note 3	N/A	N/A	N/A
Vice President, Finance Center	ROC	K. T. Yin	Male	2007/05/01	0	0	0	0	0	0	MBA, National Cheng Kung University	Note 4	N/A	N/A	N/A
Assistant Vice President	ROC	Richard Ho	Male	1992/10/01	1,000,000	0.06	88,024	0.01			B.A., Department of Economics, University of Washington, USA	Director, Shin-Yi Enterprise Co., Ltd. Director, Taitung Enterprise Corp. Director, YFY Packaging Inc.	N/A	N/A	N/A
Procurement Department Assistant Vice President	ROC	S. R. Leu	Male	2002/04/01	4,355	0.00	820	0.00			B.A., Engineering, Tunghai University	Director, YFY Holding Management Co., Ltd. Rep. of the Supervisory Committee of Workers' Pension Reserve Funds of YFY Inc.	N/A	N/A	N/A
Vice President, Accounting Department	ROC	C. F. Wu	Male	2011/07/01	0	0	3,162	0.00	0	0	B.A., Accounting, Feng Chia University	Note 5	N/A	N/A	N/A
IT Department, Assistant Vice President	ROC	Ray Chien	Male	2013/06/03	0	0	0	0	0	0	Master of Engineering Management, National Taiwan University of Science and Technology	Director and President, Cupid Info Tech Co., Ltd.	N/A	N/A	N/A
Assistant Vice President, Legal Department	ROC	Vincent Zhan	Male	2015/07/01	5,470	0.00	2,109	0.00	0	0	LL.B., Law Department, National Chung Hsing University	Note 6	N/A	N/A	N/A
Assistant Vice President, Human Resources Department	ROC	Aubrey Tsai	Male	2017/10/16	0	0	0	0	0	0	M.S., Department of Industrial Education, National Taiwan Normal University	Remuneration Committee member, Apex Medical Corp Supervisor, GEOSAT Aerospace & Technology Inc.	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date elected	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education & Experience	Concurrent position(s) at YFY	Manager who is a spouse or family member by less than two degrees in removal		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President, Public Affairs Department (Resigned on August 31, 2018)	ROC	Wei Huang	Female	2016/07/12	0	0	0	0	0	0	Master's Degree, Policy and Development, London School of Economics and Political Science (LSE)	Director, Locu Publishing Company Director, Neutron Innovation (BVI) Ltd.	N/A	N/A	N/A
Auditing and Compliance Office, Manager	ROC	Irene Cheng	Female	2012/11/01	0	0	0	0	0	0	Master's Degree, Department of Accounting and Information Technology, National Chung Cheng University	N/A	N/A	N/A	N/A

Note 1: Director, Sinopac Financial Holdings Company Limited.; Director, YFY Packaging Inc.; Chairman, Yuen Foong Yu Consumer Products Co., Ltd.; Chairman, YFY Holding Management Co., Ltd.; Chairman, Yuen Foong Yu Inc.; Director, Yuen Foong Paper Co., Ltd.; Chairman, Yuen Foong Shop Co., Ltd.; Chairman, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, Shin-Yi Enterprise Co., Ltd.; Director, Prime View International Co., Ltd.; Director, Fu Hwa Enterprise Co., Ltd.; Director, Artone Investment (H.K.) Ltd.; Director, eCrowd Media Inc.; Director, Livebricks Inc.; Director, Chen Yu Co., Ltd.; Director, YFY RFID Co., Ltd.; Director, Chung Hwa Pulp Corp.; Chairman, E Ink Corporation; Chairman, Willpower Industries Limited; Chairman, YFY Jupiter (BVI) Inc.; Chairman, Yuen Foong Yu Paper Enterprise (Vietnam) Company Limited; Chairman, Arizon RFID Technology (Yangzhou) Co., Ltd.; Chairman, YFY Packaging (Yangzhou) Investment Co., Ltd.; Chairman, YFY Investment Co., Ltd.; Chairman, YFY Cayman Co., Ltd.; Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.; Director, Jupiter Prestige Group Holding Limited; Director, Yuen Foong International (Samoa) Ltd.; Director, Yuen Foong Yu Consumer Products Investment Ltd.; Director, Eihoyo Shoji Co., Ltd.; Director, YFY Mauritius Corp.; Director, The Eisenhower Fellows Association in the Republic of China; Chairman, Association of Corporate Patent Executives; Chairman, Taiwan Paper Industry Association; Director, Epoch Foundation; Chairman, Monte Jade Taiwan Science & Tech Association.

Note 2: Chairman, Cupid InfoTech Co., Ltd.; Director, Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.; Director, YFY Mauritius Corp.; Director, Willpower Industries Limited; Director, Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.; Director, Perpetual Prosperity Printing Technology Co., Ltd.

Note 3: Chief Technology Officer, Yuen Foong Yu Investment Holding Co., Ltd.; Chairman and CEO, Chung Hwa Pulp Corp.; Director, Guangdong Dingfung Pulp & Paper Co., Ltd.; Director, Zhaoqing Dingfung Forestry Co., Ltd.; Director, Shin Foong Specialty and Applied Materials Co., Ltd.; Director, CHP International (BVI) Corporation; Director, Taiwan Global Biofund; Director, N.T.U Innovation Incubation Center.

Note 4: Director, YFY Packaging Inc.; Director, YFY Capital Co., Ltd.; Supervisor, YFY Consumer Products Co., Ltd.; Chairman, Yuen Foong Yu Investment Holding Co., Ltd.; Chairman, YFY Paradigm Investment Co., Ltd.; Chairman, Lotus Ecoscings & Engineering Co., Ltd.; Director, San Ying Enterprises Co., Ltd.; Director, Effion Enertech Co., Ltd.; Director, Huafeng Investment Co., Ltd.; Supervisor, YFY Packaging (Yangzhou) Investment Co., Ltd.; Supervisor, Yuen Foong Yu Paper MFG. (Yangzhou) Co., Ltd.; Director, YFY Investment Co., Ltd.; Supervisor, Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.; Director, YFY (Shanghai) Commercial Factoring Co., Ltd.; Director, Guangdong Dingfung Pulp & Paper Co., Ltd.; Supervisor, Zhaoqing Dingfung Forestry Co., Ltd.

Note 5: Supervisor, Union Paper Corp.; Supervisor, China Color Printing Co., Ltd.; Supervisor, YFY Capital Co., Ltd.; Supervisor, YFY Venture Capital Investment Co., Ltd.; Supervisor, YFY Paradigm Investment Co., Ltd.; Supervisor, San Ying Enterprises Co., Ltd.; Supervisor, Cupid Info Tech Co., Ltd.; Supervisor, EFFION Enertech Co., Ltd.; Supervisor, YFY Holding Management Co., Ltd.; Director, Taiwan Global Biofund; Supervisor, China Investment and Development Co., Ltd.; Chairman, Han Tang Management Co., Ltd.

Note 6: Director, China Color Printing Co., Ltd.; Director, YFY Holding Management Co., Ltd.; Supervisor, Yuen Foong Yu Paper Enterpriser (Guangzhou) Co., Ltd.; Supervisor, Yuen Foong Yu Paper Enterprise (Nanjing) Co., Ltd.; Director, Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.; Supervisor, Shenzhen Jinglun Paper Co., Ltd.; Director, Shanghai Yuen Foong Yu Printing Co., Ltd.; Supervisor, Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.; Supervisor, YFY Firstpack Packaging (Yangzhou) Co., Ltd.; Supervisor, YFY (Shanghai) Commercial Factoring Co., Ltd.

III. Remunerations to Directors, Independent Directors, President, and Vice Presidents in Recent Years

(I) Director's remuneration

December 31, 2018 Unit: NT\$ thousand

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net income (%)		Employee's remuneration								Ratio of total compensation (A+B+C+D+E+ F+G) to net income (%)		Compensation from investments that are not subsidiaries
		Compensation (A)		Pension and severance (B)		Remuneration for Directors (C)		Performance compensation (D)				Salaries, incentives and allowances (E) (Note)		Pension and severance (F)		Remuneration for Employees (G)						
		YFY	Consolidated	YFY	Consolidated	YFY	Consolidated	YFY	Consolidated			YFY	Consolidated	YFY	Consolidated	YFY	Consolidated	YFY				
										Cash	Amount in Stocks							Cash	Amount in Stocks	YFY	Consolidated	
Chairman	Shin-Yi Enterprise Co., Ltd. Representative: Felix Ho	0	0	0	0	7,000	7,000	696	1,725	0.53%	0.61%	22,933	35,804	54	4	0	0	0	0	2.13%	3.10%	N/A
Director	Shin-Yi Enterprise Co., Ltd. Representative: S. C. Ho																					
Director	Shin-Yi Enterprise Co., Ltd. Representative: Melody Chiu																					
Director	Han Tang Management Consulting Co., Ltd. Shin-Yi Enterprise Co., Ltd. Representative: Richard Ho																					
Director	Han Tang Management Consulting Co., Ltd. Representative: Hsianmin Chen																					
Director	Han Tang Management Consulting Co., Ltd. Yuen Foong Paper Co., Ltd. Representative: Kirk Huang																					
Director	Yuen Foong Paper Co., Ltd. Representative: Chin-San Wang																					
Director	Yuen Foong Paper Co., Ltd. Representative: Jung-Tsung Chien																					
Independent Director	Wen-Cheng Huang																					
Independent Director	Thomas Chen																					
Independent Director	Hsi-Peng Lu																					
Shin-Yi Enterprise Co., Ltd.																						
Han Tang Management Consulting Co., Ltd.																						
Yuen Foong Paper Co., Ltd.																						

* Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as an non-employee consultant) rendered to the Company: N/A.

Note 1: Including car rental expenses of NT\$925 thousand.

Range of remuneration to director	Name			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	YFY	Consolidated	YFY	Consolidated
Less than NT\$2,000,000	Ho, S. C. Ho, Felix Chiu, Melody Ho, Richard Hsianmin Chen Huang, Kirk Chin-San Wang Jung-Tsung Chien Huang, Wen-Cheng Chen, Thomas Lu, Hsi-Peng Han Tang Management Consulting Co., Ltd. Yuen Foong Paper Co., Ltd.	Ho, S. C. Ho, Felix Chiu, Melody Ho, Richard Hsianmin Chen Huang, Kirk Chin-San Wang Jung-Tsung Chien Huang, Wen-Cheng Chen, Thomas Lu, Hsi-Peng Han Tang Management Consulting Co., Ltd. Yuen Foong Paper Co., Ltd.	Ho, S. C. Huang, Kirk Chin-San Wang Jung-Tsung Chien Huang, Wen-Cheng Chen, Thomas Lu, Hsi-Peng Han Tang Management Consulting Co., Ltd. Yuen Foong Paper Co., Ltd.	Ho, S. C. Chin-San Wang Jung-Tsung Chien Huang, Wen-Cheng Chen, Thomas Lu, Hsi-Peng Han Tang Management Consulting Co., Ltd. Yuen Foong Paper Co., Ltd.
NT\$2,000,000 (incl.) ~ NT\$5,000,000	Shin-Yi Enterprise Co., Ltd.	Shin-Yi Enterprise Co., Ltd.	Shin-Yi Enterprise Co., Ltd. Chiu, Melody Ho, Richard	Shin-Yi Enterprise Co., Ltd. Ho, Richard
NT\$5,000,000 (incl.) ~ NT\$10,000,000			Hsianmin Chen	Chiu, Melody Huang, Kirk Hsianmin Chen
NT\$10,000,000 (incl.) ~ NT\$15,000,000			Ho, Felix	Ho, Felix
NT\$15,000,000 (incl.) ~ NT\$30,000,000				
NT\$30,000,000 (incl.) ~ NT\$50,000,000				
NT\$50,000,000 (incl.) ~ NT\$100,000,000				
More than NT\$100,000,000				
Total	14	14	14	14

(II) Remuneration to supervisors

Starting in 2015, supervisors are replaced by the Audit Committee.

(III) Remuneration to the President and Vice President

Unit: NT\$ thousand

Title	Name	Salary (A)		Pension and severance (B)		Bonus and allowance (C) (Note)		Amount of remuneration of employees (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation from investments that are not subsidiaries
		YFY	Consolidated	YFY	Consolidated	YFY	Consolidated	YFY		Consolidated		YFY	Consolidated	
								Amount in Cash	Amount in Stocks	Amount in Cash	Amount in Stocks			
President	Felix Ho	12,359	12,359	162	162	9,805	13,805	0	0	0	0	1.55%	1.83%	N/A
Senior Consultant	Melody Chiu													
CSO	Hsianmin Chen													
Vice President	K.T. Yin													

Note: Including car rental expenses of NT\$1,098 thousand.

Range of remuneration to president or vice president	Name	
	YFY	Consolidated
Less than NT\$2,000,000		
NT\$2,000,000 (incl.) ~ NT\$5,000,000	K. T. Yin	K. T. Yin
NT\$5,000,000 (incl.) ~ NT\$10,000,000	Melody Chiu	
NT\$10,000,000 (incl.) ~ NT\$15,000,000	Felix Ho, Hsianmin Chen	Felix Ho, Melody Chiu, Hsianmin Chen
NT\$15,000,000 (incl.) ~ NT\$30,000,000		
NT\$50,000,000 (incl.) ~ NT\$100,000,000		
More than NT\$100,000,000		
Total	5	5

(IV) Names of managers who distribute employee salaries and distribution status: N/A.

(V) Detailed ratios of total remuneration of YFY's directors, president, and vice presidents to net profit after tax with respect to the individual financial statements in the past two fiscal years for YFY and all companies included in the consolidated statement, and description of the remuneration policy, standards and combinations, determination, and links to business performance and future risks

Recipient	Ratio of total remuneration to net profit after tax					
	2018		2017		Differences	
	YFY	Consolidated	YFY	Consolidated	YFY	Consolidated
Director	2.13%	3.10%	2.43%	3.36%	(0.30%)	(0.26%)
President, and vice presidents	2.27%	2.75%	1.71%	2.08%	0.56%	0.67%

1. Remuneration for directors is determined by the Board of Directors and reported to the shareholders' meeting.
2. The remunerations of the president and vice presidents are paid on a monthly basis, including a monthly salary and allowance (e.g. supervisory differential, meal expenses) and other regular compensation. The annual bonuses and benefits are paid separately. The salary standards are determined at the beginning of employment, while supervisory differential is determined by the position, performance bonus and other bonuses are based on business performance and personal performance.

IV. Corporate governance practice

(I) Board of Directors operating status

A total of 2 meetings of the 26th Board of Directors and 4 meetings of the 27th Board of Directors (appointed on June 21, 2018) were held in 2018. Directors' attendance information are described below:

Title	Name	Attendance in person	Attendance by proxy Time(s)	Attendance in person rate (%)	Notes
Chairman	Shin-Yi Enterprise Co., Ltd. Representative: Felix Ho	2	0	100%	26th
Director	Shin-Yi Enterprise Co., Ltd. Representative: S. C. Ho	2	0	100%	26th
Director	Shin-Yi Enterprise Co., Ltd. Representative: Melody Chiu	2	0	100%	26th
Director	Rep. of Han Tang Management Co., Ltd.: Richard Ho	1	0	50%	26th
Director	Rep. of Han Tang Management Co., Ltd.: Kirk Huang	2	0	100%	26th
Director	Rep. of Han Tang Management Co., Ltd.: Hsianmin Chen	2	0	100%	26th
Independent Director	Wen-Cheng Huang	2	0	100%	26th
Independent Director	Thomas Chen	2	0	100%	26th
Independent Director	Hsi-Peng Lu	2	0	100%	26th
Chairman	Shin-Yi Enterprise Co., Ltd. Representative: Felix Ho	4	0	100%	27th, elected on June 21, 2018 Former member
Director	Shin-Yi Enterprise Co., Ltd. Representative: S. C. Ho	4	0	100%	27th, elected on June 21, 2018 Former member
Director	Shin-Yi Enterprise Co., Ltd. Representative: Richard Ho	0	0	0%	27th, elected on June 21, 2018 Former member
Director	Rep. of Yuen Foong Paper Co., Ltd.: Kirk Huang	4	0	100%	27th, elected on June 21, 2018 Former member
Director	Rep. of Yuen Foong Paper Co., Ltd.: Chin-San Wang	4	0	100%	27th, elected on June 21, 2018 Newly appointed
Director	Rep. of Yuen Foong Paper Co., Ltd.: Jung-Tsung Chien	4	0	100%	27th, elected on June 21, 2018 Newly appointed
Independent Director	Huang, Wen-Cheng	4	0	100%	27th, elected on June 21, 2018 Former member
Independent Director	Chen, Thomas	4	0	100%	27th, elected on June 21, 2018 Former member
Independent Director	Lu, Hsi-Peng	3	1	75%	27th, elected on June 21, 2018 Former member

Other statutory information:

- I. If any of the following circumstances have occurred during the operation of the board of directors, specify the date, period, agenda content, the opinions of all independent directors, and the handling of the opinions of the independent directors by the company:
 - (I) Matters prescribed under Article 14-3 of the Securities and Exchange Act:
The Company has set up an Audit Committee. Matters prescribed under Article 14-5 of the Securities and Exchange Act include matters prescribed under Article 14-3 of the Securities and Exchange Act. Please refer to the Operating status of the Audit Committee for details.
 - (II) Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement.
Operations of the Board of Directors which did not receive objections or reserved comments from independent directors that are supported by appropriate records or written declarations.
- II. Any directors who had to excuse him/herself to prevent conflicts of interest:

- (I) In the board meeting on May 13, 2018 regarding a proposal to review the list of director candidates, nominated candidates Yi Jia Ho, S.C. Ho, and Kirk Huang are representatives appointed by current directors. Because the agenda contains matters in which the director is an interested party, they explained the contents in which they have an interest and recused themselves from discussing and voting on these agenda items.
 - (II) In the board meeting on May 13, 2018 regarding a proposal to review the list of independent director candidates, nominated candidates Huang, Wen-Cheng, Chen, Thomas, and Lu, Hsi-Peng are independent directors. Because the agenda contains matters in which the director is an interested party, they explained the contents in which they have an interest and recused themselves from discussing and voting on these agenda items.
 - (III) A board meeting was conducted on June 21, 2018 to discuss the appointment of members of the Company's 2nd Audit Committee. A conflict of interest existed for independent directors Huang, Wen-Cheng, Chen, Thomas, and Lu, Hsi-Peng on this matter, therefore they excused himself from the discussion and voting process.
 - (IV) A board meeting was conducted on June 21, 2018 to discuss the appointment of members of the Company's 4th Remuneration Committee. A conflict of interest existed for independent directors Huang, Wen-Cheng, Chen, Thomas, and Lu, Hsi-Peng on this matter, therefore they excused himself from the discussion and voting process.
 - (V) A special board meeting was held on December 12, 2018 to discuss the subsidiary's (Arizon RFID Technology (Yangzhou) Co., Ltd.) intention to apply for public listing on the stock exchange in Mainland China and to apply for capital injection for its public listing. The chairman Felix Ho is also the chairman of Arizon RFID Technology (Yangzhou) Co., Ltd., making him an interested party of the Company. However, his interest relation will not affect the Company's interest. All attending directors believed that Felix does not need to recuse himself from discussing and voting on these two agenda items.
- III. Evaluation of targets and performance of the board's functions for current year and most recent year:
- (I) Three independent directors form the Company's Audit Committee for taking over as supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act are submitted to the Audit Committee for discussion and resolution. The Convener of the Audit Committee is responsible for reporting resolutions passed by the Audit Committee to the Board of Directors.
 - (II) The Company will disclose information regarding attendance in board/shareholders' meetings, director training, and important resolutions passed during board meetings and shareholders' meeting.
 - (III) In order to increase information transparency, the Company will post all important resolutions passed during shareholders/board meetings on the company website immediately following the meetings.
 - (IV) In consideration of legal risks faced by directors, the Company and its subsidiaries have purchased directors and officers liability insurance.

(II) Operating status of the Audit Committee

The Company's Audit Committee is composed of three independent directors. The Committee's purpose is to supervise the fair presentation of the company's financial statements, hiring or dismissal of an attesting CPA and its independence and performance, effective implementation of the company's internal control system, compliance with relevant regulations and rules, and whether the company controls existing or latent risks.

A total of 3 meetings of the 1st Audit Committee and 3 meetings of the 2nd Audit Committee (appointed on June 21, 2018) were held in 2018. Key focuses for the year are described below:

1. Review financial reports

The Board of Directors has prepared and submitted the 2017 business report, financial statements, and earnings distribution proposal. The financial statements have been audited by Deloitte & Touche, and an audit report with unqualified opinion has been submitted. The Company's Audit Committee has reviewed the business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance.

2. Assess internal control system effectiveness

The Company's Audit Committee has assessed the effectiveness of policies and procedures of the company's internal control system (including finance, operation, risk management, information security, compliance, and other control measures) and reviewed the company's auditing department and CPA as well as management's regular reports, including risk management and compliance.

3. Evaluate the independence and competence of CPA

The Company's Audit Committee has evaluated and found that the CPA did not have direct or indirect interest with the Company, did not display compromised independence, has established a suitable communication method to communicate with the Company and Audit Committee, and fulfills the independence and competence requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

4. Review and discuss CPA's internal control review report

The Company has hired KPMG in Taiwan to review report on the internal control system within the specific scope, corrected the flaws reported in the review report, and requested CPA to confirm improvement results and express opinions. The internal control review report has been reviewed and confirmed by the Company's Audit Committee.

5. Land acquisition by Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.

The Jiangyin government is planning to implement the "Two Out, Three In" and the "Relocation from Cities to Parks" policies and therefore plans to purchase the land on which Jiangyin Yuen Foong Yu Paper MFG is located. The Company's Audit Committee has reviewed and passed this resolution.

6. Application by Arizon RFID Technology (Yangzhou) Co., Ltd. to be publicly listed on the stock exchange in Mainland China

The Company's subsidiary Arizon RFID Technology (Yangzhou) Co., Ltd. has publicly issued RMB ordinary shares and applied for listing on the stock exchange in Mainland China. The subsidiary plans to restructure into a limited company and to apply for capital injection in preparation of its public listing. The subsidiary's applications have been reviewed and approved by the Company's Audit Committee.

Independent directors' attendance in the 2018 Audit Committee meeting is described below:

Title	Name	Attendance in person	Actual times of attendance by proxy	Attendance in person rate (%)	Notes
Independent Director	Huang, Wen-Cheng	3	0	100%	1st
Independent Director	Chen, Thomas	3	0	100%	1st
Independent Director	Lu, Hsi-Peng	3	0	100%	1st
Independent Director	Huang, Wen-Cheng	3	0	100%	2nd Elected on June 21, 2018
Independent Director	Chen, Thomas	3	0	100%	2nd Elected on June 21, 2018
Independent Director	Lu, Hsi-Peng	1	2	33.33%	2nd Elected on June 21, 2018

Other statutory information:

- I. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(I) Matters prescribed under Article 14-5 of the Securities and Exchange Act.

Board meeting date	Sessions	Agenda item	Resolutions adopted by the Audit Committee	Actions taken by the company in response to the opinion of the Audit Committee
2018.3.22	18th meeting of the 26th board of directors	The Company's 2017 consolidated financial statements and CPA's audit report and the Company's 2017 business report.	Passed as proposed.	Approved in the board meeting on March 22, 2018 and ratified in the 2018 Shareholders' Meeting
2018.3.22	18th meeting of the 26th board of directors	The Company's 2017 dividend distribution proposal	Passed as proposed.	Approved in the board meeting on March 22, 2018 and ratified in the 2018 Shareholders' Meeting
2018.3.22	18th meeting of the 26th board of directors	Proposal to issue the Company's 2017 Statement of Internal Control System	Passed as proposed.	Approved in the board meeting on March 22, 2018
2018.3.22	18th meeting of the 26th board of directors	Amendment to the Company's internal control system	Passed as proposed.	Approved in the board meeting on March 22, 2018
2018.3.22	18th meeting of the 26th board of directors	Amendment to the YFY's Asset Acquisition and Disposal Procedures	Passed as proposed.	Approved in the board meeting on March 22, 2018 and in the 2018 Shareholders' Meeting
2018.6.21	1st (special) meeting of the 27th board of directors	Change of the Company's Chief Financial Officer	Passed as proposed.	Approved in the board meeting on June 21, 2018
2018.8.13	2nd meeting of the 27th board of directors	Acquisition of land on which Jiangyin Yuen Foong Yu Paper MFG is located by Jiangyi government	Passed as proposed.	Approved in the board meeting on August 13, 2018
2018.8.13	2nd meeting of the 27th board of directors	The Company's 2018 Q2 consolidated financial statements	Passed as proposed.	Approved in the board meeting on August 13, 2018
2018.11.13	3rd meeting of the 27th board of directors	YFY's 2019 annual audit plans	Passed as proposed.	Approved in the board meeting on November 13, 2018
2018.11.13	3rd meeting of the 27th board of directors	Change of Certified Public Accountant	Passed as proposed.	Approved in the board meeting on November 13, 2018
2018.12.12	4th (special) meeting of the 27th board of directors	Application by Arizon RFID Technology (Yangzhou) Co., Ltd. to be publicly listed on the stock exchange in Mainland China	Passed as proposed.	Approved in the board meeting on December 12, 2018
2018.12.12	4th (special) meeting of the 27th board of directors	Application by Arizon RFID Technology (Yangzhou) Co., Ltd. to restructure into a limited company and raise working capital	Passed as proposed.	Approved in the board meeting on December 12, 2018

- (II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors

Audit Committee operations which did not receive the approval of the Audit Committee but were agreed upon by more than 2/3 of all directors.

- II. Any independent directors who had to excuse him/herself to prevent conflicts of interest:

Independent directors who had to excuse him/herself without any conflict of interest.

III. Communication Between Independent Directors and Head of Internal Audit Division and Accountants

1. On a regular basis

Each month, completed audit reports are sent via emails to each Audit Committee member. If there are questions or instructions, members can contact the auditing officer via emails or the telephone.

Each quarter, the Audit Committee submits an Audit Progress Report; it contains audit procedures, findings, and items which require additional improvement for the Company as well as its subsidiaries.

2. On a non-regular basis

Through telephone calls, emails, and meetings, discussions are held concerning how to increase the Company's audit value and enhance operational efficiency and effectiveness. If any serious violations are discovered, auditors must be notified according to regulations. There are many open channels of communication for the Company's internal auditing officers to communicate with the Audit Committee.

Recent communications between independent directors, internal auditors and accountants:

Date	Communication Method	Participating Members	Key Points of Communication
2018-03-20	Audit Committee	1. Auditing, accounting, finance, business management, investment and legal affairs managers 2. Certified Public Accountant	1. Audit progress report, report of the statement of declaration on the Internal Control System, review report on the internal control system within the specific scope, and amendment to internal control system for Q4 2017. 2. 2017 financial statements.
2018-05-11	Audit Committee	Auditing, accounting, finance, business management, and legal affairs managers	1. Audit progress report for 2018 Q1. 2. Q1 2018 financial statements.
2018-08-10	Audit Committee	1. Auditing, accounting, finance, business management, investment and legal affairs managers 2. Certified Public Accountant	1. Audit progress report for 2018 Q2. 2. Q2 2018 financial statements. 3. Review report on the internal control system within the specific scope and the reporting of the correction of the flaws.
2018-11-09	Audit Committee	Auditing, accounting, finance, business management, investment and legal affairs managers	1. Audit progress report for 2018 Q3. 2. Auditing plan for 2019. 3. Q3 2018 financial statements.

(III) Corporate governance practice and compliance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Evaluation item	Practice			Compliance with Best-Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies when establishing and disclosing its corporate governance code of conduct?	V		<ul style="list-style-type: none"> The Company has established the Corporate Governance Code of Conduct, which was approved in the 3rd meeting of the 27th Board of Directors on November 13, 2018 and disclosed on the company's website. 	<ul style="list-style-type: none"> Best Practice Principles compliant
II. The Company's shareholding structure and shareholders' rights and interests				
(I) Does the Company have the internal operating procedure for handling shareholders' suggestions, questions, disputes, or legal action in place and abide by it?	V		<ul style="list-style-type: none"> A shareholder affair department is in place to handle related matters. 	<ul style="list-style-type: none"> Best Practice Principles compliant
(II) Does the Company possess a list of major shareholders and a list of ultimate owners of these major shareholders?	V		<ul style="list-style-type: none"> Information can be obtained through shareholder service agents at anytime. 	<ul style="list-style-type: none"> Best Practice Principles compliant
(III) Does the Company have a risk management mechanism and firewall against its affiliates in place or implement it?	V		<ul style="list-style-type: none"> The companies stay financially independent from each other, and business performance is evaluated on a regular basis. 	<ul style="list-style-type: none"> Best Practice Principles compliant
(IV) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		<ul style="list-style-type: none"> Signed letters of undertaking related to the confidentiality clause. 	<ul style="list-style-type: none"> Best Practice Principles compliant
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors establish and consolidate the diversification policy for its composition?	V		<ul style="list-style-type: none"> The adoption of the Company's Corporate Governance Code of Conduct was approved at the board meeting on November 13, 2018. The Code stipulates diversification policy for the composition of the board in Article 19 under Chapter 13 titled "The Composition and Responsibilities of the Board of Directors." The nomination and election of board members are pursuant to the regulations prescribed in the Company's Articles of Incorporation. Candidate nomination system is adopted in accordance with the Regulations Governing the Election of Directors and Corporate Governance Code of Conduct to ensure the diversity and independence of board members. The professional background of the Company's board members includes expertise in industry, law, and accounting. According to the list of members of the 27th Board of Directors, those with the ability to lead, the ability to conduct management administration, the ability to conduct crisis management, knowledge of the industry, and an international market perspective include directors Felix Ho, S.C. Ho, and Kirk Huang; Chin-San Wang is an accountant and Jung-Tsung Chien is a lawyer. The Company's independent directors include Wen-Cheng Huang who is a former president of a public listed company, Hsi-Peng Lu who is a professor, and Thomas Chen who is also an independent director and supervisor of other public listed companies. The Company's Board of Directors comprises three directors who are employees of the Company as well as three independent directors. Two independent directors have served a term of 6 years and one served three years. Age distribution of directors: Two directors are 70 years of age and above; four are 60–70 years old; one is 50–60 years of age and above; and two are 40–50 years of age and above. 	<ul style="list-style-type: none"> Best Practice Principles compliant

Evaluation item	Practice			Compliance with Best-Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Besides the Remuneration Committee and the Audit Committee set up according to law, does the Company have other types of functional committees in place that it spontaneously set up? (III) Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis? (IV) Does the company periodically evaluate the level of independence of the CPA?	V	V	<ul style="list-style-type: none"> The Remuneration Committee and Audit Committee are already in place and are composed of independent directors. The Company's major resolutions are passed by the board of directors; there is no evidence of poor performance. Each year, the Audit Committee evaluates CPA's independence and competence, results of which are reported to the board of directors. I. Independence declaration for CPA II. Evaluation results of CPA's independence and competence III. The same CPA has not participated in the Company's auditing services for more than seven years IV. Proper communication channels have been established between CPA and the Audit Committee	<ul style="list-style-type: none"> Changes are made gradually Changes are made gradually Best Practice Principles compliant
IV. Did the TWSE/TPEX listed company establish exclusively (or concurrently) dedicated units or personnel to be in charge of corporate governance (including but not limited to providing information for directors and supervisors, convene board and shareholders' meetings according to regulations, processing company registration/registration change, and taking meeting minutes during board/shareholders' meetings)?	V		The Company has appointed Shun Xiang Zhan, the vice president of the Legal Department, as the secretary general of the Board of Directors to oversee corporate governance affairs, including: handling matters relating to board meetings and shareholders meetings according to laws, and assisting the company with compliance with laws and regulations governing such meetings; producing minutes of board meetings and shareholders meetings; and furnishing information required for business execution by directors and independent directors and updating them on developments of laws and regulations relating to the operation of the company. The Company's corporate governance supervisor is responsible for the planning and formulation of meeting agendas for 2018 board meetings and shareholders' meetings, assisting the chairperson to convene meetings in accordance with law, and taking board meeting minutes; Formulation of meeting agendas for 2018 shareholders' meetings, assisting the chairperson to convene meetings in accordance with law, and taking shareholder meeting minutes; and responsible for the major information for important resolutions announced at the board meeting and shareholders meeting and ensuring the compliance and correctness of major information to protect investors' right on equivalence of transaction information. The Company's corporate governance supervisor has attended courses in 2018 to further their competency and knowledge. These courses include "Corporate Responses to Regulatory Changes," "Anti-Tax Avoidance Provisions and Corporate Social Responsibility Issues," "Focus and Practical Implications of Amendments to the Company Act," and "The Practices of Corporate Governance Personnel."	<ul style="list-style-type: none"> Best Practice Principles compliant
V. Does the Company have a communication channel in place with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders only section on its website to properly address stakeholders' concerns such important corporate social responsibilities?	V		The Company has set up a dedicated section for stakeholders on its website, where contact information for employees, customers, suppliers/contractors, shareholders/investors, consumers, press members, and other stakeholders are listed for responding to questions concerning corporate social responsibility.	<ul style="list-style-type: none"> Best Practice Principles compliant
VI. Does the Company hire professional stock agencies to take care of shareholders' meetings-related affairs?	V		Commissioned SinoPac Securities - Share Registration Services Department	<ul style="list-style-type: none"> Best Practice Principles compliant
VII. Information disclosure (I) Has the Company established a corporate website to	V		Regularly disclose information on the corporate website regarding the Company's	<ul style="list-style-type: none"> Best Practice Principles compliant

Evaluation item	Practice			Compliance with Best-Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
<p>disclose information regarding the Company's financial, business and corporate governance status?</p> <p>(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?</p>	V		<p>financial, business, and corporate governance status</p> <p>Create an official company website in both Chinese and English, appoint the Public Affairs Department to compile and organize information for release to the public. Each unit has also set up a dedicated contact window; information will also be disclosed through a spokesperson or press conference.</p>	<p>· Best Practice Principles compliant</p>
<p>VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well being, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?</p>	V		<p>Already notified each director of the related regulations, and directors are notified immediately when there are regulation changes. Regulations relevant to insider trading of listed companies are also described to directors at board meetings. When a material issue that may impact the Company's stock prices is encountered during a board meeting, the Legal Department will remind all directors and managers present that insider trading is strictly forbidden according to Article 157-1 of the Securities and Exchange Act.</p>	<p>· Best Practice Principles compliant</p>
<p>IX. Improvements were made according to the corporate governance evaluation results released by TWSE's Governance Center; priority has been given to matters and measures that have not yet been improved. The Company is committed to strengthening information disclosure in order to enhance corporate governance, and plans to disclose indices which did not receive points during the corporate governance evaluation. The following section will explain some of the items:</p> <p>Index 2.2: Has the Company established a board diversification policy and disclosed the implementation status of this policy on its annual report and company website?</p> <p>The Company has complied with the requirements of the Corporate Governance Evaluation in 2018 and established the Corporate Governance Code of Conduct, which stipulates board diversification policies.</p> <p>Index 2.21: Has the company established dedicated corporate governance personnel to take charge of company's corporate governance affairs and disclosed the operational and implementation status of the dedicated unit on its annual report and company website?</p> <p>The Company has complied with the requirements of the Corporate Governance Evaluation in 2018 and appointed a assistant manager who has more than 3 years of work experience in legal and meeting management to act as a dedicated corporate governance personnel to oversee corporate governance matters.</p> <p>Index 3.14: Did directors and supervisors complete the required length of continuing education as per the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies?</p> <p>The Company's Legal Affairs Department occasionally disseminates introductory information on relevant courses for directors to choose from. Our Human Resource Department assists directors to find relevant courses and ensures that each director completed the required length of education as per the Directions.</p>				

Director/supervisor training in 2018:

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Representative Director	Ho, Felix	2018/09/26	2018/09/26	Taiwan Stock Exchange Corporation	2018 ESG Investment Forum	3
		2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Analysis of anti-tax avoidance practice	3
		2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Corporate Responses to Regulatory Changes: Latest Amendment of the Company Act and Issues in Practice	3
Representative Director	Ho, S. C.	2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Analysis of anti-tax avoidance practice	3
		2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Corporate Responses to Regulatory Changes: Latest Amendment of the Company Act and Issues in Practice	3
Representative Director	Ho, Richard	2018/10/04	2018/10/04	Securities and Futures Institute	Latest Amendment of the Company Act and Issues in Practice	3
		2018/10/04	2018/10/04	Securities and Futures Institute	Case Analysis for Special Breaches of Trust and Breach of Trust by Directors and Supervisors	3
Representative Director	Huang, Kirk	2018/01/25	2018/01/25	Taiwan Institute for Sustainable Energy	2018 International Economic Trends and Financial Systems	2
		2018/07/16	2018/07/16	Association of Taiwan Listed Companies	The Value of an Innovative Digital Economy and Improvement Strategies and Practices of Taiwanese Industries	2
		2018/07/26	2018/07/26	Taiwan Institute for Sustainable Energy	The 13th CEO Lecture and Talks	2

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Representative Director	Chin-San Wang	2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Analysis of anti-tax avoidance practice	3
		2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Corporate Responses to Regulatory Changes: Latest Amendment of the Company Act and Issues in Practice	3
Representative Director	Jung-Tsung Chien	2018/07/20	2018/07/20	Taiwan Corporate Governance Association	Corporate Internal Control and Risk Management: Analysis of the Top 10 Global Risks in 2018	3
		2018/08/31	2018/08/31	Taiwan Corporate Governance Association	Legal Responsibilities Regarding Insider Trading and Case Analysis	3
		2018/10/15	2018/10/15	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	3
		2018/12/11	2018/12/11	Taiwan Corporate Governance Association	Business Management and Strategies to Manage News Crisis	3
Independent Director	Huang, Wen-Cheng	2018/02/02	2018/02/02	Taiwan Institute of Directors	Impact of U.S. Tax Reform on Taiwanese Businesses	3
		2018/11/06	2018/11/06	Taiwan Institute of Directors	How to achieve effective pragmatic shift for stronger multinational management capability in light of the U.S.-China Trade War	3
		2018/11/12	2018/11/12	Taiwan Corporate Governance Association	Merger and Acquisition Strategy and Planning	3
Independent Director	Lu, Hsi-Peng	2018/05/25	2018/05/25	Taiwan Corporate Governance Association	Global Trends Analysis: Risks and Opportunities	3
		2018/10/26	2018/10/26	Taiwan Institute of Directors	The Rise of Innovative Economy: Changes and Challenges in Corporate Operation	3
		2018/11/29	2018/11/29	Taiwan Institute of Directors	Corporate Governance-Driven Digital Transformation and Digital Risks	3
Independent Director	Chen, Thomas	2018/03/02	2018/03/02	Taiwan Corporate Governance Association	Corporate Responses by Directors in a Technology-Driven Environment	3
		2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Analysis of anti-tax avoidance practice	3
		2018/10/29	2018/10/29	Taiwan Corporate Governance Association	Corporate Responses to Regulatory Changes: Latest Amendment of the Company Act and Issues in Practice	3

(IV) Companies that have assembled remuneration committees shall disclose the names and responsibilities of its members and committee operations

(1) Information on members of the Compensation Committee

Position	Requirement Name	At least five years of work experience and the following professional qualifications			Fulfillment of independence criteria (Note)								Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director	Notes
		Lecturer or a higher post at a public / private university/college in the field of commerce, law, finance, accounting, or another subject relevant to YFY's operations	Specialized professional or technician certified as a judge, district attorney, lawyer, accountant, or another designation relevant to YFY's operations and subject to national examinations	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to YFY's operations	1	2	3	4	5	6	7	8		
Independent Director	Huang, Wen-Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	3	N/A
Independent Director	Chen, Thomas			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director	Lu, Hsi-Peng	✓			✓	✓	✓	✓	✓	✓	✓	✓	1	N/A

Note: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" in the corresponding boxes:

- (1) Not an employee of YFY or one of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates. The same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary established by following this measure or local regulations.
- (3) Not a shareholding natural person who holds at least 1% of YFY's total outstanding shares in combination with his/her spouse, underage children, and third parties or is one of the ten largest shareholders.
- (4) Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds at least 5% of YFY's total outstanding shares or is one of the five largest corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding at least 5% of the shares of one of certain companies/organizations with whom YFY has financial or business dealings.
- (7) Not an owner, partner, director, supervisor, or manager of a professional or a proprietary or partner company/organization that provides commercial, legal, financial, accounting services or consulting services for YFY or one of its affiliates and not a spouse of any of the parties above.
- (8) No record of any of the incidents described in Article 30 of the Company Act.

(2) Operating Status of the Remuneration Committee

- I. The Company's Remuneration Committee is composed of three persons.
- II. Current term for the members: From June 2018 to June 2021, the Remuneration Committee met three times during the most recent year, and the qualifications and attendance information of each member are listed below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Convener	Huang, Wen-Cheng	3	0	100%	Re-elected (Original term expires in June 2015, re-elected on June 21, 2018)
Committee member	Chen, Thomas	3	0	100%	Re-elected (Original term expires in June 2015, re-elected on June 21, 2018)
Committee member	Lu, Hsi-Peng	3	0	100%	Re-elected (Original term expires in June 2015 re-elected on June 21, 2018)

Remuneration Committee	Agenda and follow-up	Results of resolutions:	Actions taken by the company in response to the opinion of the Remuneration Committee
3rd Committee 5th Meeting 2018/02/13	Reviewed the Company's 2017 year-end bonus plan for executive managers	Passed by all committee members as proposed.	The chairman was authorized to approve the 2017 year-end bonus plan for executive managers within the amount approved by the Remuneration Committee according to individual performance evaluation results and compensation structure for 2017.
3rd Committee 6th Meeting 2018/03/20	1. Reviewed the Company's 2017 remuneration proposal for employees. 2. Reviewed the Company's 2017 remuneration proposal for board members. 3. Reviewed the amendments of the employee remuneration distribution rules.	Passed by all committee members as proposed.	Presented in the board meeting and passed by all attending directors as proposed.
3rd Committee 2nd Special meeting 2018/06/21	Reviewed the promotion of Center of Corporate Finance Assistant Vice President Yin, K. T. to the Vice President of the Finance Center and his compensation after the promotion	Passed as proposed by all directors present at the meeting.	

Other statutory information:

- I. If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the compensation committee: N/A.
- II. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: N/A.

(5) Corporate responsibility practice

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons for deviation
	Yes	No	Summary	
I. Implementation of corporate governance				
(I) Does the company have the corporate social responsibility policy or system in place and examine its performance?		V	The Board of Directors has established the Sustainability and Social Responsibility Guidelines and ensured that the Company implements the principles, scope, and units responsible for social responsibilities. YFY has long cooperated with suppliers and contractors to collectively implement and fulfill corporate social responsibilities. As of 2013, we require all suppliers and third parties to sign the "Honesty and Integrity Declaration Form", which will guarantee their commitment when dealing with our personnel to fulfill their obligations of honesty, integrity, protecting the environment, and employment. In 2018, the percentage of new suppliers who signed the "Honesty and Integrity Declaration Form" was 100%.	Best Practice Principles compliant
(II) Did the Company provide social responsibility training on a regular basis?	V		Courses focusing on corporate social responsibility are organized for new employees and throughout various training.	Best Practice Principles compliant
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors?	V		YFY has set up a Sustainability and Social Responsibility Office on April 1, 2013 to propose CSR-related policies and management systems and implement plans of action with regards to employees, communities, and the environment. By strengthening and promoting internal/external relationships through continuous communication and cooperation, the Office aims to coordinate business operations through a contact window within the Group's companies and on sustainability-related platforms. The Sustainability and Social Responsibility Office has two dedicated staff members. Seven targets are established based on projects. Details are provided below: 1. Target control: Manage YFY's corporate responsibilities to the environment, society, and employees. 2. Sustainable actions: Control and guide all plants to achieve their short, mid, and long-term energy saving and carbon reduction goals. Propose response measures with respect to climate change and obtain various environmental protection certifications. 3. Employee training: Increase employee's awareness on environmental protection and green subjects; share the goals and vision of the Company with employees and encourage them to propose ideas on social responsibility and sustainability. 4. Community involvement: Strengthen YFY's green image, establish good relationships between plants and surrounding communities; encourage employees to participate in local environmental protection, cultural, and volunteer events.	Best Practice Principles compliant
(IV) Does the company have a reasonable remuneration policy in place that combines the employee performance evaluation system with the corporate social responsibility policy and also have an explicit and effective reward and discipline system in place?		V	5. Corporate responsibility exchanges: Continue to hold discussions with stakeholders; increase the transparency for enforcing corporate management and driving social responsibility. 6. Supply Chain Management: Monitor and control all personnel and contractors involved in the production line in order to provide a healthy and safe work environment; establish standards which must be met by all suppliers, including health and safety, social responsibility, sustainable development, etc. 7. Technological innovations: Integrate R&D, production, and market demands to maximize efficiency and profit; ensuring all production processes meet international environmental standards; combine internal and external R&D results to obtain certification and support from non-government organizations. The Sustainability and Social Responsibility Office reports to the chairman on a quarterly basis and presents annual plans and implementation status to the Board of Directors regularly. The department heads will raise the awareness of the practice through interviews at the semiannual performance review. The department heads will also inspect whether the employees under his/her supervision are observing a corporate culture of honesty and integrity when conducting business, and give rewards or punishments accordingly.	Changes are made gradually in response to changes in the law

II. Developing environmental sustainability					
(I)	Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	V		All things in their being are good for something. This has always been the belief of YFY since its inception. We continue to invest effort in the production process to increase output per unit of input, as we constantly seek opportunities to reuse process fuels. Process wastes will be turned into alternative fuel in order to cut the use of fossil fuels and reduce waste at the same time. We also continue to research and develop biopulping technology to convert agricultural waste to raw materials for paper making. In 2018, the Company used straws and bamboo sticks to make toilet papers. Up to 96.7% of YFY's papers for industrial use in Taiwan and China were made of recycled paper, and the recycling rate for corrugated paper (raw material for corrugated paperboard's corrugated center) reached 100%.	Best Practice Principles compliant
(II)	Has the Company established a proper environmental management system based on the characteristics of the industry?	V		All plants in China and Taiwan have passed ISO 14001 certification for environmental management; dedicated personnel have been assigned to maintain the plant's environmental management systems to ensure their proper operation.	Best Practice Principles compliant
(III)	Has the Company taken note of any impacts climate change has had on its operations and engaged in measuring greenhouse gas emissions, establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a greenhouse gas reduction strategy?	V		In order to mitigate the impact of climate change and fulfill our social responsibility, YFY spares no effort in promoting energy conservation and carbon reduction. In addition to passing ISO50001 certification for energy management systems, each plant must also implement GHG inventory and energy conservation measures. (1) Greenhouse gas inventory: In response to climate change and global greenhouse gas management trends, and to fully grasp relevant issues associated with the Company's business risks and opportunities, the Company continues to pay attention to the outside world on the disclosure of carbon emissions as well as domestic regulations and requirements. At the same time, we request all corresponding units to complete the inventory of greenhouse gas emissions voluntarily and register their results on the national greenhouse gas tracking platform. (2) Energy conservation and carbon reduction: At the end of 2014, the Company has set up a resource recycling platform to promote the integration and reuse of resources within the Group. Each quarter, all plants under the Group will inspect each other to continue the promotion of energy saving projects, which include changing to LED lights and high-efficiency motors, etc. At the same time, a quarterly technological exchange is held to introduce energy-saving related technologies to improve each plant's energy efficiency. We aim to move forward in the direction of energy conservation and environmental protection; in 2015, we have also set a five-year annual energy reduction goal of using 1% less of energy each year, with 1.76% of energy saved on average between 2015 and 2018.	Best Practice Principles compliant
III. Maintaining social welfare		V			
(I)	Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and has related management policies and procedures in place?	V		A set of rules has been implemented in accordance with the applicable regulations to protect employee rights as specified by law.	Best Practice Principles compliant
(II)	Has the Company set up an employee hotline or grievance mechanism to handle complaints properly?	V		The Company has set up an employee complaint mailbox. In 2018, we have established the Ethical Corporate Management Operating Procedures and Code of Conduct, which includes whistleblowing channels, handlers, and handling procedures that protect employees' rights to file complaints and reports.	Best Practice Principles compliant
(III)	Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		An occupational safety management platform has been established at the Company's investment holdings level; units from each level have dedicated safety and health management personnel responsible for the development of occupational safety and health management plans to promote the work environment and identify operational hazards, as well as to assess and control various safety and health management matters. All of our employees must undertake at least three hours of safety and health training every three years. At each plant, we implement automatic pre-operation inspection of all equipment and work environment monitoring. We continue to make improvements on safety and health facilities, and actively create a safe, healthy, comfortable, and friendly work environment to achieve our goal of "zero accident". We not only meet health and safety standards, all of our plants are also OHSAS18001 certified. Our plants will also expect to receive ISO45001 certification by 2021.	Best Practice Principles compliant
(IV)	Does the Company have a mechanism for regular communications with employees in place and keep employees informed of changes in company operations that might have significant impacts on them in a reasonable manner?	V		Using official letters, internal publications, public announcement, public displays, and other mechanisms to convey the Company's operating policies and related tasks.	Best Practice Principles compliant
(V)	Does the Company offer its employees effective occupational empowerment training programs?	V			Best Practice Principles compliant
(VI)	Does the Company have policies on consumer rights and			Organize professional training based on different positions and job grades.	

	interests in place and provides a clear and effective procedure for accepting consumer complaints relating research and development, procurement, production, operation, and services?	V		Complete product information are disclosed on the company website, where a dedicated service window is also available.	Best Practice Principles compliant
(VII)	Does the Company comply with applicable laws, regulations, and international guidelines in the marketing and labeling of its products and services?	V		Product sales and labeling are marked in accordance with the requirements of the law.	Best Practice Principles compliant
(VIII)	Does the Company evaluate its suppliers and see if they had records of impacting the environment and society from the past before establishing a partnership with them?			Since 2013, the Company has requested all new suppliers and contractors to sign the Honesty and Integrity Declaration Form; it covers the commitments and specific actions of the supplier's corporate social responsibility, including compliance with the principles of honesty, trustworthiness and integrity, environmental and labor laws, as well as liabilities during a breach of contract.	Best Practice Principles compliant
(IX)	Does the contracts that the Company enters into with its major suppliers include terms and conditions that allow termination or dismissal of the contract at any time if the supplier is found with any violation against the Company's corporate social responsibility policy that results in significant impacts on the environment or society?			When the Company has signed a contract with the supplier, declarations have been made with respect to environmental protection and labor act compliance as well as the liability for damages sustained. We request that all contractors commit to their corporate social responsibility; in the event of a violation, the Company has the right to terminate and void the contract.	
IV.	Reinforcing information disclosure				
(I)	Does the Company disclose relevant and reliable information relating its corporate social responsibilities on its website or public information observatory sites?	V		The Company discloses specific outcomes and media coverage on employees, communities, and the environment on the Market Observation Post System, company website, and employee portal. (www.yfy.com) (life.yfy.com)	Best Practice Principles compliant
V.	If the company has implemented corporate social responsibility guidelines by following the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the practice and any discrepancies with regard to the Best-Practice Principles: The Company's Board of Directors has approved and implemented the Yu Investment Holding Company Sustainability and Social Responsibility Guidelines in 2018.				
VI.	Other key information useful for explaining status of corporate social responsibility practices:				
(I)	Awards & Recognitions				
1.	YFY and Chung Hwa Pulp Corp. won gold award in the 2018 Taiwan Corporate Sustainability Award YFY and Chung Hwa Pulp Corp. both won gold award in the 2018 Taiwan Corporate Sustainability Award in recognition for their business philosophy in environmental protection and sustainability.				
2.	Taitung Plant of Chung Hwa Pulp Corp. received a Star Award in the Waste Resource Circular Economy Evaluation Taitung Plant participated in the Waste Resource Circular Economy Evaluation, which was organized by the Environmental Protection Administration. The plant demonstrated outstanding performance in process waste recycling and process efficiency improvement and as a result won the Star Award in recognition of its innovative circular economy model.				
(II)	Industry–Academia Cooperation				
1.	Design teams in Taiwan work with universities to continue to participate in Asia's large-scale creative competition "Cardboard Box Wars" For three years in a row, YFY has helped to organize the "Cardboard Box Wars" activity, which was hosted by the Taiwan Paper Industry Association. Through industry-academia collaboration, students were able to transform cardboard boxes into creative works. A total of 38 teams from more than 20 colleges and universities participated in the competition. Through campus interaction, social media, and Facebook, over 10,000 people were involved with the event, which inspired creativity and raised awareness on environmental protection issues among students.				
2.	YFY and National Cheng Kung University collaborated in building a studio YFY and NCKU Department of Architecture worked together to build a NCKU Architecture Studio—YFY Circular Economy Demonstration Site. YFY provides nPulp cardboards, which are made of waste straws, and process wastes from Chung Hwa Pulp Corp. so that students could try to convert agricultural wastes into construction materials for making office and classroom furniture, thereby creating a new value for waste materials. In future, we will also offer multidisciplinary courses, plan student projects, create experiences, and conduct experiments in the studio that enable students to explore new materials, applications, and business model designs, thereby fostering them into an expert of circular economy.				
(III)	Public welfare				
1.	The second year of YFY classroom in Taitung In 2015, YFY kicked off it's first wave of a 3-year volunteer project. Starting in September 2015, volunteers will visit the Taiwan Fund for Children and Families in Taitung every Wednesday afternoon to read books with 20 children. During the summer of 2016-2018, a 2-day/1-night event was arranged for volunteers and children for them to spend more time together. YFY launched the second wave of the 3-year project in 2018, with the hope of that volunteers and students can establish a sustainable relationship.				
2.	Chung Hwa Pulp Corp. donates millions in Hualien Earthquake relief programs A powerful earthquake struck Hualien in February 6, 2018. Even though its Hualien plant was also a victim of the earthquake, Chung Hwa Pulp Corp. being the largest company in Hualien still donated NT\$10 million to rescue operations for disaster victims.				
(IV)	Safety and Health				
1.	Received the Healthy Workplace Certification by the Health Promotion Administration, Ministry of Health and Welfare In 2018, YFY launched a series of healthy workplace promotion programs in all business offices across Taiwan to encourage employees to lead a healthy lifestyle and to stay healthy both physically and mentally. Eight business offices of YFY's three core business groups in Taiwan had completed the Healthy Workplace Certification. Our Yangmei Plant and Qingshui Plant, both specializing in consumer products, have received the Health Promotion Label.				

(V)	<p>2. AED Safe Workplace Certification To build a safe workplace and provide first aid at the critical moment, more than 70% of YFY business groups, including investment holdings, business management, consumer products, and Taipei Headquarters as well as Yangmei and Qingshui plants, have completed CPR and AED first aid training and received the AED Safe Workplace Certification by the Ministry of Health and Welfare.</p> <p>1. Earth Day For four consecutive years, YFY has organized nationwide environmental education activities on Earth Day (April 22). On this day of 2018, 4,119 YFY employees from over 20 plants in Taiwan and China participated in the reduction of plastic use to implement environmental protection in activities of daily living.</p> <p>2. Care for Water To educate employees on the basics of water treatment in plants and raise their awareness on water conservation, we organized the YFY Care for Water activity for the first time. Seven plants in Taiwan participated in promotional events and competitions, almost 800 people played games, and more than 1,400 employees participated quiz contests.</p>
	<p>IV. If the corporate social responsibility reports have been certified by external institutions, they should state so below: YFY's 2017 Corporate Social Responsibility Report was prepared in accordance with the Global Reporting Initiative (GRI) standards and discloses YFY's practices with respect to the economy, society, and environment. This Report has passed the SGS AA1000 Type 2 moderate-level assurance.</p>

(VI) Ethical corporate management and measures adopted

Evaluation item		Practice			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
		Yes	No	Summary	
I.	Establishment of ethical corporate management policy and approaches	V		The Company has established Code of Operation Integrity and Ethical Corporate Management Operating Procedures and Code of Conduct to actively prevent dishonest behavior and conflicts of interest, establish whistleblowing channels, and regulate the conducts of relevant personnel.	Best Practice Principles compliant
(I)	Does the Company state ethical corporate management policies and practices in its internal rules and external documents, as well as the commitment of the board of directors and management to actively implement management policies?	V			
(II)	Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?			<p>The Company's prevention methods against dishonesty behaviors are listed below:</p> <ol style="list-style-type: none"> 1. Prevention of dishonest behavior and the prohibition of bribery acceptance: Clearly stated in Chapter Four of the company policies. Within the "Service Regulations", detailed information about disciplinary actions and the reporting system are listed. 2. Protection of Intellectual Property Rights: Achieved by requiring employees to sign the "Integrity and Confidentiality of Intellectual Property Agreement" as well as the employment contract. 3. Code of Conduct for Employees: Established to implement the company's core values, maintain high ethical standards, provide employees with a set of standard with which they can comply when performing duties and daily tasks, protect the company's reputation, and earn the respect and trust of our clients, vendors, and other practitioners. 4. Ethical Corporate Management Operating Procedures and Code of Conduct: Contains 15 operational regulations and stipulates grievance systems and handling procedures. 	Best Practice Principles compliant
(III)	Does the Company have preventive measures in place against business operations at a relatively high risk of dishonest behavior as indicated in respective subparagraphs under Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		Before doing business, the Company requires all suppliers to sign the Honesty and Integrity Declaration Form; which clear states the principles of honesty, integrity, and trustworthiness to prevent company personnel from accepting improper benefits and ensure transaction integrity.	Best Practice Principles compliant

Evaluation item		Practice			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
		Yes	No	Summary	
II.	Full Implementation of Ethical Management Principles	V			
(I)	Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?			In the credit evaluation process of suppliers, we assess their ability to keep honest records; at the same time, we clearly specify in the procurement contract as well as the Honesty and Integrity Declaration Form that absolutely no bribery or dishonest behavior will be allowed.	Best Practice Principles compliant
(II)	Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis?	V		<p>The Company's Human Resource Department is responsible for handling the drafting, execution, interpretation, consulting services and notification registry of the Company's Ethical Corporate Management Operating Procedures and Code of Conduct. The Department supervises the executing unit and reports to the Board of Directors on a regular basis.</p> <p>The primary responsibilities of our Human Resource Department are as follows:</p> <ol style="list-style-type: none"> (1) Assist other departments in integrating ethical and moral values into the company's business strategy and formulating ethical corporate management-related prevention measures and supervisory systems that function in line with existing laws and regulations. (2) Plan dishonest conduct prevention measures that include standard operating procedures and behavioral guidelines. (3) Supervise and assist in optimizing the internal organization, structure and management of each department, and set up a system of mutual checks and balances to target activities at risk of unethical conduct within the parameters of the company's operations. (4) Promote and coordinate ethical corporate management policies and training. (5) Establish a reporting system and monitor the effectiveness of its implementation. (6) Coordinate with the Board of Directors in supervising senior management's review and assessment of whether the implemented ethical corporate management-related prevention measures are effective. <p>Directors who may have a conflict of interest with respect to a motion being discussed during a board meeting must excuse him/herself from the meeting.</p> <p>An effective accounting system and internal control system are already in place; internal auditors conduct inspections according to the audit plan passed by the board of directors. In 2018, the Company has hired a CPA to review reports on the internal control system within the specific scope as required by the Taiwan Stock Exchange.</p>	Best Practice Principles compliant
(III)	Does the Company have policies that help prevent against conflict of interests and appropriate channels for filing related complaints in place and precisely enforce them?	V			Best Practice Principles compliant
(IV)	Does the Company have an effective accounting system and internal control system in place to enforce honest operations and let the internal audit unit perform periodic inspections or authorize a CPA to perform the inspections?	V			Best Practice Principles compliant

Evaluation item		Practice			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
		Yes	No	Summary	
(V)	Did the Company periodically provide internal and external training programs on integrity management?	V		The Company organizes regular trainings on ethical corporate management related topics to promote relevant sense of morality and code of conduct.	Best Practice Principles compliant
III. (I)	Implementation of the Company's Whistleblowing System Does the Company have a substantial reporting and reward system as well as a convenient reporting channel in place with appropriate personnel to be assigned to assist the party being reported on?	V		The Company has a reporting and reward system as well as open and diversified reporting channels in place with the Human Resource Department as the handling department.	Best Practice Principles compliant
(II)	Does the Company have a standard operating procedure and a related confidentiality mechanism in place for investigating reported matters?	V		The Company has stipulated in its Ethical Corporate Management Operating Procedures and Code of Conduct standard operating procedures and a related confidentiality mechanism for investigating reported matters.	Best Practice Principles compliant
		V		The Company's Ethical Corporate Management Operating Procedures and Code of Conduct state that Reported matters as well as the identity of whistleblower and reported contents or investigation officers shall be kept confidential. Personnel who are made privy to the identity of whistleblower or reported contents when performing their duties or jobs shall not disclose the identity of whistleblower or reported contents. The whistleblower may file grievance report with the Company's Human Resource Department should he or she be subject to poor treatment after filing the report.	Best Practice Principles compliant
(III)	Does the Company adopt measures to prevent reporters from improper treatment for filing the report?				
IV. (I)	Reinforcing information disclosure Has the Company disclosed its integrity principles and progress onto its website and M.O.P.S.?	V		Important internal policies and the operation of audit units are disclosed on the company website.	Best Practice Principles compliant
V. If the Company has implemented its own Code of Operation Integrity by following the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the practice and any discrepancies with regard to the Best-Practice Principles: The Company has established the Code of Operation Integrity and relevant operational procedures, and incorporated the principles of ethical corporate management into applicable bylaws pursuant to Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.					
VI. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g. declare the Company's commitment to practice and policy for ethical corporate management to its business counterparties, and invite them to join the Company's training program, and review/revision of the Company's ethical corporate management principles): The Company requires all suppliers and third parties to sign the "Honesty and Integrity Declaration Form" to guarantee their commitment to fulfill their obligations of conducting honest business operations. All contracts between the Company and its suppliers require both parties to comply with the ethical corporate management policy. If the supplier is involved in any dishonest activity, the Company may terminate or void the contract at any time.					

(VII) The company shall disclose the ways to make inquiries if it has implemented a set of corporate governance guidelines or related rules: N/A

(VIII) Other material information that can facilitate the understanding of the company's corporate governance practice may be disclosed at the same time:

1. Please refer to (3) Corporate governance practice and compliance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

2. Training and education for management personnel who participate in corporate governance:

Key managers who received corporate governance training in 2018

Course Name	Organizer Department	Duration	Hours	List of key management personnel
Corporate Responses to Regulatory Changes: Amendment of the Company Act and Issues in Practice	Human Resources Department	2018.11.29	3	Felix Ho, K.T. Yin, Shun Xiang Zhan, Chia-Sheng Tsai, and key managers of other investee companies
Analysis of anti-tax avoidance practice	Human Resources Department	2018.11.29	3	

(IX) Status of implementation of internal control system:

1. Statement on the Internal Control System

YFY INC.

Statement on the Internal Control System

Date: March 22, 2019

In 2018, the Company conducted an internal audit in accordance with its Internal Control Regulations and hereby declares as follows:

- I. The Company is clearly aware that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and the executives. YFY has established this system accordingly. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets); reliability, timeliness, and information transparency of reports and compliance with relevant regulatory requirements.
- II. No matter how comprehensive the design is, the internal control system still faces constraints. An effective internal control system can only provide reasonable assurance to the achievement of the abovementioned three objectives. In addition, due to changes in market environment and conditions, the effectiveness of the internal control system may change along with them. Nonetheless, YFY's internal control system has a built-in self-supervision mechanism and once a flaw is detected, the Company is able to make immediate corrections.
- III. In compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies (the "Regulations"), YFY has adopted a checklist of items for the internal control system in judging the effectiveness of system design and implementation. The checklist items covered in the Regulations are based upon five elements according to the management control process: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element comprises several items as detailed in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the aforementioned evaluation results, the Company holds that it has reasonably preserved the achievement of the aforementioned with the internal control system as of December 31, 2018 (including the monitoring over the subsidiaries), including understanding the effectiveness and efficiency in operation, reliability and transparency in timely reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
- VI. This Statement shall become a main part of the annual report and prospectus and be disclosed to the public. If there are any deceptive or concealed statements herein, the Company shall be liable for violations of Articles 20, 32, 171 and 174 of the Securities Exchange Act.
- VII. This statement of declaration was approved by the Board on March 22, 2019; all 9 directors present concurred unanimously.

YFY INC.

Chairman: Felix Ho

President: Felix Ho

2. CPA's internal control review report: N/A

- (X) Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report:

None.

- (XI) Important resolutions adopted in shareholders meeting, Board of Directors' meeting, and the Audit Committee in the past year and up to the date of report:

1. Important resolutions of the 2018 shareholders' meeting (June 21, 2018) (abstract)

- (1) Approved the acknowledgment of YFY's 2017 financial statements.
- (2) Approved the acknowledgment of YFY's 2017 earnings distribution proposal.
- (3) Approved the amendment of YFY's Asset Acquisition and Disposal Procedure.
- (4) Approved the amendment of YFY's Procedure for Processing Derivative Transactions.
- (5) Approved the amendment of YFY's Procedure for Lending Funds to Other Parties.
- (6) Elected the 27th directors (6 seats) and independent directors (3 seats).
- (7) Approved the removal of the non-competition restriction for YFY's new directors and the institutional entities they represent.

Implementation of resolutions of the 2018 shareholders' meeting:

- (1) The Board of Directors followed Article 230 of the Company Act and prepared and submitted the financial statements to the shareholders meeting for acknowledgment. Once acknowledged by the shareholders meeting, the Board of Directors will distribute the financial statements and earnings distribution resolutions to the shareholders through announcements.
- (2) In 2017, the Company's cash dividend was NT\$0.6 per share; the record date for the interest rate was July 18, 2018, and the payment date for dividends was August 16, 2018.
- (3) When YFY received approval from the shareholders meeting to make amendments to YFY's Asset Acquisition and Disposal Procedure, relevant departments have notified all subsidiaries to implement the amendments accordingly, and require all future acquisition or disposal to be conducted by following the procedure.
- (4) When YFY received approval from the shareholders meeting to make amendments to YFY's Procedure for Processing Derivative Transactions, relevant departments have notified all subsidiaries engaged in derivative transactions to implement the amendments accordingly, and require all future derivative transactions to be conducted by following the procedure.
- (5) When YFY received approval from the shareholders meeting to make amendments to YFY's Procedure for Lending Funds to Other Parties, relevant departments have notified all subsidiaries to implement the amendments accordingly, and require all future lending to other parties to be conducted by following the procedure.
- (6) The Company has formed the 27th Board of Directors in accordance with the election results of the shareholders' meeting and registered the change of directors on July 17, 2018.
- (7) In accordance with the resolution of the shareholders' meeting, the Company has removed the non-competition restriction for YFY's new directors and the institutional entities they represented.

YFY have completed the implementation of all tasks in accordance with the resolutions of the shareholders meeting.

2. **Important resolutions of the 1st 2019 extraordinary shareholders meeting (February 1, 2019) (abstract)**

- (1) Approved the Company's subsidiary Arizon RFID Technology (Yangzhou) Co., Ltd. to publicly issue RMB ordinary shares and apply for listing on the stock exchange in Mainland China.

Implementation status of the important resolutions of the 1st 2019 extraordinary shareholders meeting:

- (1) For the purpose of its long-term development, the the Company's subsidiary Arizon RFID Technology (Yangzhou) Co., Ltd. intends to apply with local securities authority in Mainland China to issue stocks and become publicly listed in China. However, the Company is still uncertain about when to submit applications and how long will the process take.

YFY has completed the implementation of all tasks in accordance with the resolutions of the 1st 2019 extraordinary shareholders meeting.

3. **Important resolutions of the 18th meeting of the 26th Board of Directors (March 22, 2018) (abstract)**

- (1) Approved the YFY's 2017 financial statements and submitted to the shareholders' meeting for ratification.
- (2) Approved the YFY's 2017 earnings distribution proposal and submitted to the shareholders' meeting for ratification.

- (3) YFY's 2017 earnings after tax is reported at NT\$1,605,509,969, surplus unallocated earnings from the previous year is reported at NT\$4,935,840,496, a reduction of NT\$129,988,835 accounted for as changes in net equity by investor companies; a surplus of NT\$196,018,610 for confirmed welfare plan remeasurement and special reserve reversal of NT\$1,392,586 amounts to a total of NT\$6,609,772,826 available for allocation. Excluding NT\$160,650,997 which must be allocated as legal reserve by law, the distribution of common stock cash dividend is NT\$0.6 per share, amounting to NT\$996,222,897. The remaining NT\$5,452,898,932 is reserved for reconsolidation and allocation in the following year.
- (4) Approved the YFY's 2017 distribution of remuneration to employees and directors and submitted to the shareholders' meeting.
- (5) In 2017, the Company has set aside NT\$1,758,159 as remuneration for employees and NT\$7,000,000 as remuneration for directors.
- (6) Approved the amendments of the employee remuneration distribution rules.
- (7) Approved the resolution to elect the 27th directors and independent directors during the 2018 shareholders meeting.
- (8) Approved the proposal to the shareholders meeting to remove the non-competition restriction for YFY's new directors and the institutional entities they represented.
- (9) Approved the time, location, agenda, and other relevant matters regarding the 2018 shareholders meeting.
- (10) Passed the Company's 2017 Statement of Internal Control System.
- (11) Approved the YFY's 2015 annual internal control procedures.
- (12) Approved the amendment of YFY's Asset Acquisition and Disposal Procedure and the submission to the shareholders' meeting for resolution.
- (13) Approved the amendment of YFY's Procedure for Processing Derivative Transactions and the submission to the shareholders' meeting for resolution.
- (14) Approved the amendment of YFY's Procedure for Lending Funds to Other Parties and the submission to the shareholders' meeting for resolution.
- (15) Approved YFY's application of loan credit line with correspondent banks.
- (16) Approved YFY to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by YFY's subsidiaries, and to issue letters of support for the interbank lending credit line applications by their subsidiaries.
- (17) Approved YFY's subsidiaries to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by their subsidiaries.
- (18) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2017 and calculated at the end of Q4 to be NT\$15,050,351,000.

4. Important resolutions of the 19th meeting of the 26th Board of Directors (May 11, 2018) (abstract)

- (1) Approved the list of candidates for the election of the 27th directors and independent directors during the 2018 shareholders meeting and submitted the list for election during the shareholders' meeting.
- (2) Approved YFY's application of loan credit line with correspondent banks.
- (3) Approved YFY to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by YFY's subsidiaries, and to issue letters of support and commitment for the interbank lending credit line applications by their subsidiaries.
- (4) Approved YFY's subsidiaries to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by their subsidiaries.
- (5) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q1 to be NT\$15,255,476,000.

5. Important resolutions of the 1st (special) meeting of the 24th Board of Directors (June 21, 2018) (abstract)

- (1) Elected Felix Ho as the chairman of the 27th board.
- (2) Approved the appointment of three independent directors: Wen-Cheng Huang, Thomas Chen, and Hsi-Peng Lu as members of the 2nd Audit Committee of the Company.
- (3) Approved the appointment of three independent directors: Wen-Cheng Huang, Thomas Chen, and Hsi-Peng Lu as members of the 4th Remuneration Committee of the Company.
- (4) Approved the promotion of Yin, K. T. to the Vice President of the Finance Center who will serve as the Company's financial officer.

6. Important resolutions of the 2nd meeting of the 27th Board of Directors (August 13, 2018) (abstract)

- (1) Approved the proposal of Jiangyin government to purchase land on which Jiangyin Yuen Foong Yu Paper MFG is located. The purpose of this purchase is to implement the "Two Out, Three In" and the "Relocation from Cities to Parks" policies. The land will be sold at RMB369,829,590.
- (2) Approval of YFY's application of loan credit line with correspondent banks.
- (3) Approved YFY to be the joint promissory note maker of subsidiaries' loan credit line with correspondent bank.
- (4) Approved YFY's subsidiaries to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by their subsidiaries (or parent company), and

to issue letters of support for the interbank lending credit line applications by their subsidiaries (or parent company).

- (5) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q2 to be NT\$13,968,544,000.

7. Important resolutions of the 3rd meeting of the 27th Board of Directors (November 13, 2018) (abstract)

- (1) Approval of the YFY's 2019 annual operational budget, the target of which is set to NT\$3.2 billion in net profit after tax.
- (2) Approved the YFY's 2019 annual audit plans.
- (3) Approved the Company's Corporate Governance Code of Conduct.
- (4) Approved the Company's Code of Operation Integrity.
- (5) Approved the Company's Sustainability and Social Responsibility Guidelines.
- (6) Approved the replacement of YFY's existing CPAs to Hui-Ming Huang and Cheng-Hong Kuo.
- (7) Approved the resolution to finance YFY's existing financial liabilities via a five-year syndicated loan (NT\$7.2 billion) with the Bank of Taiwan, First Commercial Bank, and Hua Nan Bank.
- (8) Approved YFY's application of loan credit line with correspondent banks.
- (9) Approved YFY to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by YFY's subsidiaries.
- (10) Approved YFY's subsidiaries to serve as the joint promissory note maker in the interbank lending credit line applications by their subsidiaries (or parent company), and to issue letters of support for the interbank lending credit line applications by their subsidiaries (or parent company).
- (11) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q3 to be NT\$13,556,534,000.

8. Important resolutions of the 4th (special) meeting of the 27th Board of Directors (December 12, 2018) (abstract)

- (1) Approved the Company's subsidiary Arizon RFID Technology (Yangzhou) Co., Ltd. to publicly issue RMB ordinary shares and apply for listing on the stock exchange in Mainland China.
- (2) Approved the application of Arizon RFID Technology (Yangzhou) Co., Ltd. to restructure into a limited company and raise working capital.
- (3) Approved the time, location, agenda, and other relevant matters regarding the 1st shareholders' meeting in 2019.

9. Important resolutions of the 5th (special) meeting of the 27th Board of Directors (February 1, 2019) (abstract)

- (1) Approved the appointment of Wei-Li Tsai as the President of the Company.

10. Important resolutions of the 6th meeting of the 27th Board of Directors (March 22, 2019) (abstract)

- (1) Approved the YFY's 2018 financial statements and submitted to the shareholders' meeting for ratification.
- (2) Approved the YFY's 2018 earnings distribution proposal and submitted to the shareholders' meeting for ratification.
- (3) YFY's 2018 earnings after tax is reported at NT\$1,440,003,112; surplus unallocated earnings from the previous year is reported at NT\$5,452,898,932 and the implementation effect of the IFRS 9 and IFRS 15 is reported at NT\$112,034,962; a reduction of NT\$82,489,398 accounted for net value of shares held in the investment portfolio, as well as NT\$126,467,748 for defined benefit plans and reversal of Special Reserve of NT\$1,455,440 amounts to a total of NT\$6,797,435,300 available for allocation. Excluding NT\$144,000,311, which must be allocated as legal reserve by law, the distribution of common stock cash dividend is NT\$0.6 per share, amounting to NT\$996,222,897. The remaining NT\$5,657,212,092 is reserved to be allocated for the incoming year.
- (4) Approved the YFY's 2018 distribution of remuneration to employees and directors and submitted to the shareholders' meeting.
- (5) In 2018, the Company has set aside NT\$1,466,619 as remuneration for employees and NT\$7,000,000 as remuneration for directors.
- (6) Passed the Company's 2018 Statement of Internal Control System.
- (7) Approved the amendment of YFY's Review Authority Table.
- (8) Approved the adoption of YFY's internal control operating procedures for leasing operations.
- (9) Approved the amendment of YFY's Articles of Incorporation and submission to shareholders' meeting for resolution.
- (10) Approved the amendment of YFY's Asset Acquisition and Disposal Procedure and submission to the shareholders' meeting for resolution.
- (11) Approved the amendment of YFY's Procedure for Transactions with Related Parties and submission to the shareholders' meeting for approval.
- (12) Approved the amendment of YFY's Procedure for Processing Derivative Transactions and submission to the shareholders' meeting for resolution.
- (13) Approved the amendment of YFY's Procedure for Lending Funds to Other Parties and submission to the shareholders' meeting for resolution.
- (14) Approved the amendment of YFY's Procedures of Making of Endorsement and Guarantees and submission to the shareholders' meeting for resolution.
- (15) Approved the time, location, agenda, and other relevant matters regarding the 2019 shareholders meeting.
- (16) Approval of YFY's application of loan credit line with correspondent banks.
- (17) Approved YFY to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by YFY's subsidiaries, and to issue letters of confirmation and commitment for the interbank lending credit line applications by their subsidiaries.
- (18) Approved YFY's subsidiaries to serve as the joint promissory note maker and the joint and severable guarantor in the interbank lending credit line applications by their subsidiaries, and to issue letters of support for the interbank lending credit line applications by their subsidiaries.

- (19) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q4 to be NT\$13,039,315,000.
- 11. Important resolutions of the 14th meeting of the 1st Audit Committee (March 20, 2018) (abstract)**
- (1) Approved the YFY's 2017 financial statements and submission to the board meeting for approval.
 - (2) Approved the YFY's 2017 earnings distribution and submission to the board meeting for approval.
 - (3) Approved the project review report on the internal control system within the specific scope submitted by KPMG in Taiwan as consigned by YFY and the reporting of the correction of the flaws reported to the board meeting for approval.
 - (4) Approved YFY's 2017 Statement on the Internal Control System and submission to the board meeting for approval.
 - (5) Approval of the revision of the YFY's internal control system and the submission to the board meeting for approval.
 - (6) Approved the amendment of YFY's Asset Acquisition and Disposal Procedure and the submission to the board meeting for approval.
 - (7) Approved the amendment of YFY's Procedure for Processing Derivative Transactions and submission to the board meeting for approval.
 - (8) Approved the amendment of YFY's Procedure for Lending Funds to Other Parties and submission to the board meeting for resolution.
 - (9) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2017 and calculated at the end of Q4 to be NT\$15,050,351,000 and submission to the board meeting for approval.
- 12. Important resolutions of the 15th meeting of the 1st Audit Committee (May 9, 2018) (abstract)**
- (1) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q1 to be NT\$15,255,476,000 and submission to the board meeting for approval.
- 13. Important resolutions of the 16th (interim) meeting of the 1st Audit Committee (June 21, 2018) (abstract)**
- (1) Approved the promotion of Yin, K. T. to the Vice President of the Finance Center who will serve as the Company's financial officer and submission to the board meeting for approval.
- 14. Important resolutions of the 1st meeting of the 2nd Audit Committee (August 10, 2018) (abstract)**
- (1) Approved the YFY's 2018 semi-annual financial reports and the reporting to the board meeting.
 - (2) Approved the project review report on the internal control system within the specific scope submitted by KPMG in Taiwan as consigned by YFY and the progress of correction as per the project review report, as well as submission to the board meeting for approval.
 - (3) Approved the proposal of Jiangyin government to purchase land on which Jiangyin Yuen Foong Yu Paper MFG is located at RMB369,829,590 for the purpose of implementing the "Two Out, Three In" and the "Relocation from Cities to Parks" policies, and submission to the board meeting for approval.
 - (4) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q2 to be NT\$13,968,544,000 and the submission to the board meeting for approval.
- 15. Important resolutions of the 2nd meeting of the 2nd Audit Committee (November 13, 2018) (abstract)**
- (1) Approved the YFY's 2019 annual audit plans and the submission to the board meeting for approval.
 - (2) Approved the replacement of YFY's existing CPAs to Hui-Ming Huang and Cheng-Hong Kuo, Board of Directors, and the submission to the board meeting for approval.
 - (3) Approved the compliance of the auditors' independence and accountability after evaluation as required by the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and the reporting to the board meeting.
 - (4) Approved YFY's Corporate Governance Code of Conduct and submission to the board meeting for approval.
 - (5) Approved the Company's Code of Operation Integrity and submission to the board meeting for approval.
 - (6) Approved the Company's Sustainability and Social Responsibility Guidelines and submission to the board meeting for approval.
 - (7) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q3 to be NT\$13,556,534,000 and the submission to the board meeting for approval.
- 16. Important resolutions of the 3rd (interim) meeting of the 2nd Audit Committee (December 12, 2018) (abstract)**
- (1) Approved the Company's subsidiary Arizon RFID Technology (Yangzhou) Co., Ltd. to publicly issue RMB ordinary shares and apply for listing on the stock exchange in Mainland China, and approved the submission to the board meeting for approval.
 - (2) Approved the application of Arizon RFID Technology (Yangzhou) Co., Ltd. to restructure into a limited company and raise working capital, and submission to the board meeting for approval.
- 17. Important resolutions of the 4th meeting of the 2nd Audit Committee (March 20, 2019) (abstract)**
- (1) Approved the YFY's 2018 financial statements and submission to the board meeting for approval.
 - (2) Approved the YFY's 2018 earnings distribution and submission to the board meeting for approval.
 - (3) Approved YFY's 2018 Statement on the Internal Control System and submission to the board meeting for approval.
 - (4) Approved the adoption of YFY's internal control operating procedures for leasing operations and submission to the board meeting for approval.
 - (5) Approved the amendment of YFY's Asset Acquisition and Disposal Procedure and the submission to the board meeting for approval.
 - (6) Approved the amendment of YFY's Procedure for Transactions with Related Parties and the submission to the board meeting for approval.
 - (7) Approved the amendment of YFY's Procedure for Processing Derivative Transactions and submission to the board meeting for approval.
 - (8) Approved the amendment of YFY's Procedure for Lending Funds to Other Parties and submission to the board meeting for resolution.
 - (9) Approved the amendment of YFY's Procedures of Making of Endorsement and Guarantees and submission to the board meeting for approval.
 - (10) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated at the end of Q4 to be NT\$13,039,315,000 and the submission to the board meeting for approval.

- (XII) The content of any resolution of the board of directors which received any objections or reserved comments from a director or supervisor that are supported by appropriate records or written statements:

The 18th meeting of the 26th board of directors (March 22, 2018) was conducted to discuss the amendment of the Company's Asset Acquisition or Disposal Procedures. Director Richard Ho has a dissenting opinion regarding investment of NT\$300 million or less that does not need to be reviewed and reported by the Board of Directors, whereas all other directors present at the meeting passed the proposal.

The 6th meeting of the 27th board of directors (March 22, 2019) was conducted to discuss the amendment of YFY's Review Authority Table. The proposal was passed by all directors present at the meeting, except for director Richard Ho who has left the meeting early and submitted a written dissenting opinion regarding the Review Authority: Investment Platform.

The 6th meeting of the 27th board of directors (March 22, 2019) was conducted to discuss the amendment of YFY's Asset Acquisition or Disposal Procedures, Procedures for Transactions with Related Parties, and Procedures of Making of Endorsement and Guarantees. Director Richard Ho has left the meeting early but has submitted a written opinion stating that the Chairman of the Company and decision-making personnel may approve and execute a transaction within the value of NT\$300 million without prior board approval. The three proposals were passed by all directors present at the meeting.

- (XIII) Resignation and dismissal of professional managerial officers related to the financial report including Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer and Chief Internal Auditor, in the past year and up to the date of report: None.

V. Information on Fees to CPA

- When non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them, the amounts of both audit and non-audit fees and the details of the non-audit services shall be disclosed.

Name of CPA firm	Name of CPAs:		Duration of audit	Notes
Deloitte and Touche Taiwan	Chih-Ming Shao	Cheng-Hong Kuo	2018.01.01~2018.06.30	-
Deloitte and Touche Taiwan	Hui-Ming Huang	Cheng-Hong Kuo	2018.07.01~2018.12.31	-

Unit: NT\$Thousand

Fees		Unit: NT\$ thousands		
Range of amount		Audit fee	Non-audit fee	Total
1	NT\$2,000,000		V	
2	NTD 2,000,000–4,000,000			
3	NTD 4,000,000–6,000,000	V		
4	NTD 6,000,000–8,000,000			
5	NTD 8,000,000–10,000,000			
6	NTD 10,000,000			

- Non-audit fees paid to CPAs, Deloitte and Touche, and other related enterprises totaled NT\$450,000, which included service fees for administrative relief; the amount did not reach 1/4 of the audit fee.

VI. Information on change/replacement of CPA:

1. Regarding previous CPA:

Regarding previous CPA:			
Date of change	July 2018		
Reasons for change and remark	Because of the firm's work schedules and arrangement, CPA Chih-Ming Shao was changed to Hui-Ming Huang.		
Termination initiated by client or accountant declined to accept the appointment	Parties Involved		CPA
	Scenario		Client
	Termination initiated by client		N/A
	CPA declined to accept (continue) the appointment		N/A
Audit opinions other than unqualified opinions issued in the past two years and reasons	N/A		
Opinions different from those of issuer	Yes		Accounting principles or practice
			Disclosure of financial reports
			Scope or step of auditing
			Others
	N/A	V	
	Description		
Other disclosures (Disclosures Specified in Article 10.6.1.4 through to 1.7 of the Standards)	N/A		

(2) Regarding succeeding CPA

Name of firm	Deloitte and Touche Taiwan
Name of Accountants:	Hui-Ming Huang
Date of appointment	July 2018
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

- The former CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2, Point 3 of the Standards: N/A.

VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the past year:

None.

VIII. Shareholding Transferred or Pledged by Directors, Management, and Major Shareholders Who Holds 10% of The Company Shares or More:

1. Directors, Supervisors, Management Team and Major shareholders:

None.

2. Share transfers: None.

3. Share pledge: None

IX. Information disclosing the spouse, kinship within second degree, and relationship between any of the top ten shareholders

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE)		NOTES
	Number of shares	%	Number of shares	%	Number of shares	%	Name	Relation	
Ho, S. C.	168,615,028	10.16%	0	0	0	0	<ol style="list-style-type: none"> Shin-Yi Foundation Shin-Yi Enterprise Co., Ltd. Representatives of Shin-Yi Foundation and Shin-Yi Enterprise Co., Ltd.: Sing-Ju Chang Ho, Mei Yu Ho, Felix 	<ol style="list-style-type: none"> Director Director Spouse Siblings Father and son 	N/A
Shin-Yi Foundation Representative: Chang, Sing-Ju	94,004,485 0	5.66% 0	0 *168,615,028	0 10.16%	0	0	<ol style="list-style-type: none"> Ho, S. C. Ho, Mei Yu Ho, Felix 	<ol style="list-style-type: none"> Director is the representative's spouse Related to the representative by blood or marriage within the second degree Is related to the representative as mother and son 	N/A
Shin-Yi Enterprise Co., Ltd. Representative: Chang, Sing-Ju	77,794,610 0	4.69% 0	0 *168,615,028	0 10.16%	0	0	<ol style="list-style-type: none"> Ho, S. C. Ho, Mei Yu Ho, Felix 	<ol style="list-style-type: none"> Director is the representative's spouse Directors who are related to the representative by blood or marriage within the second degree Director is related to the representative as mother and son 	N/A
Ho, Cheng Ting	46,544,959	2.80%	1,878,837	0.11%	0	0	<ol style="list-style-type: none"> Ho, Rong Ting Ho, Min Ting 	Siblings	N/A
Yuen Foong Yu Investment Holding Co., Ltd. Supervisory Committee of Workers' Pension Reserve Funds Representative: Leu, S. R.	46,396,624 *4,355	2.79% 0.00%	0 *820	0 0.00%	0	0	N/A	N/A	N/A

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE)		NOTES
	Number of shares	%	Number of shares	%	Number of shares	%	Name	Relation	
Ho, Mei Yu	44,376,664	2.67%	4,282,112	0.26%	0	0	1. Ho, S. C. 2. Shin-Yi Enterprise Co., Ltd. 3. Representatives of Shin-Yi Foundation and Shin-Yi Enterprise Co., Ltd.: Sing-Ju Chang	1. Siblings 2. Director 3. Related to the representative by blood or marriage within the second degree	N/A
NEW TALENT LIMITED Representative: Modern Victory Limited	37,806,132 0	2.28% 0	0 0	0 0	0	0	N/A	N/A	N/A
Ho, Felix	35,529,953	2.14%	0	0	0	0	1. Ho, S. C. 2. Shin-Yi Enterprise Co., Ltd. 3. Representatives of Shin-Yi Foundation and Shin-Yi Enterprise Co., Ltd.: Sing-Ju Chang	1. Father and son 2. Director 3. Mother and son	N/A
Ho, Rong Ting (Deceased; asset transfer in progress)	34,609,965	2.08%	0	0	0	0	1. Ho, Cheng Ting 2. Ho, Min Ting	Siblings	N/A
Ho, Min Ting	34,444,233	2.07%	0	0	0	0	1. Ho, Cheng Ting 2. Ho, Rong Ting	Siblings	N/A

*personal holdings

X. Numbers of shares in the subsidiaries held by YFY, YFY's directors, independent directors, and managers, and entities directly or indirectly controlled by YFY and the total numbers of shares on a consolidated basis

December 31, 2018, unit: 1,000 shares; %

Investment on equity method	Investment by the Company		Investments by directors, independent directors, presidents and directly or indirectly controlled enterprises		Total investment	
	Number of shares	%	Number of shares	%	Number of shares	%
YFY Consumer Products Co., Ltd.	227,299	100.0	0	0	227,299	100.0
Union Paper Corp.	19,584	18.9	6,654	6.4	26,238	25.3
Yuen Yan Paper Co., Ltd.	6,179	50.9	9	0.1	6,188	51.0
China Color Printing Co., Ltd.	32,896	49.7	887	1.3	33,783	51.0
YFY Capital Co., Ltd.	26,840	100.0	0	0	26,840	100.0
E Ink Holdings	133,473	11.7	106,984	9.4	240,457	21.1
Cupid Info Tech Co., Ltd.	2,857	100.0	0	0	2,857	100.0
Taiwan Global Biofund	31,013	23.0	42,326	31.4	73,339	54.4
Taiwan Genome Sciences Inc.	1,226	19.4	209	3.3	1,435	22.7
Shin Foong Specialty and Applied Materials Co., Ltd.	51,914	49.6	756	0.7	52,670	50.3
YFY Paradigm Investment Co., Ltd.	80,013	100.0	0	0	80,013	100.0
YFY Venture Capital Investment Co., Ltd.	59,497	100.0	0	0	59,497	100.0
San Ying Enterprises Co., Ltd.	12,600	100.0	0	0	12,600	100.0
YFY Global Investment BVI Corp.	79,000	100.0	0	0	79,000	100.0
YFY International BVI Corp.	580,099	100.0	0	0	580,099	100.0
Eihoyo Shoji Co., Ltd.	0.2	100.0	0	0	0.2	100.0
Lotus Ecoscings & Engineering Co., Ltd.	26,914	100.0	0	0	26,914	100.0
Effion Enertech Co., Ltd.	34,300	49.0	35,700	51.0	70,000	100.0
Chung Hwa Pulp Corp.	627,827	56.9	60,739	5.5	688,566	62.4
YFY Holding Management Co., Ltd.	3,000	100.0	0	0	3,000	100.0

Chapter 4. Fundraising

- I. YFY's capital and shares, corporate bonds, preferred shares, global depositary receipts, employee stock options, new shares to employees with restricted rights (including mergers and acquisitions, or after company split)
- II. Status of implementation of capital allocation plans

Chapter 4. Fundraising

I. YFY's capital and shares, corporate bonds, preferred shares, global depositary receipts, employee stock options, new shares to employees with restricted rights (including mergers and acquisitions, or after company split)

(I) Source of share capital

Unit: NT\$Thousand;1,000shares

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital source	Shares acquired by non-cash assets	Others
2011.08	10	2,200,000	22,000,000	1,660,372	16,603,715	Unappropriated earnings	-	Jing-Shou-Shang No. 10001196670 dated August 26, 2011

Unit: 1,000 shares

Shareholding type	Authorized capital			Notes
	Outstanding shares	Unissued shares	Total	
Common shares	1,660,372	539,628	2,200,000	Publicly traded shares

(II) Shareholder structure

April 27, 2019

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and individuals	Total
Head count	4	1	264	89,438	209	89,916
Number of shares owned	15,170,555	20,000	545,851,624	799,101,786	300,227,530	1,660,371,495
Percentage of shares	0.961%	0.00%	32.88%	48.13%	18.08%	100.00%

(III) Shareholding Distribution Status

April 27, 2019

Shareholding range	Number of shareholders	Number of shares	Percentage of shares
1 to 999	55,621	6,575,927	0.40%
1,000 to 5,000	23,329	51,125,573	3.08%
5,001 to 10,000	5,032	37,819,441	2.27%
10,001 to 15,000	1,872	22,541,858	1.36%
15,001 to 20,000	988	18,125,455	1.09%
20,001 to 30,000	1,022	25,562,778	1.54%
30,001 to 40,000	436	15,149,530	0.91%
40,001 to 50,000	320	14,804,097	0.89%
50,001 to 100,000	610	43,365,822	2.61%
100,001 to 200,000	313	44,266,548	2.67%
200,001 to 400,000	162	45,411,740	2.74%
400,001 to 600,000	58	28,528,909	1.72%
600,001 to 800,000	26	18,294,634	1.10%
800,001 to 1,000,000	13	12,178,105	0.73%
1,000,001 and above	114	1,276,621,078	76.89%
Total	89,916	1,660,371,495	100.00%

Note: The Company does not have any outstanding preferred shares.

(IV) List of major shareholders

April 27, 2019

Shares		Number of shares	Percentage of shares
Name			
S. C. Ho		168,615,028	10.16%
Shin-Yi Foundation		94,004,485	5.66%

(V) Market prices, net asset values, earnings, and dividends per share

Item		Year	2017	2018	Current year as of the print date of this annual report
Market price per share	Highest		14.40	14.70	12.30
	Lowest		9.50	10.95	11.05
	Average		11.30	12.41	11.74
Net asset value per share	Before distribution		20.01	21.36	-
	After distribution		19.41	-	-
Earnings per share	Weighted average number of shares (1000 shares)		1,660,372	1,660,372	1,660,372
	Earnings per share		0.97	0.87	-
Dividend per share	Cash dividends		0.60	0.6	-
	Gratuitous transfer	Retained shares	-	-	-
		Surplus shares	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	PE ratio		11.65	14.26	-
	Price dividend ratio		18.83	-	-
	Cash dividend yield (%)		5.31	-	-

Note 1: PE ratio = Average market closing value per share over the year/earnings per share.

Note 2: Price dividend ratio = Average market closing value per share over the year/cash dividends per share.

Note 3: Cash dividend yield = Cash dividends per share/Average market closing value per share over the year.

Note 4: The distribution of dividends from 2018 has yet to be approved by the 2019 shareholders' meeting.

(VI) Dividend policy and implementation:

1. Dividend policy:

In making its dividend policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, an appropriate percentage of the remaining surplus will be retained as needed to support the ongoing business operations, and dividends shall be distributed in a way that at least 20% is distributed as cash dividends and the remainder as share dividends. However, for the purpose of meeting other capital expenditure requirements, the company may distribute the aforementioned remaining surplus in the form of share dividends only.

2. Dividend distribution to be proposed to the shareholders' meeting:

With respect to the earnings distribution for 2018, the Company proposes to distribute NT\$996,222,897 in cash dividends, the equivalent of NT\$0.6 per share.

(VII) Impact of gratuitous transfers proposed at this shareholders meeting on business performance and earnings per share:

N/A

(VIII) Remuneration of employees, directors, and independent directors:

1. Percentages or ranges of remuneration of employees, directors, and independent directors under the Articles of Incorporation:

According to current policies, if the Company sustains profit every year, 0.1% or more of the income shall be set aside as remunerations to employees, and 2% or less shall be distributed as director remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.

Directors' remuneration may be distributed by way of cash dividend, and employees' remuneration may be distributed by way of cash dividend or stock dividend. The Board of Director shall be authorized to

define the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash. The distribution ratio of directors' remunerations and the method of distribution and ratio of employees' remunerations shall be resolved by a majority vote at a meeting attended by more than two thirds of the directors and shall be reported at the shareholders' meeting.

Employee and director remunerations are calculated deducting the cumulative losses from the profit for the year (i.e., the profit before employee and director remunerations are deducted from profit before tax).

2. Basis for estimating the amount of remuneration of employees, directors, and independent directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The estimated employee and director remunerations are recorded as expenses at the likely amounts to be distributed for the current year according to Articles of Incorporation. Any change in the amounts on the date of resolution by the board meeting will be entered as accounting adjustments and recorded as adjustments for realized net profit and loss approved by the board meeting. If it is decided in the board meeting to distribute employee remuneration in the form of shares, the number of shares will be determined by dividing the approved remuneration by the fair price of the shares. The fair price of the shares will be calculated based on the closing price on the day before the date of the board meeting.

3. Remuneration proposals passed by the board of directors:

1. Distributed NT\$1,496,149 in cash as employee remuneration, no shares of stock were distributed; Directors' remuneration was NT\$7,000,000. The amounts listed above are not different from the expense estimates for 2018.
2. Amount in stock distribution as employee remuneration as a percentage with respect to the net profit after tax in current period's individual financial statement and total employee remuneration: None.

4. Any difference between actual distribution (including number, amount, and price of shares) of employee remuneration and director and independent director remunerations from the previous year and recorded employee remuneration and director and supervisor remunerations and the reasons as well as corresponding treatments:

In 2017, the actual remuneration distributed to employees was NT\$1,758,159 in cash and no shares of stock were distributed. Director remuneration was NT\$7,000,000. The aforementioned amount did not differ from the amount approved in the board meeting.

(IX) Buyback of Treasury Stock: None.

(X) Issuance of corporate bonds: The Company does not issue corporate bonds.

(XI) Issuance of preferred stocks: The Company does not issue preferred stocks.

(XII) Issuance of global depositary receipts (GDR): The Company does not issue global depositary receipts (GDR).

(XIII) Exercise of employee stock option plan (ESOP): The Company does not provide employee stock options.

(XIV) Restricted stock awards: The Company does not issue restricted stock awards.

(XV) Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:
The Company did not engage in mergers and acquisitions or issue new share by acquisitions of shares in other companies.

II. Utilization of funds

(I) Project Content: The Company has no plans to use special funds.

(II) Implementation status: N/A.

Chapter 5. Business overview

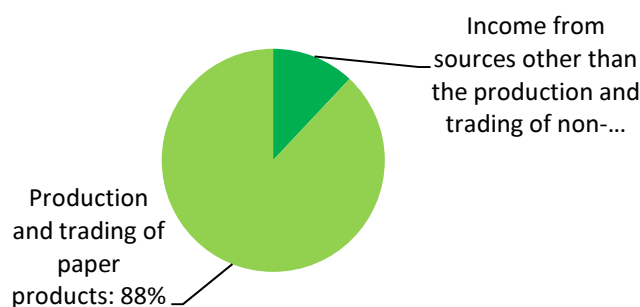
- I. Business scope
- II. Market outlook
- III. Employee information in the last two fiscal years and up to the print date of this annual report
- IV. Environmental protection expenditure information
- V. Employer-employee relationship
- VI. Material contracts

Chapter 5. Business overview

I. Business content

(I) Business scope

1. Key areas of business:
 - Industry investment holding.
2. Key operations and products of corporate re-investments:
 - Pulp and paper business group
 - Production, marketing, and distribution of pulp, paper, and paperboard.
 - Container board and packaging business group
 - Paperboard for industrial use, production, machining, and marketing of cardboard boxes.
 - Consumer products business group
 - Household paper products, production, marketing, and distribution of cleaning products.
 - Other businesses
 - Production, marketing, and distribution of electronic related products.
 - Production and marketing of chemical products.
3. Revenue breakdown:
 - Manufacturing and trading of paper products account for the largest portion of revenue at approximately 88%.
 - Other items account for approximately 12%.
4. New products in development:
 - Special purpose paper.



(II) Industry Overview

In 2018, due to the rebound of raw material prices and the recovery of global demands, the global economic growth rate was 3.6%, slightly higher than 2017 at 3.2%. The annual economic growth rate of Taiwan was 2.86%, higher than what was expected. In Mainland China, although the overall economic structure was still under adjustment, the annual growth rate reached 6.9% nonetheless.

In 2018, it is estimated that the global economic growth would steadily maintain the pace of 2018, and the growth rate percentage would be similar to that of 2018. However, domestic economy was heavily influenced by the changes in the global economic and trade environment, such as the impact of the U.S. President Trump's decisions in the policies on economy and the continually rising trend of environmental protection in Mainland China. In addition, recently the international raw material prices, such as raw petroleum and coal, fluctuate greatly. Among which, bulk wood chips and paper pulp material, which directly influence the paper industry, kept rising. All of this adds to the uncertainty in the industry operation. Regarding the economic conditions in Taiwan, currently it is estimated that the economic growth rate of Taiwan in 2019 would be approximately 2%, and that for Mainland China would be 6.5%. The overall estimate remains positive.

Market sales of main business units:

1. Pulp and paper business group

Based on the statistics by the Taiwan Paper Industry Association, the total production of paper and paperboard in Taiwan in 2018 was 4.027 million tons, growing by 2.3% compared to 2016. The import was 1.553 million tons, growing by 1.9%. Domestic sales was 4.164 million tons, with a decrease of 1% over 2016; Exports increased by 13% to 1.416 million tons. In the last two to three years, competitors such as Cheng Loong and Taiwan Pulp and Paper Corporation have stopped the production of paper stationery products, and the YFY Forest Products and Fine Paper Business Units have partially switched to the production of special purpose paper; therefore, the market supply needs to be supplemented by imported paper stationery products. In 2018, the import has grown 2.6% compared to 2017.

On the demand side, the global demand for paper stationery products keeps declining due to the changes in reading habits, electrization and reduced birth rate. However, the demand for packaging paper stays stable due to the prosperous development in e-Commerce. The development of other special purpose paper is anticipated with the development of Industry 4.0 and the internet.

Influenced by the international soaring price of pulp and the increase in raw materials prices, domestic paper stationery product prices have been adjusted in 2018 due to the increase in cost. The YFY Forest Products and Fine Paper Business Units have always been closely related to the Taiwan culture industry. We understand that the domestic cultural printing industry is impacted by digitization and struggles to maintain in operation; therefore, although the pulp price has raised by 60% in 2017,

we only slightly adjusted the price of our paper products in the hopes of reducing the pressure of the raised pulp price on the domestic paper stationery products industry. However, as compared to the increase in cost, the paper price is yet to keep up.

2. Container board and packaging business group

Based on statistics by the Taiwan Paper Industry Association, the total production of paper for industrial use in Taiwan in 2017 was 2.576 million tons, up 5% from 2016. The import was 199,000 million tons, up 14% for the year. Domestic sale volume was 1.748 million tons, down slightly by 0.44% from 2017. Exports increased by 15.8% to 1.027 million tons. In 2017, the total sales volume of paper products in Taiwan was 2.082 billion square meters, 60 million square meters less compared with the 2.022 billion square meters in 2016.

Industrial cardboard and processed paper products are made of long-fiber pulp and recycled paper (or recycled paper pulp), which are processed and packaged by downstream industries (electronics, information, food, and textile fiber) for application. In addition to YFY Paper, domestic manufacturers also include Cheng Loong Corp. and Long Chen Paper Corp. that supply paperboard for industrial use to downstream paperboard and paper container processing plants.

In response to the Taiwanese market demands of small quantity, greater variety and high quality, YFY continued to replace old equipment and introduce automated production equipment. By developing differentiated products and offering services of premium quality, we aim to win the trust of customers.

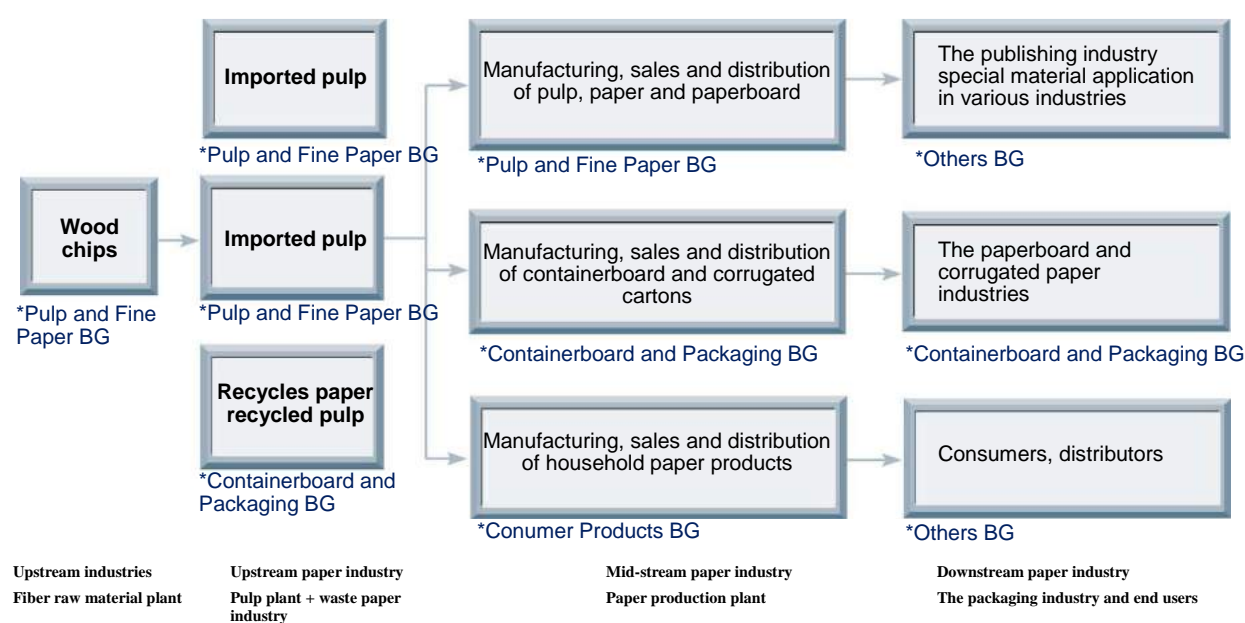
3. Consumer products business group

Based on statistics by the Taiwan Paper Industry Association, the total production of domestic paper in Taiwan in 2017 was 322,000 tons, growing by 0.2% compared to 2017. The import was 104,000 tons, growing by 6.4%. Regarding sales, export measured 29,000 tons, down 15.1%; domestic consumption was 398,000, up 3.1% from 2017.

The Company's supply chain comprises upstream manufacturers of domestic paper who export short-fiber paper pulp and downstream vendors, distributors, and end consumers. Kimberly-Clark, Cheng Loong, and Golden Century Paper are main suppliers in Taiwan.

Toilet paper is a daily necessity and a crucial indicator of consumer prices. Consumers are extremely sensitive to price changes. In a fully developed domestic market, YFY is committed to continuously researching and developing innovative high-quality products to solidify its market position.

Relationships with upstream, mid-stream, and downstream companies:



(III) Overview of Technology and R&D

1. R&D investments during the past year

R&D expenditure was roughly NT\$255 million in 2018. Expenditure on other development applications was not included. R&D expenditure up to the printing date of this report in 2019 was NT\$ 41 million.

2. Launching and application of new technology products

YFY invests in a broad scope of area. Each of its business group has acquired the core technology of the industries in which it invests, including pulp/paper making, domestic detergents, special materials, biomedicine, Internet of Things, among others. YFY's business groups engage in different research and development projects for distinct areas of application to develop niche and innovative products. In 2018, each business group is not only committed to the research and development of equipment, processes, formulas, applications, and energy consumption improvement, but it is also devoted to the research and development of bio-based materials, byproducts of pulp/paper making, and designs and applications to reuse process wastes so that biological and industrial resources are constantly recycled to achieve circular economy.

(IV) Long- and short-term business plans:

1. Pulp and paper business group

Short-term development plans

- (1) Improve the production processes and management procedures to improve the competitiveness of the products.
- (2) Reinforce the R&D of niche products and develop multi-purpose special paper products.
- (3) Vertically integrate the supply chain, strengthen cooperative development with downstream processing plants, and increase overall industry competitiveness.
- (4) Develop high-value clientèle and solidify the existing key clients to strengthen the market hold.
- (5) Expand upstream and downstream products related to pulp paper and develop high value-added products such as special materials.

Long-term development plans

- (1) Research and develop environmentally sustainable and high value-added botanic fiber base material products and continue promoting the transformation of product structure.
- (2) Cultivate and discover industries that increase their paper usage and explore new usages for paper stationery products.
- (3) Dedicate to the sustainable cycle and use the R3 (recycle, re-create and reinvent value) to enhance the usage of materials and promote the evolution of product diversity.

2. Container board and packaging business group

Short-term development plans:

- (1) Optimize the production process and diminish the production bottleneck.
- (2) Replace the old equipment and introduce new equipment based on the core clients' needs to improve the added value of the products.
- (3) Improve the quality and expand the specifications of the median boards to meet the clients' diverse demands.
- (4) Develop new clientèle and new demands to increase sales.
- (5) Promote the factory expansion project in the areas of near saturation and fast growth in the production capacity.
- (6) Improve the quality in the procurement of recycled paper, optimize the reuse efficiency, and realize circular economy.

Long-term development plans:

- (1) Continue promoting the reduction of energy cost in all units and
- (2) Invest in green equipment to save energy and reduce carbon emission.
- (3) Continue promoting the transformation of excess material from production into resource and realize the circular economy concept.
- (4) Develop automated production.
- (5) Recruit technical, operational and managerial talents, invest in the employee training, and develop the long-term succession talents.

3. Consumer products business group

Short-term development plans

- (1) Expand the non-paper business operation.
- (2) Strengthen the distribution channel management.
- (3) Cultivate the e-Commerce platform.
- (4) Focus on digital marketing.
- (5) Continue improving the high-end market operation and expand high value-added products.

Long-term development plans

- (1) Solidify the brand management, approach from the angle of target audience and market segmentation, and strengthen the various brand values and product strength.

- (2) Actively devote to the R&D of new products.
- (3) Focus on consumer demands and deepen the brand positioning.

II. Market outlook

(I) Market analysis

Analysis of each business group's product market is as follows:

1. Pulp and paper business group

In 2018, the production and sales of the printing and writing paper and paperboard were stable. Faced with the declining demand in the market and the closing down of domestic paper factories, the production of paper products in 2018 stayed at 0.56 million tons. Domestic sales were 0.42 million tons, declining by 4.3% compared to 2016. Exports were 0.3 million tons, growing by 9.7% compared to 2016. Regarding sales value, in 2017 the domestic sales of paper products stayed at 10 billion NTD due to the increase in the raw materials costs, which in turn caused the paper prices to rise. Therefore, the sales value stayed the same. The annual exports value of 2017 was 8.7 billion NTD, growing by 5.3%.

The Forest Products and Fine Paper Business Units focused on the development of special paper products, with the aim of gradually transforming the production portfolio from paper stationery products to industrial special materials to meet the diverse demands of the medical, packaging, food, and electronics industry. The advanced countries have greater demands for multi-use special paper products, and the emerging new market also have stronger demands day by day. These are the source for sales value growth. Looking ahead to 2018, we will continue to improve the quality of our products, strengthen the hold on raw materials and the product supply stability as well as expand the applications of our products and improve the local services.

2. Container board and packaging business group

In 2017, the production of industrial paperboard was 1.25 million tons, growing by 4.2% compared to the 1.2 million tons in 2016. The main reason was the strict enforcement of environmental protection policies and restrictions on imported recycled paper in Mainland China, which caused the prices for the base paper market to rise significantly. There were even multiple occasions where the supply could not meet the demand. The plants of YFY Inc. on both sides of the strait took this opportunity to adjust their structure, and the Yangzhou plant began to generate a significantly positive profit. The test production of the third production line at Shinwu plant turned out to have outstanding quality, adding to the competitive momentum.

Looking ahead to 2018, the development of the e-Commerce market prospers on both sides of the strait, and the demand for paper products is active. The Containerboard and Packaging Business Group will combine the production capacity of the plants on both sides of the strait to secure the optimization of different types of paper products in order to expand our services. The southern market also has good prospect. Based on the solid foundation in Vietnam, we continue to expand to maintain our leading position. The Containerboard and Packaging Business Group will continue integrating the Group's resources, deepening the integration of the upstream and downstream supply chain, improving the production capacity for potential markets, optimizing our quality, and strengthening our overall competitiveness.

3. Consumer products business group

In 2018, the household product domestic sales value was 4.3 billion NTD, growing by 3.5% compared to 2016. The export to Mainland China and other oversea markets was 6.03 billion NTD, declining by 12.3%. In 2018, the household paper production of the Consumer Product Business Group was 0.243 million tons, slightly declining by 2.4% compared to 2016. The domestic sales kept growing and solidified our top position in the Taiwan market. The new plant for the featured household cleaning product in Taiwan, "Orange House", is completed and provides products with better quality and safety, which enhances the consumers' confidence and loyalty in the brand.

Looking ahead in 2018, faced with the market maturity of the household paper in Taiwan, expansion will be limited and there is a lot of pressure on the cost increase. Under this business environment, the Consumer Product Business Group will continue to optimize the product structure, strengthen the market competitiveness, make use of the strengths such as complete distribution and channel marketing, increase the sales of non-paper products, and continue managing the target audience with high spending power, R&D innovative products, increase the percentage of high gross profit products, so as to improve the business performance.

(II) Application and production of key products

Pulp and paper business group

- Pulp: Use suitable tree species based on the paper plant's requirements; different types of pulp are produced from wood chips after evaporation, cleaning, bleaching, and drying.
- Paper products: The main raw material is pulp; different types of paper are produced by going through a series of steps including pulp dispersion, blending the pulp, cleaning the pulp, shape forming, dehydration, drying, and coiling. High-quality printing paper (e.g., coated paper and woodfree paper) is made by coating the surface, which is suitable for premium quality text and color printing; special papers (e.g., glassine paper and masking paper) are suitable for various types of industrial use.

Container board and packaging business group

- Paper for industrial use: The main raw material used is recycled paper; raw material for different types of corrugated

cardboard and boxes are produced by going through a series of steps including pulp dispersion, debris removal, washing and selection, deinking, pulp cleaning, pulp grinding, mixing, forming, drying, and reforming.

- Corrugated cardboard boxes: Cardboard boxes are made by putting kraft paperboard or median board through cardboard machines (pressing, fitting, lining, and cutting) and cutting machines (printing, slitting, and fitting). They are used as packaging for various products.

Consumer products business group

- Household paper products: The main raw material used is pure wood pulp; different types of everyday necessities are produced by going through a series of steps including pulp dispersion, blending the pulp, cleaning the pulp, shape forming, dehydration, drying, coiling, and machine processing. These necessities include: toilet paper, tissue, hand wipes, paper towel, and other household paper products.

(III) Supply status of primary raw materials

Division	Product (Service)			Key raw material(s)		
	Name	Primary market(s)	Distribution	Name	Main source(s)	Supply
Paper making	Paper	Taiwan and Asia	Distributors and direct marketing	Paper making fibers	Imported from foreign countries	Supply stable

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

1. Major suppliers in last two years

No client has purchased more than 10% of the total purchase in the last two years.

2. Major selling clients in last two years:

No client has sold more than 10% of the total sales in the last two years.

V. Output volume and value for the last two years

Unit: NT\$ thousand; tons

Year		2017		2018	
		Volume	Value	Volume	Value
Key BG product(s)					
Pulp and Fine Paper BG	Paper	444,889	12,860,534	424,543	13,707,654
	Paperboard	117,204	2,270,907	123,207	2,431,235
	Pulp	383,476	7,342,558	363,262	8,083,896
Containerboard and packaging BG	Paperboard	1,250,585	18,960,132	1,323,132	20,802,561
	Processed paper	655,119	16,040,864	888,000	22,252,752
Consumer Products BG	Paper	242,529	10,011,264	229,459	9,983,476

VI. Sales in last two years

Unit: NT\$ thousand; tons

Output volume Key BG product(s)		2017				2018			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue
Pulp and Fine Paper BG	Paper	265,692	7,006,976	236,712	7,516,161	241,268	7,045,191	221,135	7,884,877
	Paperboard	151,773	2,962,285	63,968	1,217,843	158,014	3,109,657	77,810	1,543,826
	Pulp	104,777	1,995,769	100,085	1,926,800	104,010	2,351,966	86,817	1,894,618
Containerboard and Packaging BG	Paperboard	290,567	3,108,863	536,251	8,014,368	314,030	4,594,800	616,908	9,957,861
	Processed paper	245,261	5,612,883	404,997	10,098,943	245,488	5,719,454	647,292	16,355,424
Consumer products BG	Paper	66,661	4,298,824	159,074	6,028,240	72,780	4,734,779	151,138	6,103,551

III. Employee information in the last two fiscal years and up to the print date of this annual report

(I) Employee information in the last two fiscal years and up to the print date of this annual report:

Year		2017	2018	In last fiscal year and up to the print date for this annual report
Number of employees	General staff	4,639	5,352	5,226
	Technician	5,606	6,102	6,404
	Total	10,245	11,454	11,630
Average age		38.56	37.81	37.83
Average years of service		9.51	9.18	9.06
Academic qualification	Master degree and above	5.16%	4.72%	4.64%
	University/College	40.91%	37.8%	36.63%
	Highschool and under	53.93%	57.48%	58.73%

(II) Acquisition of authority-designated certification by employees whose jobs are related to transparent disclosure of financial information:

Certification Title	Finance and accounting	Auditing
CPA of ROC	7	0
CPA of USA	2	0
Certified information systems auditor (CISA)	0	1
Certified internal auditor (CIA) organized by internal audit associations	0	8

IV. Environmental protection expenditures

(I) Losses and penalties due to environmental pollution in last fiscal year and up to the print date for this annual report

In 2018, the Company continued dedicating itself to the handling of water resources, air quality control, the handling of excess material from the solid manufacturing process, sound control and other environmental management tasks as well as pollution prevention and replacement of old equipment. As of the print date of this annual report, the penalty payable in 2018 by all the YFY business groups totaled NT\$57,780 thousand. In addition, YFY has made improvements regarding the mistakes pointed out by the competent authority.

Year	2018	2019 to the print date of this annual report
Type	Air quality related laws and regulations Water resource related laws and regulations Noise control related laws and regulations Waste disposal related laws and regulations	Air quality related laws and regulations Water resource related laws and regulations
Party to which compensation is paid or sanctioned by	Environmental Protection Administration	Environmental Protection Administration
Amount of loss or fine (NT\$1,000)	30,086	27,694
Other losses	N/A	N/A

Note: Appeal against water related sanction is on-going.

(II) Response measures and possible disbursements to be made in the future

In response to the production line expansion project as well as to improve the operating stability of existing equipment so that emission quality is optimized, the Company's investment in environmental protection equipment for the next three years will be focused on improving furnace exhausts, improving water resource treatment system, installing the air quality monitoring systems, and upgrading relevant equipment. The total planned investment is approximately NT\$1.34 billion.

(III) Environmental sustainability

1. Greenhouse gas emissions in the past two years

Inventory shows that the Company's business groups in Taiwan and China emitted 2,652,256 tons of CO₂e in 2018. Emission data for the year are provided below:

Business Group	2017			2018		
	Scope 1	Scope 2	Total amount of emission	Scope 1	Scope 2	Total amount of emission
Pulp and Fine Paper BG (Note 1)	762,271	131,597	893,868	866,286	214,663	1,080,949
Containerboard and Packaging BG (Note 2)	377,366	118,651	496,017	1,317,837	67,418	1,385,255
Consumer Products BG (Note 3)	71,013	49,603	120,616	82,661	67,437	150,098
Others (Note 4)	-	-	-	14,392	21,562	35,954
Total	1,210,650	299,851	1,510,501	2,281,176	371,080	2,652,256

Scope 1 (direct emission): Emissions from operations that are owned or controlled by the company, such as gas pipes, processes, ventilation facilities, and modes of transportation that are owned or controlled by the company.

Scope 2 (indirect emission): Emissions from outsourced electricity, heat, steam, or other fossil fuel-derived energy. The Company did not conduct inventory on plants in China because of local laws and regulations. Scope 2 emission figures only represent those of plants in Taiwan.

Note 1: Emission information of Guangdong Dingfeng Pulp and Paper was included as of 2018.

Note 2: Emission information of YFY's container board and packaging business group, including Yangzhou, Tianjin, Zhongshan, and Dongguan Plants, was incorporated as of 2018.

Note 3: Emission information of YFY's consumer products business group including Beijing and Kunshan Plants was incorporated as of 2018.

Note 4: Emission information of other business groups, Shin Foong Specialty and Applied Materials Co., Ltd., China Color Printing Co., Ltd., and Yangzhou Plant of Arizon RFID Technology was incorporated as of 2018.

2. Energy conservation and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption or other solid waste policies

In 2018, the business groups in Taiwan have formulated 34 measures for energy conservation and carbon reduction, which are listed below:

- Improvement in recycling of residual heat from cogenerated exhaust steam.
- Retrofitting of energy-efficient, energy-saving motor decelerator.
- Strengthening of thermal insulation through the plants to reduce loss of process heat.

The effectiveness of each energy measure:

Energy conservation item	Electricity (1,000 kWh)
Effectiveness	4,459
GHG reduction effect (t-CO ₂ e)	2,470.3

Taipower carbon emission coefficient used in 2017: 0.554kgCO₂/kwhr; GHG emission reduction associated with reduction in energy consumption was estimated at 2,470.3 ton-CO₂e.

3. Acquisition of environmental management certification by the Company

The Company's main production units are equipped with ISO14001-certified environmental management system. The system is regularly verified by external verification unites such as DNV, SGS, BSMI, and the Bureau of Standards, Metrology, & Inspection of the Ministry of Economic Affairs. Internal and external auditing is conducted regularly to maintain system validity and continue to improve the effectiveness of environmental protection. Valid system certificates are kept in each production unit.

In addition to ISO14001 environmental management system, product and material environmental protection certifications are also obtained in an effort to work with our upstream suppliers and downstream consumers to protect the environment. These certifications include the Forest Stewardship Council- Chain of Custody (FSC-CoC), Pan European. Forest Certification (PEFC-CoC), ISO50001, and product carbon footprint.

(PEFC website: <http://www.pefc.org/>)

(FSC website: <https://ic.fsc.org/>)

V. Employer-employee relationship

(I) Present status of employer-employee relationship

1. Employee benefits measures

- Chinese New Year bonus, Worker's Day, and birthday gifts
- Subsidies for weddings, funeral, child birth, hospitalization, disability, and self-improvement activities
- Education scholarship for employees' children, on-the-job training incentives
- Preschool educational books for employees and free subscription to monthly publications and magazines
- Pension fund
- Business trip allowance
- Employee of the year awards
- Group insurance for employees and their spouse
- A medical room in plants to ensure the occupational safety and health of employees
- Regular medical check-up services that are superior to the requirements of the Labor Health Protection

Regulations

Leisure activities for employees

- Employee club activities
- Employee birthday celebration, sports competition, and travel activities
- Recreational facilities and audio-visual entertainment equipment

2. Retirement Plan

YFY has implemented a retirement program for full-time employees in compliance with the Labor Standards Act. The Company has assembled a Supervisory Committees of Workers' Pension Reserve Funds and makes monthly contributions to a special account at the Bank of Taiwan. The account is supervised and managed by the committee. In pursuant to the Labor Pension Act, YFY makes monthly contributions to individual pension accounts at the Bureau of Labor Insurance for existing employees who opted for the new pension system.

3. Labor-Management Communications

YFY regularly convenes employer-employee meetings to communicate and coordinate with employees, and subsequently adjust measures according to the consensus of both parties.

(II) Losses due to labor disputes in last fiscal year and up to the print date for this annual report

The Company did not sustain losses due to labor disputes in 2018 up to the print date for this annual report.

(III) Continuing education and training for employees

YFY holds talent strategic development consensus meetings with management level, amends training development rules, and conducts inventory of employee competency at all levels to sustain the development of the company so that the company could overcome any market and industry challenges. Systematic and continuous talent cultivation programs are provided to encourage employees to maximize their potential and improve their performance. Meanwhile, diverse learning resources are made available to employees (e.g., orientation training, management training, professional training, and general knowledge training) to encourage self-enhancement among employees.

- (1) Orientation training: Aims to assist new employees to know their way around the workplace and understand the company's vision, organizational structure, rules, and the operating status of each functional and business units.
- (2) Management training: Aims to strengthen the organization's management performance and foster and improve supervisors' leadership and strategic thinking capabilities.
- (3) Professional training: Aims to enhance work-related skills of departmental professionals.
- (4) General knowledge training: Aims to foster employees' knowledge and skills required for independent operation, workplace communication, and job management to support the company's business development and long-term business goals.

The focus of education and training outcomes in 2018:

Course Type	No. of Classes	Total number of people	Hours (total)	Total Costs (NT\$)
Professional competency	3,120	54,309	130,313	8,765,329
Management and general knowledge	214	6,076	38,109	4,534,989

Cultural cultivation for new recruits	386	2,633	18,249	119,954
On-the-job continuing education	63	34	2,167	369,109

(IV) Employee conduct or ethics

The Company's Work Rules provide a service guideline for employee compliance. To more effectively protect the company's trade secrets, operating profits, and competitive edge in response to the amendment made to the Trade Secrets Act in 2013, the Company has established an Integrity and Confidentiality of Intellectual Property Agreement and provided a list of documents that new employees require for registration.

YFY subsequently enforced the Code of Conduct for Employees in May 2016. Employees must follow this code of conduct when performing daily tasks and operations. Employees must take the initiative to avoid improper benefits, perform their duties properly, and effectively utilized company resources and public properties. The Code of Conduct for Employees stipulates complaint-filing channels and investigation procedures. Regular education and training programs are provided to raise employees' awareness on ethical conducts.

The Ethical Corporate Management Operating Procedures and Code of Conduct was established in December 2018 in accordance with the Company's Code of Operation Integrity and the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies. The Company performs business activities based on the principles of fairness, integrity, accountability, and transparency. The Ethical Corporate Management Operating Procedures and Code of Conduct was established to implement ethical corporate management policy, actively prevent unethical conduct and conflicts of interest, establish whistleblowing channels, and regulate the conducts of relevant personnel.

(V) Employee safety and health

The Company is responsible for and obligated to protect the health and safety of its employees. In addition to the OHSAS 18001 certification for work safety and health, YFY plants have declared its determination to promote employee safety and its vision to create a corporate safety culture. An occupational safety and health management platform was established in July 2016 to ensure employee health and safety. The following active measures are adopted in adherence to the aforementioned safety missions:

1. Responsibilities of different levels of accountable units: The first level is the occupational safety and health management platform. The platform has an occupational safety and health work group in place. A professional in occupational safety and health is responsible for cross-unit coordination and direct supervision of the safety and health policies, regulations, and practices adopted by YFY business groups. The second level is YFY's business groups. Each group appoints occupational safety and health supervisor who reports to the platform, is responsible for developing safety and health work rules for YFY plants, and acts as the counselor, supervisor, and auditor of safety and health measures. The third level comprises the occupational safety teams of plants of all levels. The team is directly responsible for the promotion, execution, and onsite management of occupational safety related works.
2. To promote safe operations: Through safety education and labor safety systems, the safety management functions of the management are reinforced to slowly establish a unified set of safety value and standards and build a consensus to promote safe operations.
3. To standardize operations: Standard operating procedures and work safety analysis are implemented for various operations.
4. Employee health management: Employee physical checkups are held according to the regulations, and the items included in the checkups exceed those specified in the employee health protection guidelines. Health promotion programs for employees are developed according to health checkup results.
5. Employee safety training: Employees and contractors must receive safety training upon entering the company and during reassignments. Departments hold ad hoc work safety training and education seminars to increase collective safety awareness.
6. Accident reporting and investigation: Any work accident at any of the plants must be reported to the platform and person in charge of the occupational safety and health of a business group within 24 hours and an investigation for cause and improvement will take place within one week. Meanwhile, all employees will be informed of the incident to prevent it from repeating.
7. Work safety reviews and disaster drills: In addition to regular disaster drills and monthly occupational safety and health management platform meetings, equipment safety inspections will be reinforced to actively improve the workplace and safety measures.

VI. Material contracts

Contract type	Parties Involved	Commencement date/expiration date	Content	Restrictive clauses
1. YFY				
Long term loan contract	Organized jointly by First Bank, Hua Nan Bank, Bank of Taiwan, and Fubon Bank with 10 participating banks	2016/12/29-2021/12/29	5-year syndicated loan with 30% to be repaid on the maturity date.	N/A
Long term loan contract	4 lead arrangers, that is, Mega International Commercial Bank, Cooperative Bank, Hua Nan Bank and Taipei Fubon Bank and 6 participating banks.	2017/12/25-2022/12/25	5-year syndicated loan with 30% to be repaid on the maturity date.	N/A
Long term loan contract	Organized jointly by Bank of Taiwan, First Bank, and Hua Nan Bank with 8 participating banks	2018/12/24-2023/12/24	5-year syndicated loan with 30% to be repaid on the maturity date.	N/A
2. Chung Hwa Pulp Corp.				
Long term loan contract	5 lead arrangers, that is, Bank of Taiwan, Taipei Fubon Bank, First Bank, O-Bank and Mega International Commercial Bank and 5 participating banks.	2016/03/30-2021/03/30	5-year syndicated loan with 20% to be repaid after the fourth year from the first day of activation and 80% after the fifth year.	N/A
3. YFY Packaging Inc.				
Long term loan contract	Organized jointly by First Bank, Hua Nan Bank, Bank of Taiwan, and Fubon Bank with 10 participating banks	2016/12/28-2021/12/28	5-year syndicated loan with 30% to be repaid on the maturity date.	N/A
Long term loan contract	Organized jointly by Bank of Taiwan, First Bank, and Hua Nan Bank with 8 participating banks	2019/01/18-2024/01/18	5-year syndicated loan with 30% to be repaid on the maturity date.	N/A
4. YFY Cayman Co., Ltd.				

Long term loan contract	Bank of Taiwan as lead arranger and 8 participating banks.	2016/08/29-2021/08/29	5-year syndicated loan with 20% to be repaid after the fourth year from the first day of activation and 80% after the fifth year.	N/A
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Chapter 6. Financial summary

- I. Condensed balance sheet and statements of income for the last five years
- II. Financial analysis for the last five years
- III. Audit Committee's Review Report
- IV. Financial reports
- V. Individual financial statements
- VI. Any financial difficulty and the impact on YFY's finance in last fiscal year and up to the print date for this annual report

Chapter 6. Financial summary

I. Condensed balance sheet and statements of income for the last five years

1. Condensed balance sheet and consolidated profit and loss statement-Consolidated

(1) Condensed consolidated balance sheet

Unit: NT\$ Thousand

Item \ Year		Financial data of the past five years				
		2014	2015	2016	2017	2018
Current assets		38,326,319	39,714,896	37,655,208	41,062,377	44,317,379
Property, plant and equipment		46,616,218	47,178,242	46,766,595	47,994,654	48,947,012
Intangible assets		487,566	507,114	498,022	458,555	521,979
Other assets		26,863,706	25,990,648	25,783,096	23,070,187	24,422,004
Total Assets		112,293,809	113,390,900	110,702,921	112,585,773	118,208,374
Current liabilities	Before distribution	30,050,351	34,985,804	28,735,154	32,336,585	32,704,919
	After distribution	30,714,499	35,483,915	28,735,154	33,332,808	Note 1
Non-current liabilities		32,408,176	33,128,068	40,325,638	36,722,868	38,570,422
Total liabilities	Before distribution	62,458,527	68,113,872	69,060,792	69,059,453	71,275,341
	After distribution	63,122,675	68,611,983	69,060,792	70,055,676	Note 1
Capital		16,603,715	16,603,715	16,603,715	16,603,715	16,603,715
Capital surplus		618,282	685,256	823,793	1,046,800	989,929
Retained earnings	Before distribution	13,201,682	12,723,650	12,221,994	13,894,534	14,241,392
	After distribution	12,537,534	12,225,539	12,221,994	12,898,311	Note 1
Other equity		9,332,893	5,533,599	2,532,357	1,686,125	3,627,473
Equity attributable to owners of parent		39,756,572	35,546,220	32,181,859	33,231,174	35,462,509
Non-controlling Interests		10,078,710	9,730,808	9,460,270	10,295,146	11,470,524
Total equity	Before distribution	49,835,282	45,277,028	41,642,129	43,526,320	46,933,033
	After distribution	49,171,134	44,778,917	41,642,129	42,530,097	Note 1

Note 1: The distribution of dividends from 2018 has yet to be approved by the 2019 shareholders meeting.

(2) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ Thousand

Item \ Year	Financial data of the past five years				
	2014	2015	2016	2017	2018
Operating revenue	60,896,397	63,579,997	63,354,152	66,769,908	76,439,683
Gross profit	9,393,395	10,664,872	10,514,876	12,006,570	11,684,994
Operating profit	629,599	1,685,747	1,114,818	2,960,426	2,359,830
Non-operating income and expenditure	617,932	(58,509)	(151,117)	(121,377)	566,264
net profit before tax	1,247,531	1,627,238	963,701	2,839,049	2,926,094
Net profit for the current period	864,057	1,182,194	555,107	2,132,123	1,959,764
Other comprehensive income for the period (net income after tax)	6,413,136	(4,261,556)	(3,402,286)	(773,867)	151,472
Total comprehensive income for the current period	7,277,193	(3,079,362)	(2,847,179)	1,358,256	2,111,236
Net income attributable to owners of the parent	594,779	501,904	126,117	1,606,510	1,440,003
Net income attributable to non-controlling interests	269,278	680,290	428,990	525,613	519,761
Total comprehensive income (loss) attributable to owner of the parent	6,685,733	(3,611,713)	(3,028,403)	900,796	1,597,278
Total Comprehensive income attributable to Non-controlling Interests	591,460	532,351	181,224	457,460	513,958
Earnings per share	0.36	0.30	0.08	0.97	0.87

2. Condensed balance sheet and consolidated profit and loss statement-Individual

(1) Condensed individual balance sheet

Unit: NT\$ Thousand

Item \ Year		Financial data of the past five years				
		2014	2015	2016	2017	2018
Current assets		84,865	62,652	92,183	249,394	88,444
Property, plant and equipment		608,990	620,347	621,529	618,461	620,320
Other assets		62,695,709	59,149,503	55,715,666	56,823,944	59,558,358
Total Assets		63,389,564	59,832,502	56,429,378	57,691,799	60,267,122
Current liabilities	Before distribution	4,654,800	4,629,474	1,904,594	3,334,222	3,358,265
	After distribution	5,318,948	5,127,585	1,904,594	2,337,999	Note 1
Non-current liabilities		18,978,192	19,656,808	22,342,925	21,126,403	21,446,348
Total liabilities	Before distribution	23,632,992	24,286,282	24,247,519	24,460,625	24,804,613
	After distribution	24,297,140	24,784,393	24,247,519	25,456,848	Note 1
Capital		16,603,715	16,603,715	16,603,715	16,603,715	16,603,715
Capital surplus		618,282	685,256	823,793	1,046,800	989,929
Retained earnings	Before distribution	13,201,682	12,723,650	12,221,994	13,894,534	14,241,392
	After distribution	12,537,534	12,225,539	12,221,994	12,898,311	Note 1
Other equity		9,332,893	5,533,599	2,532,357	1,686,125	3,627,473
Total equity	Before distribution	39,756,572	35,546,220	32,181,859	33,231,174	35,462,509
	After distribution	39,092,424	35,048,109	32,181,859	32,234,951	Note 1

Note 1: The distribution of dividends from 2018 has yet to be approved by the 2019 shareholders meeting.

(2) Condensed individual statement of comprehensive income

Unit: NT\$ Thousand

Item \ Year	Financial data of the past five years				
	2014	2015	2016	2017	2018
Operating revenue	774,851	648,609	441,038	2,046,694	1,773,764
Gross profit	774,851	648,609	441,038	2,046,694	1,773,764
Operating profit	563,143	454,644	107,448	1,672,764	1,439,400
Non-operating income and expenditure	6,029	25,260	(17,331)	(62,254)	15,603
Net profit before tax	569,172	479,904	90,117	1,610,510	1,455,003
Net profit for the current period	594,779	501,904	126,117	1,606,510	1,440,003
Other comprehensive income for the period (net income after tax)	6,090,954	(4,113,617)	(3,154,520)	(705,714)	157,275
Total comprehensive income for the current period	6,685,733	(3,611,713)	(3,028,403)	900,796	1,597,278
Earnings per share	0.36	0.30	0.08	0.97	0.87

(V) Names of auditing CPAs of the most recent five years and their audit opinions:

1. Name of CPA:

2014 - 2017: Chih-Ming Shao and Cheng-Hong Kuo from Deloitte and Touche.

2018: Hui-Ming Huang and Cheng Hong Kuo from Deloitte and Touche

2. CPA's opinions:

2014–2015: Unqualified opinion with explanatory notes.

2016–2018: Unqualified opinion and a paragraph on other matters.

II. Financial analysis for the last five years

(I) Financial analysis-Consolidated

Item \ Year		Financial analysis for the last five years				
		2014	2015	2016	2017	2018
Financial Structure (%)	Liabilities to total assets	55.62	60.07	62.38	61.34	60.30
	Ratio of long-term capital to property, plant and equipment	176.43	166.19	175.27	167.20	174.69
Liquidity (%)	Current Ratio	127.54	113.52	131.04	126.98	135.51
	Quick Ratio	80.64	66.43	82.45	80.74	84.77
	Interest coverage (times)	243.89	282.49	202.97	405.52	387.01
Operational Efficiency	Receivable turnover (times)	4.92	4.56	4.57	4.79	5.06
	Days receivables	74.19	80.04	79.86	76.20	72.13
	Inventory turnover (times)	5.65	5.55	5.85	6.27	6.36
	Payable turnover (times)	8.90	7.32	6.60	7.14	8.01
	Days inventory	64.60	65.77	62.39	58.21	57.39
	Property, Plant and Equipment Turnover (times)	1.35	1.36	1.35	1.41	1.58
	Asset turnover (times)	0.57	0.56	0.57	0.60	0.66
Profitability	Return on assets (%)	1.49	1.70	1.19	2.60	2.41
	ROE (%)	1.85	2.49	1.28	5.01	4.33
	Pre-tax profit to paid-in capital ratio (%)	7.51	9.80	5.80	17.10	17.62
	Net margin (%)	1.42	1.86	0.88	3.19	2.56
	Earnings per share (NT\$)	0.36	0.30	0.08	0.97	0.87
Cash Flows	Operating cash flow ratio (%)	7.78	12.86	18.08	12.14	15.11
	Cash flow adequacy ratio (%)	33.33	43.26	50.52	52.56	71.44
	Cash flow reinvestment ratio (%)	1.30	3.01	3.88	2.93	2.77
Leverage	Operating leverage	6.15	3.06	4.12	2.21	2.68
	Financial leverage	-	2.12	6.23	1.46	1.76
Note: Explanation of changes						
1. Increase in operating cash flow ratio resulted from an increase in net cash flows from operating activities.						
2. Changes in cash flow adequacy ratio resulted from an increase in net cash flows in the past five years and decrease in capital expenditures.						
3. Changes in degree of operating leverage resulted from a decrease in operating income and increase in depreciation expense.						
4. Changes in financial leverage resulted from a decrease in operating income and increase in interest expense.						

(2) Financial analysis-Individual

Item \ Year		Financial analysis for the last five years				
		2014	2015	2016	2017	2018
Financial Structure (%)	Liabilities to total assets	37.28	40.59	42.97	42.40	41.16
	Ratio of long-term capital to property, plant and equipment	9,644.62	8,898.73	8,772.69	8,789.17	9,174.11
Liquidity (%)	Current Ratio	1.82	1.35	4.84	7.48	2.63
	Quick Ratio	0.23	0.14	1.11	0.71	0.83
	Interest coverage (times)	264.02	225.86	124.95	550.34	509.64
Operational Efficiency	Receivable turnover (times)	-	-	-	-	-
	Days receivables	-	-	-	-	-
	Inventory turnover (times)	-	-	-	-	-
	Payable turnover (times)	-	-	-	-	-
	Days inventory	-	-	-	-	-
	Property, Plant and Equipment Turnover (times)	-	-	-	-	-
	Asset turnover (times)	-	-	-	-	-
Profitability	Return on assets (%)	1.49	1.33	0.73	3.34	2.92
	ROE (%)	1.62	1.33	0.37	4.91	4.19
	Pre-tax profit to paid-in capital ratio (%) Capital ratio (%)	3.43	2.89	0.54	9.70	8.76
	Net margin (%)	-	-	-	-	-
	Earnings per share (NT\$)	0.36	0.30	0.08	0.97	0.87
Cash Flows	Operating cash flow ratio (%)	1.05	6.42	26.87	11.70	11.90
	Cash flow adequacy ratio (%)	2.44	5.09	9.05	12.98	30.41
	Cash flow reinvestment ratio (%)	-	-	0.02	0.71	-
Leverage	Operating leverage	1.01	1.01	1.10	1.01	1.01
	Financial leverage	2.61	6.20	-	1.27	1.33
Note: Explanation of changes 1. Changes in current ratio are mainly due to a decrease in current assets. 2. Changes in cash flow adequacy ratio and cash reinvestment ratio resulted from a decrease in capital expenditures.						

1. Financial Structure

- (1) Debt-to-asset ratio = total liabilities / total assets.
- (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
- (3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operation

- (1) Receivable turnover (including accounts receivable and notes receivable from operations) = Net sales / Average balance of receivables (including accounts receivable and notes receivable from operations).
- (2) Average collection days = 365 / receivable turnover.
- (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
- (4) Payable turnover (including accounts payable and notes payable from operations) = Cost of goods sold / Average balance of payables (including accounts payable and notes payable from operations).
- (5) Average days of sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover ratio = net sales / average net for property, plant and equipment.
- (7) Fixed assets turnover = net sales / average gross assets.

4. Profitability

- (1) Return on assets = [net income + interest expense (1– tax rate)] / average total assets.
- (2) ROE = income after tax / total average equity.
- (3) Net margin = net income / net sales.
- (4) EPS = (income attributable to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares.

5. Cash Flow

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

6. Leverage:

- (1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.
- (2) Financial leverage = operating profit/(operating profit - interest expense).

III. Audit Committee's Review Report

YFY INC.

Audit Committee's Review Report

March 22, 2019

The Company's 2018 business report, financial statements, proposal for allocation of profits, and auditors' reports relating to the financial statements were compiled by the Board of Directors and have been examined by and determined to be correct and accurate by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

We hereby submit the report.

2019 Annual General Shareholders Meeting

Audit Committee Convener: Wen-Cheng Huang

IV. Consolidated financial statements

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 (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Estimation of Expected Credit Loss Recognized on Accounts Receivable

The accounts receivable of the Group's significant component (named as Chung Hwa Pulp Corporation) is material in amount. In consideration of transactions with various counterparties, the recoverability of accounts receivable is subject to not only each customer's financial condition but also management's estimation and judgment. Therefore, the estimation of expected credit loss recognized on accounts receivables has been identified as a key audit matter.

For related policies and relevant information on the estimation of expected credit loss of accounts receivable, refer to Notes 4, 5 and 13 to the accompanying financial statements.

Our key audit procedures performed in respect of the above area included the following:

1. We analyzed the sufficiency of expected credit loss rates used based on the Group's historical experience and existing market conditions, and we assessed whether the provision policy for accounts receivable that the Group adopted is reasonable.
2. We tested sample items in the aging report to verify the completeness and accuracy of accounts receivable and evaluated the appropriateness of the amount of credit loss calculated by management.
3. We inquired if there is any customer with overdue receivables having financial difficulties to ensure whether the management has adopted appropriate actions to secure such customers' receivables, and we performed sampling on the collection of outstanding overdue receivables after the balance sheet date.

Other Matter

We did not audit the financial statements as of and for the years ended December 31, 2018 and 2017 of Jupiter Prestige Group Holdings Limited and its subsidiaries, Lotus Ecoscings & Engineering Co., Ltd., Fidelis IT Solutions Co., Ltd., YFY Biotech Management Company, Syntax Communication (H.K.) Ltd. and Ever Growing Agriculture Biotech Co., Ltd., and the financial statements as of and for the year ended December 31, 2018 of Livebricks Inc., the subsidiaries of Willpower Industries Ltd. and a subsidiary of Winsong Packaging Investment Company Limited 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, 2018 and 2017 were NT\$6,053,763 thousand and NT\$1,424,127 thousand, respectively, representing 5.1% and 1.3% of the total consolidated assets. The net sales of these subsidiaries for the years ended December 31, 2018 and 2017 were NT\$3,431,947 thousand and NT\$684,858 thousand, respectively, representing 4.5% and 1% of the consolidated net sales. In addition, the financial statements as of and for the years ended December 31, 2018 and 2017 of Taiwan Genome Sciences, Inc. and Perpetual Prosperity Printing Technology 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, 2018 and 2017, the carrying amounts of this investee were NT\$158,847 thousand and NT\$17,708 thousand, respectively. Included in the Group's total comprehensive income and loss for the years ended December 31, 2018 and 2017 were a gain of NT\$4,411 thousand and a loss of NT\$2,145 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, 2018 and 2017 on which we have issued an unmodified opinion, including an Other Matter paragraph, 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hui-Min Huang and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Note 6)	\$ 4,658,611	4	\$ 4,144,894	4
Financial assets at fair value through profit or loss (Note 7)	1,285,303	1	325,326	-
Financial assets at fair value through other comprehensive income (Note 8)	4,990,981	4	-	-
Available-for-sale financial assets (Note 10)	-	-	4,532,411	4
Financial assets at amortized cost (Note 9)	1,320,145	1	-	-
Debt investments with no active market (Note 6)	-	-	2,357,256	2
Notes receivable (Notes 13, 23 and 31)	3,700,326	3	3,775,601	3
Accounts receivable (Notes 13 and 23)	11,676,010	10	10,952,498	10
Receivables from related parties (Notes 23 and 30)	91,176	-	22,178	-
Inventories (Note 14)	11,161,650	9	9,191,130	8
Biological assets (Note 15)	3,317,475	3	3,280,878	3
Prepayments	1,123,886	1	1,007,033	1
Other financial assets (Note 31)	112,304	-	405,321	-
Other current assets (Note 11)	<u>879,512</u>	<u>1</u>	<u>1,067,851</u>	<u>1</u>
Total current assets	<u>44,317,379</u>	<u>37</u>	<u>41,062,377</u>	<u>36</u>
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through profit or loss (Note 7)	402,418	-	-	-
Financial assets at fair value through other comprehensive income (Note 8)	11,753,327	10	-	-
Available for sale financial assets (Note 10)	-	-	8,712,256	8
Financial assets at amortized cost (Note 9)	64,400	-	-	-
Financial assets carried at cost (Note 12)	-	-	1,495,143	1
Debt investments with no active market (Note 30)	-	-	400,000	-
Investments accounted for using the equity method (Note 17)	5,781,562	5	6,307,712	6
Property, plant and equipment (Notes 18, 24 and 31)	48,947,012	42	47,994,654	43
Investment properties (Notes 19 and 24)	2,759,156	2	2,711,707	3
Goodwill (Note 16)	521,979	1	458,555	-
Deferred tax assets (Note 25)	409,412	-	368,246	-
Long-term prepayments for leases (Note 31)	1,354,948	1	1,314,005	1
Prepayments for equipment (Note 18)	1,177,770	1	1,026,714	1
Other non-current assets (Notes 21, 24 and 31)	<u>719,011</u>	<u>1</u>	<u>734,404</u>	<u>1</u>
Total non-current assets	<u>73,890,995</u>	<u>63</u>	<u>71,523,396</u>	<u>64</u>
TOTAL	<u>\$ 118,208,374</u>	<u>100</u>	<u>\$ 112,585,773</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 31)	\$ 11,477,187	10	\$ 11,384,557	10
Short-term bills payable (Note 20)	6,696,636	6	8,021,936	7
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	135,316	-	278,060	-
Contract liabilities (Note 23)	481,727	1	-	-
Notes and accounts payable	8,453,518	7	7,707,149	7
Payables to related parties (Note 30)	64,405	-	41,021	-
Other payables (Note 18)	3,604,020	3	2,984,866	3
Current tax liabilities (Notes 4 and 25)	442,823	-	196,720	-
Receipts in advance	-	-	416,395	1
Current portion of long-term borrowings (Notes 20 and 31)	120,000	-	187,300	-
Other current liabilities (Notes 4 and 11)	<u>1,229,287</u>	<u>1</u>	<u>1,118,581</u>	<u>1</u>
Total current liabilities	<u>32,704,919</u>	<u>28</u>	<u>32,336,585</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 20 and 31)	33,614,835	28	31,964,006	28
Deferred tax liabilities (Notes 4 and 25)	3,411,586	3	3,386,650	3
Net defined benefit liabilities (Notes 4, 21 and 24)	1,256,602	1	1,134,140	1
Other non-current liabilities	<u>287,399</u>	<u>-</u>	<u>238,072</u>	<u>-</u>
Total non-current liabilities	<u>38,570,422</u>	<u>32</u>	<u>36,722,868</u>	<u>32</u>
Total liabilities	<u>71,275,341</u>	<u>60</u>	<u>69,059,453</u>	<u>61</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 4, 22 and 27)				
Share capital	16,603,715	14	16,603,715	15
Capital surplus	989,929	1	1,046,800	1
Retained earnings	14,241,392	12	13,894,534	12
Other equity	<u>3,627,473</u>	<u>3</u>	<u>1,686,125</u>	<u>2</u>
Total equity attributable to owners of the Company	35,462,509	30	33,231,174	30
NON-CONTROLLING INTERESTS	<u>11,470,524</u>	<u>10</u>	<u>10,295,146</u>	<u>9</u>
Total equity	<u>46,933,033</u>	<u>40</u>	<u>43,526,320</u>	<u>39</u>
TOTAL	<u>\$ 118,208,374</u>	<u>100</u>	<u>\$ 112,585,773</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 22, 2019)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)				
Net sales	\$ 67,472,363	88	\$ 58,867,920	88
Other operating revenue	<u>8,967,320</u>	<u>12</u>	<u>7,901,988</u>	<u>12</u>
Total operating revenue	<u>76,439,683</u>	<u>100</u>	<u>66,769,908</u>	<u>100</u>
OPERATING COSTS (Notes 14, 21, 24 and 30)				
Cost of goods sold	58,427,279	77	49,389,885	74
Other operating costs	<u>6,316,715</u>	<u>8</u>	<u>5,365,342</u>	<u>8</u>
Total operating costs	<u>64,743,994</u>	<u>85</u>	<u>54,755,227</u>	<u>82</u>
LOSS ON CHANGES IN FAIR VALUE LESS COSTS TO SELL BIOLOGICAL ASSETS (Notes 4 and 15)	<u>(10,695)</u>	<u>-</u>	<u>(8,111)</u>	<u>-</u>
GROSS PROFIT	<u>11,684,994</u>	<u>15</u>	<u>12,006,570</u>	<u>18</u>
OPERATING EXPENSES (Notes 21, 24 and 30)				
Selling and marketing	5,090,711	7	4,863,483	7
General and administrative	3,979,022	5	3,956,713	6
Research and development	<u>255,431</u>	<u>-</u>	<u>225,948</u>	<u>1</u>
Total operating expenses	<u>9,325,164</u>	<u>12</u>	<u>9,046,144</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>2,359,830</u>	<u>3</u>	<u>2,960,426</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 24)	(1,019,521)	(1)	(929,244)	(1)
Share of profit of associates (Notes 4 and 17)	480,299	-	319,299	-
Interest income	196,504	-	226,059	-
Rental income (Notes 19 and 30)	91,781	-	68,502	-
Dividend income	565,597	1	422,159	1
Other income (Note 27)	491,997	1	326,606	-
Gain on disposal of investments	65	-	41,833	-
Foreign exchange gain (loss)	(780,079)	(1)	398,796	1
Other losses	(79,809)	-	(62,798)	-
Gain (loss) arising on financial instruments at fair value through profit or loss (Note 4)	619,430	1	(783,844)	(1)
Impairment loss on assets (Notes 4, 12, 16 and 17)	-	-	(96,916)	-
Impairment loss on property, plant and equipment (Notes 4 and 18)	<u>-</u>	<u>-</u>	<u>(51,829)</u>	<u>-</u>
Total non-operating income and expenses	<u>566,264</u>	<u>1</u>	<u>(121,377)</u>	<u>-</u>

(Continued)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 2,926,094	4	\$ 2,839,049	4
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(966,330)</u>	<u>(1)</u>	<u>(706,926)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,959,764</u>	<u>3</u>	<u>2,132,123</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(172,561)	-	136,445	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	282,771	-	-	-
Share of the other comprehensive income (loss) of associates	<u>(176,425)</u>	<u>-</u>	<u>(972)</u>	<u>-</u>
	<u>(66,215)</u>	<u>-</u>	<u>135,473</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	202,068	-	(1,046,254)	(2)
Unrealized gain on available-for-sale financial assets	-	-	384,934	1
Cash flow hedges	-	-	(1,558)	-
Gain on hedging instruments	7,614	-	-	-
Share of the other comprehensive income (loss) of associates	<u>8,005</u>	<u>-</u>	<u>(246,462)</u>	<u>-</u>
	<u>217,687</u>	<u>-</u>	<u>(909,340)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>151,472</u>	<u>-</u>	<u>(773,867)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 2,111,236</u>	<u>3</u>	<u>\$ 1,358,256</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	1,440,003	2	1,606,510	2
Non-controlling interests	<u>519,761</u>	<u>1</u>	<u>525,613</u>	<u>1</u>
	<u>\$ 1,959,764</u>	<u>3</u>	<u>\$ 2,132,123</u>	<u>3</u>

(Continued)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,597,278	2	\$ 900,796	1
Non-controlling interests	<u>513,958</u>	<u>1</u>	<u>457,460</u>	<u>1</u>
	<u>\$ 2,111,236</u>	<u>3</u>	<u>\$ 1,358,256</u>	<u>2</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.87</u>		<u>\$ 0.97</u>	
Diluted	<u>\$ 0.87</u>		<u>\$ 0.97</u>	

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

(With Deloitte & Touche audit report dated March 22, 2019)

(Concluded)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Other Equity							
	Share Capital		Capital Surplus				Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount	Treasury Shares	Consolidation Excess	Other	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total								
BALANCE AT JANUARY 1, 2017	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	-	-	-	-	-	-	12,612	-	(12,612)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	(1,393)	1,393	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)
Adjustments for the changes in other capital surplus	-	-	-	-	2,665	2,665	-	-	-	-	-	-	-	-	-	2,665	-	2,665
Partial acquisition or disposal 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 income 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
Adjustments on initial application	-	-	-	-	-	-	-	-	112,035	112,035	-	(1,964,407)	3,545,472	14,871	(14,871)	1,693,100	42,799	1,735,899
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,660,372	16,603,715	14,947	293,124	738,729	1,046,800	3,254,722	4,030,039	6,721,808	14,006,569	(263,411)	-	3,545,472	-	(14,871)	34,924,274	10,337,945	45,262,219
Appropriation of the 2017 earnings	-	-	-	-	-	-	160,651	-	(160,651)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)	-	(996,223)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	(1,455)	1,455	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(481,966)	(481,966)
Adjustments for the changes in equity of associates	-	-	-	-	(40,151)	(40,151)	-	-	50,004	50,004	-	-	(339)	-	-	9,514	1,103	10,617
Adjustments for the changes in other capital surplus	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-	-	-	(18)	-	(18)
Partial acquisition or disposal of interests in subsidiaries	-	-	-	-	(29,430)	(29,430)	-	-	-	-	-	-	-	-	-	(29,430)	315,830	286,400
Adjustments for the changes in equity of subsidiaries	-	-	-	-	12,728	12,728	-	-	(55,614)	(55,614)	-	-	-	-	-	(42,886)	45,641	2,755
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	738,013	738,013
Net income for the year ended December 31, 2018	-	-	-	-	-	-	-	-	1,440,003	1,440,003	-	-	-	-	-	1,440,003	519,761	1,959,764
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	(165,751)	(165,751)	223,046	-	92,119	-	7,861	157,275	(5,803)	151,472
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	1,274,252	1,274,252	223,046	-	92,119	-	7,861	1,597,278	513,958	2,111,236
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(37,596)	(37,596)	-	-	37,596	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	1,660,372	\$ 16,603,715	\$ 14,947	\$ 293,124	\$ 681,858	\$ 989,929	\$ 3,415,373	\$ 4,028,584	\$ 6,797,435	\$ 14,241,392	\$ (40,365)	\$ -	\$ 3,674,848	\$ -	\$ (7,010)	\$ 35,462,509	\$ 11,470,524	\$ 46,933,033

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

(With Deloitte & Touche audit report dated March 22, 2019)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,926,094	\$ 2,839,049
Adjustments for:		
Depreciation and amortization expenses	3,960,459	3,586,009
Expected credit losses recognized on accounts receivable	43,363	-
Impairment loss recognized on accounts receivable	-	123,530
Net loss (gain) on fair value changes of financial instruments at fair value through profit or loss	(619,430)	783,844
Finance costs	1,019,521	929,244
Interest income	(196,504)	(226,059)
Dividend income	(565,597)	(422,159)
Share of profit of associates	(480,299)	(319,299)
Loss on disposal of property, plant and equipment	7,197	9,572
Gain on disposal of investment properties	(3,948)	(2,627)
Gain on disposal of investments	(65)	(41,833)
Impairment loss on assets	-	96,916
Impairment loss on property, plant and equipment	-	51,829
Write-downs of inventories	48	12,029
Net unrealized loss (gain) on foreign currency exchange	829,797	(454,815)
Loss on changes in fair value less costs to sell - biological assets	10,695	8,111
Gain on bargain purchases	(6,975)	-
Changes in operating assets and liabilities		
Financial instruments held for trading	-	455,876
Financial instruments mandatorily classified as at fair value through profit or loss	(387,160)	-
Notes receivable	199,854	(1,040,590)
Accounts receivable	446,253	(1,112,520)
Receivables from related parties	(68,998)	(18,150)
Inventories	(1,266,668)	(1,257,755)
Biological assets	(106,099)	(79,279)
Prepayments	86,395	19,536
Other current assets	83,167	(24,058)
Contract liabilities	41,780	-
Notes and accounts payable	(776,680)	646,906
Payables to related parties	23,384	9,875
Other payables	441,683	15,724
Receipts in advance	-	65,599
Other current liabilities	65,809	483,515
Net defined benefit liabilities	(128,643)	(249,062)
Cash generated from operating activities	5,578,433	4,888,958
Interest received	194,990	177,723
Dividends received	874,494	754,816
Interest paid	(1,053,490)	(903,431)
Income tax paid	(651,605)	(535,820)
Net cash generated from operating activities	4,942,822	4,382,246

(Continued)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (83,777)	\$ -
Proceeds from the sale of financial assets at fair value through other comprehensive income	140,668	-
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	46,122	-
Proceeds from the sale of financial assets at amortized cost	745,296	-
Purchase of available-for-sale financial assets	-	(507,304)
Proceeds from the sale of available-for-sale financial assets	-	162,890
Purchase of debt investments with no active market	-	(677,479)
Purchase of financial assets carried at cost	-	(104,334)
Proceeds from the sale of financial assets carried at cost	-	5,682
Proceeds from the return of capital upon investee's capital reduction of financial assets carried at cost	-	51,005
Proceeds from the sale of financial assets held for hedging	6,521	3,838
Proceeds from the sale of investments accounted for using the equity method	1,345	8,181
Acquisition of subsidiaries	77,041	-
Net cash outflow on disposal of subsidiaries	-	(6,787)
Proceeds from the return of the reduction of investments accounted for using the equity method	282,170	-
Payments for property, plant and equipment	(3,981,233)	(4,163,161)
Proceeds from the disposal of property, plant and equipment	125,424	156,579
Proceeds from the disposal of investment properties	17,585	35,640
Increase in other financial assets	-	(139,430)
Decrease in other financial assets	303,859	-
Decrease (increase) in long-term prepaid rent	2,175	(221,974)
Decrease (increase) in other non-current assets	78,819	(170,704)
Net cash used in investing activities	<u>(2,237,985)</u>	<u>(5,567,358)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	2,390,584
Repayments of short-term borrowings	(1,122,728)	-
Proceeds from short-term bills payable	-	1,061,267
Repayments of short-term bills payable	(1,326,681)	-
Proceeds from long-term borrowings	1,413,994	-
Repayments of long-term borrowings	-	(2,393,150)
Increase in other non-current liabilities	32,685	93,257
Dividends paid	(996,223)	-
Increase (decrease) in non-controlling interests	(196,573)	570,208
Overdue dividends received	5	2,665
Net cash generated from (used in) financing activities	<u>(2,195,521)</u>	<u>1,724,831</u>

(Continued)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ <u>4,401</u>	\$ <u>(105,694)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	513,717	434,025
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,144,894</u>	<u>3,710,869</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,658,611</u>	<u>\$ 4,144,894</u>

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

(With Deloitte & Touche audit report dated March 22, 2019)

(Concluded)

V. Individual financial statements
INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
YFY Inc.

Opinion

We have audited the accompanying financial statements of YFY Inc. (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter of the Company's financial statements for the year ended December 31, 2018 is stated as follows:

The Valuation of Investments Accounted for Using the Equity Method

Under the investments using the equity method, Chung Hwa Pulp Corporation is a significant component of the Company and its financial position and performance will significantly affect the Company. The accounts receivable of Chung Hwa Pulp Corporation and its subsidiaries is material in amount. In consideration of transactions with various counterparties, the recoverability of accounts receivable is subject to not only each customer's financial condition but also management's estimation and judgment. Therefore, the estimation of expected credit loss recognized on accounts receivables has been identified as a key audit matter.

For related policies and relevant information about investments accounted for using the equity method, refer to Notes 4 and 11 to the accompanying financial statements.

Our key audit procedures performed in respect of the above area included the following:

1. We analyzed the sufficiency of expected credit loss rates used based on the Company's historical experience and existing market conditions, and we assessed whether the provision policy for accounts receivable that the Company adopted is reasonable.
2. We tested sample items in the aging report to verify the completeness and accuracy of accounts receivable and evaluated the appropriateness of the amount of credit loss calculated by management.
3. We inquired if there is any customer with overdue receivables having financial difficulties to ensure whether the management has adopted appropriate actions to secure such customers' receivables, and we performed sampling on the collection of outstanding overdue receivables after the balance sheet date.

Other Matter

We did not audit the financial statements as of and for the years ended December 31, 2018 and 2017 of Lotus Ecoscings & Engineering Co., Ltd., Fidelis IT Solutions Co., Ltd., Taiwan Genome Science, Inc., Syntax Communication (H.K.) Ltd., which is accounted for using the equity method by YFY International BVI Corp., Ever Growing Agriculture Biotech Co., Ltd., which is accounted for using the equity method by Yuen Foong Yu Consumer Products Co., Ltd., YFY Biotech Management Company, which is accounted for using the equity method by YFY Paradigm Investment Co., Ltd. and Jupiter Prestige Group Holdings Ltd. and its subsidiaries, which are accounted for using the equity method by YFY Global Investment BVI Corp., and the financial statements as of and for the year ended December 31, 2018 of Livebricks Inc., which is accounted for using the equity method by YFY Paradigm Investment Co., Ltd., Perpetual Prosperity Printing Technology Co., Ltd., the subsidiaries of Willpower Industries Ltd. and a subsidiary of Wingsong Packaging Investment Company Ltd., which are accounted for using the equity method by YFY International BVI Corp., 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 investments accounted for using the equity method and the net profit of investments are based solely on the reports of other auditors. The long-term equity investments of these investee companies as of December 31, 2018 and 2017 were NT\$2,062,364 thousand and NT\$541,156 thousand, respectively, representing 3.4% and 0.9% of the Company's total assets. The net investment income of these investee companies as of and for the years ended December 31, 2018 and 2017 were NT\$156,851 thousand and NT\$36,226 thousand, respectively, representing 9.8% and 4.0% of the Company's total comprehensive income and loss.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hui-Min Huang and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying 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 financial statements shall prevail.

YFY INC.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash (Note 6)	\$ 5,927	-	\$ 10,780	-
Financial assets at fair value through profit or loss (Note 7)	20,104	-	6,021	-
Receivables from related parties (Note 22)	1,782	-	6,738	-
Other receivables	56,715	-	220,892	-
Other current assets	<u>3,916</u>	-	<u>4,963</u>	-
Total current assets	<u>88,444</u>	-	<u>249,394</u>	-
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through profit or loss (Notes 7 and 22)	160,964	1	-	-
Financial assets at fair value through other comprehensive income (Notes 8 and 22)	9,768,752	16	-	-
Available-for-sale financial assets (Note 9)	-	-	7,620,776	13
Financial assets carried at cost (Note 10)	-	-	557,429	1
Debt investments with no active market (Note 22)	-	-	160,000	1
Investments accounted for using the equity method (Note 11)	47,594,614	79	46,453,373	81
Property, plant and equipment (Notes 12 and 17)	620,320	1	618,461	1
Investment properties (Notes 13 and 17)	1,859,815	3	1,863,261	3
Deferred tax assets (Note 18)	137,339	-	109,325	-
Other non-current assets (Note 17)	<u>36,874</u>	-	<u>59,780</u>	-
Total non-current assets	<u>60,178,678</u>	<u>100</u>	<u>57,442,405</u>	<u>100</u>
TOTAL	<u>\$ 60,267,122</u>	<u>100</u>	<u>\$ 57,691,799</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 1,830,000	3	\$ 1,339,000	3
Short-term bills payable (Note 14)	1,399,570	2	1,838,769	3
Payables to related parties (Note 22)	1,536	-	2,221	-
Other payables	57,916	-	66,196	-
Current tax liabilities (Notes 4 and 18)	51,567	-	-	-
Current portion of long-term borrowings (Note 14)	-	-	67,300	-
Other current liabilities	<u>17,676</u>	-	<u>20,736</u>	-
Total current liabilities	<u>3,358,265</u>	<u>5</u>	<u>3,334,222</u>	<u>6</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 14)	20,196,679	34	19,996,928	35
Deferred tax liabilities (Notes 4 and 18)	350,670	1	350,599	-
Net defined benefit liabilities (Notes 4 and 15)	890,549	1	756,638	1
Other non-current liabilities	<u>8,450</u>	-	<u>22,238</u>	-
Total non-current liabilities	<u>21,446,348</u>	<u>36</u>	<u>21,126,403</u>	<u>36</u>
Total liabilities	<u>24,804,613</u>	<u>41</u>	<u>24,460,625</u>	<u>42</u>
EQUITY (Notes 4 and 16)				
Share capital	16,603,715	27	16,603,715	29
Capital surplus	989,929	2	1,046,800	2
Retained earnings	14,241,392	24	13,894,534	24
Other equity	<u>3,627,473</u>	<u>6</u>	<u>1,686,125</u>	<u>3</u>
Total equity	<u>35,462,509</u>	<u>59</u>	<u>33,231,174</u>	<u>58</u>
TOTAL	<u>\$ 60,267,122</u>	<u>100</u>	<u>\$ 57,691,799</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 22, 2019)

YFY INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Investment	\$ 1,773,764	100	\$ 1,963,506	96
Other operating revenue (Note 22)	<u>-</u>	-	<u>83,188</u>	4
GROSS PROFIT	1,773,764	100	2,046,694	100
OPERATING EXPENSES (Notes 15, 17 and 22)	<u>334,364</u>	<u>19</u>	<u>373,930</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>1,439,400</u>	<u>81</u>	<u>1,672,764</u>	<u>81</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 17)	(355,192)	(20)	(357,622)	(17)
Rental income (Note 22)	49,785	3	39,722	2
Dividend income (Note 4)	296,088	17	235,280	11
Other income	24,982	1	28,636	1
Other losses	(60)	-	(4,019)	-
Impairment loss (Notes 4 and 10)	<u>-</u>	<u>-</u>	<u>(4,251)</u>	<u>-</u>
Total non-operating income and expenses	<u>15,603</u>	<u>1</u>	<u>(62,254)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	1,455,003	82	1,610,510	78
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(15,000)</u>	<u>(1)</u>	<u>(4,000)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,440,003</u>	<u>81</u>	<u>1,606,510</u>	<u>78</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 15 and 18)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(126,468)	(7)	196,019	10
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	77,210	4	-	-
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(24,374)</u>	<u>(1)</u>	<u>(55,501)</u>	<u>(3)</u>
	<u>(73,632)</u>	<u>(4)</u>	<u>140,518</u>	<u>7</u>

(Continued)

YFY INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	\$ -	-	\$ 139,427	7
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>230,907</u>	<u>13</u>	<u>(985,659)</u>	<u>(48)</u>
	<u>230,907</u>	<u>13</u>	<u>(846,232)</u>	<u>(41)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>157,275</u>	<u>9</u>	<u>(705,714)</u>	<u>(34)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 1,597,278</u>	<u>90</u>	<u>\$ 900,796</u>	<u>44</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 0.87</u>		<u>\$ 0.97</u>	
Diluted	<u>\$ 0.87</u>		<u>\$ 0.97</u>	

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

(With Deloitte & Touche audit report dated March 22, 2019)

(Concluded)

YFY INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus			Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity			Total Equity	
	Shares (In Thousands)	Amount	Treasury Shares	Consolidation Excess	Other	Total	Legal Reserve	Special Reserve	Unappropriated Earnings			Total	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges		Gain (Loss) on Hedging Instruments
BALANCE AT JANUARY 1, 2017	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
Appropriation of the 2016 earnings																
Legal reserve	-	-	-	-	-	-	12,612	-	(12,612)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	(1,393)	1,393	-	-	-	-	-	-	-
Adjustments for the changes in equity of associates	-	-	-	-	14,242	14,242	-	-	(40,233)	(40,233)	-	-	-	-	-	(25,991)
Adjustments for the changes in other capital surplus	-	-	-	-	2,665	2,665	-	-	-	-	-	-	-	-	-	2,665
Partial acquisition or disposal of interests in subsidiaries	-	-	-	-	(27,859)	(27,859)	-	-	-	-	-	-	-	-	-	(27,859)
Adjustments for the changes in equity of subsidiaries	-	-	-	-	233,959	233,959	-	-	(34,255)	(34,255)	-	-	-	-	-	199,704
Net income for the year ended December 31, 2017	-	-	-	-	-	-	-	-	1,606,510	1,606,510	-	-	-	-	-	1,606,510
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)
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
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
Adjustments on initial application	-	-	-	-	-	-	-	-	112,035	112,035	-	(1,964,407)	3,545,472	14,871	(14,871)	1,693,100
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,660,372	16,603,715	14,947	293,124	738,729	1,046,800	3,254,722	4,030,039	6,721,808	14,006,569	(263,411)	-	3,545,472	-	(14,871)	34,924,274
Appropriation of the 2017 earnings																
Legal reserve	-	-	-	-	-	-	160,651	-	(160,651)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1,455)	1,455	-	-	-	-	-	-	-
Adjustments for the changes in equity of associates	-	-	-	-	(40,151)	(40,151)	-	-	50,004	50,004	-	-	(339)	-	-	9,514
Adjustments for the changes in other capital surplus	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-	-	-	(18)
Partial acquisition or disposal of interests in subsidiaries	-	-	-	-	(29,430)	(29,430)	-	-	-	-	-	-	-	-	-	(29,430)
Adjustments for the changes in equity of subsidiaries	-	-	-	-	12,728	12,728	-	-	(55,614)	(55,614)	-	-	-	-	-	(42,886)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	-	-	1,440,003	1,440,003	-	-	-	-	-	1,440,003
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	(165,751)	(165,751)	223,046	-	92,119	-	7,861	157,275
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	1,274,252	1,274,252	223,046	-	92,119	-	7,861	1,597,278
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(37,596)	(37,596)	-	-	37,596	-	-	-
BALANCE AT DECEMBER 31, 2018	1,660,372	\$ 16,603,715	\$ 14,947	\$ 293,124	\$ 681,858	\$ 989,929	\$ 3,415,373	\$ 4,028,584	\$ 6,797,435	\$ 14,241,392	\$ (40,365)	\$ -	\$ 3,674,848	\$ -	\$ (7,010)	\$ 35,462,509

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

(With Deloitte & Touche audit report dated March 22, 2019)

YFY INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,455,003	\$ 1,610,510
Adjustments for:		
Depreciation and amortization expenses	10,850	10,353
Net loss (gain) on fair value change of financial instruments at fair value through profit and loss	(6,323)	463
Finance costs	355,192	357,622
Interest income	(65)	(8,877)
Dividend income	(296,088)	(235,280)
Share of profit of subsidiaries and associates	(1,773,764)	(1,963,506)
Gain on disposal of property, plant and equipment	-	(2,857)
Gain on disposal of investment properties	(3,948)	-
Gain on disposal of investments	(376)	(159)
Impairment loss on financial assets	-	4,251
Net unrealized loss (gain) on foreign currency exchange	(93)	94
Changes in operating assets and liabilities		
Financial instruments held for trading	-	(3,551)
Financial instruments mandatorily classified as at fair value through profit and loss	(14,000)	-
Receivables from related parties	4,956	3,872
Other receivables	9,295	65,364
Other current assets	1,019	(881)
Payables to related parties	(685)	402
Other payables	(4,663)	10,249
Other current liabilities	(3,060)	195
Net defined benefit liabilities	<u>(36,000)</u>	<u>(46,150)</u>
Cash used in operations	(302,750)	(197,886)
Interest received	6,309	8,873
Dividends received	1,054,908	942,713
Interest paid	(358,125)	(363,474)

Income tax paid	<u>(624)</u>	<u>(3,695)</u>
Net cash generated from operating activities	<u>399,718</u>	<u>386,531</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through other comprehensive income	(36,642)	-
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	18,655	-
Proceeds from the return of capital upon investees' capital reduction of financial assets carried at cost	-	22,500
Purchase of investment accounted for using the equity method	-	(905,442)
Proceeds from the sale of investments accounted for using the equity method	-	22,571

(Continued)

YFY INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds from the return of investments accounted for using the equity method	\$ 426,750	\$ -
Payments for property, plant and equipment	(8,174)	(3,397)
Proceeds from the disposal of property, plant and equipment	3,416	4,894
Proceeds from the disposal of investment properties	6,133	-
Increase in other non-current assets	<u>(2,943)</u>	<u>(20,031)</u>
Net cash generated from (used in) investing activities	<u>407,195</u>	<u>(878,905)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	491,000	620,000
Proceeds from short-term bills payable	-	739,812
Repayments of short-term bills payable	(440,000)	-
Proceeds from long-term borrowings	132,451	-
Repayments of long-term borrowings	-	(866,260)
Increase (decrease) in other non-current liabilities	931	(631)
Dividends paid	(996,223)	-
Overdue dividends received (paid)	<u>(18)</u>	<u>2,665</u>
Net cash generated from (used in) financing activities	<u>(811,859)</u>	<u>495,586</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>93</u>	<u>(94)</u>
NET INCREASE (DECREASE) IN CASH	(4,853)	3,118
CASH AT THE BEGINNING OF THE YEAR	<u>10,780</u>	<u>7,662</u>
CASH AT THE END OF THE YEAR	<u>\$ 5,927</u>	<u>\$ 10,780</u>

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

(With Deloitte & Touche audit report dated March 22, 2019)

VI. Any financial difficulty and the impact on YFY's finance in last fiscal year and up to the print date for this annual report: None.

Chapter 7. Financial Position, Financial Performance and Risk Analysis

- I. Financial comparison analysis
- II. Financial Performance Review and Analysis
- III. Cash flow analysis
- IV. The effects that significant capital expenditures have on financial operations in the recent year
- V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year
- VI. Risk analysis and assessment in last fiscal year and up to the print date for this annual report
- VII. Other important matters

Chapter 7. Financial Position, Financial Performance and Risk Analysis

I. Financial comparison analysis

Unit: NT\$ thousand

Year Item	2018	2017	Difference	
			Amount	%
Current assets	\$ 44,317,379	\$ 41,062,377	\$ 3,255,002	8%
Property, plant and equipment	48,947,012	47,994,654	952,358	2%
Intangible assets	521,979	458,555	63,424	14%
Other assets	24,422,004	23,070,187	1,351,817	6%
Total Assets	118,208,374	112,585,773	5,622,601	5%
Current liabilities	32,704,919	32,336,585	368,334	1%
Non-current liabilities	38,570,422	36,722,868	1,847,554	5%
Total liabilities	71,275,341	69,059,453	2,215,888	3%
Capital	16,603,715	16,603,715	0	0%
Capital surplus	989,929	1,046,800	(56,871)	(5%)
Retained earnings	14,241,392	13,894,534	346,858	2%
Other equity	3,627,473	1,686,125	1,941,348	115%
Non-controlling Interests	11,470,524	10,295,146	1,175,378	11%
Total equity	46,933,033	43,526,320	3,406,713	8%
Notes on changes in increase or decrease percentage:				
1. Other equity increased mainly due to the effect of IFRS9.				

II. Financial Performance Review and Analysis

Unit: NT\$ thousand

Year Item	2018	2017	Increase/decrease	Change (%)
Net sales	\$76,439,683	\$66,769,908	\$9,669,775	14%
Cost of goods sold	64,743,994	54,755,227	9,988,767	18%
Losses sustained by changes in fair value less the cost to sell a biological asset	(10,695)	(8,111)	(2,584)	32%
Gross profit	11,684,994	12,006,570	(321,576)	(3%)
Operating expenses	9,325,164	9,046,144	279,020	3%
Net operating loss	2,359,830	2,960,426	(600,596)	(20%)
Non-operating income and expenditure	566,264	(121,377)	687,641	(567%)
Net profit before tax	2,926,094	2,839,049	87,045	3%
Income Tax Expense	(966,330)	(706,926)	(259,404)	37%
Net income for the current year	1,959,764	2,132,123	(172,359)	(8%)
Notes/Analysis on changes in increase or decrease percentage:				
1. Operating profits decreased mainly because of the losses sustained by changes in fair value less the cost to sell a biological asset.				
2. Non-operating income and expenditure increased mainly due to an increase in income from stock dividends and interest from acquisition of subsidiary.				

III. Cash flow analysis

CASH, BEGINNING OF YEAR	Net cash flows from operating activities	Inflow (outflow) of net cash from other activities	Cash balance	Liquidity contingency plan	
				Investment	Financial planning
\$4,144,894	\$4,942,822	(\$4,429,105)	\$4,658,611	-	-

1. Analysis on the cash flow changes of the current year:

- (1) Cash flows from operating activities: Operating activities generate cash flow mainly from operational profit and depreciation of fixed assets.
- (2) Cash flows from other activities: Investment activities mainly consisted of plant expansion in Vietnam and the annual expenditure on the upgrading and maintenance of relevant equipment. Financing activities mainly consisted of repayment of loans from financial institution and distribution of cash dividend.

2. Remedial action for cash deficit and liquidity analysis: N/A

3. Cash flow analysis for the coming year:

- (1) Cash flows from operating activities: The industry development is anticipated to be stable and YFY can maintain a steady operational cash inflow.
- (2) Cash flows from investing activities: Mainly consisted of plant expansion in Vietnam and the annual expenditure on the upgrading and maintenance of relevant equipment.
- (3) Cash flows from financing activities: Bank loans and repayments are arranged based on the cash flows from overall operating and investing activities.

IV. Major capital expenditures and impact on financial operations in last fiscal year:

Pulp and Fine Paper Business Group:

- The pulp/paper making machines in Hualien plant were modified to reduce energy consumption during pulp/paper making process, lower overall costs, and enhance business competitiveness.
- The Hualien plant installed a static dust collector and Dingfeng plant installed an odor control system to reduce the odor produced during pulp/paper steaming process, thereby enhancing the plant environment.
- Electrical equipment in Dingfeng plant was modified to reduce the energy consumption of furnaces, save costs, and improve product competitiveness.

Containerboard and Packaging Business Group:

- No.3 Medium paper production line was installed in Xinwu Plant to improve paper quality, increase product portfolio, and bolster business competitiveness.
- A second cogeneration system was installed in Xinwu Plant to reduce energy cost, improve production efficiency, and elevate business competitiveness.

Attributable to an improved business competitiveness, YFY's business groups generated increased revenue from products. Working capitals for capital expenditures are sourced from YFY's funds and bank loans. This year and last year's interest expenditures were the same and therefore did not generate a material impact on the company's finance.

V. Subsidiary investment policy, reasons for profit or loss, improvement plans, and investment plans for next year:

(I) Subsidiary Investment Policy, Reasons for Profit or Loss, Improvement Plans, and Investment Plans for the Next Year

Major re-investment projects of the Company and its subsidiaries are mainly part of the Company's long-term development strategy; with the main focus on printing paper, advanced energy conservation technologies, medical biotechnology, financial businesses, and new creations. In recent years, the Company also continued to streamline its non-core investments. By focusing resources on strategic investment, which is consistent with the Company's long-term development concept, to deepen vertical integration benefits and pursue maximum return on investment. Investment assessment aspect include: sales growth, enhancing R&D capacity, increasing production efficiency, improving product quality, and the potential for earning a profit in the future. Taking into account the financial investment benefits and the corresponding risks, investment decisions and amounts are then decided. In terms of post-investment management, the Company regularly reviews the performance of each re-investment project. If there is a significant drop in performance or deviation from the standards of similar industries, we require the company to develop improvement plans in order to achieve our original investment objectives.

Pulp and Fine Paper Business Group: The fluctuation of international paper/pulp prices has impeded the adjustment of product sales prices, resulting in slow profit growth. The business group's improvement plans involve developing new products such as paper straws as well as more environmentally friendly non-fluorescent paper to achieve product differentiation. The business group also plans to invest in research and development to develop new products that are expected to expand the company's market presence in the future.

Containerboard and Packaging Business Group: To realize a circular economy and overcome China's waste paper import restrictions, the Yangzhou Plant focuses on making internal improvements such as increasing production efficiency and saving costs. In addition, the plant also endeavors to improve its marketing efforts in increasing the supply of its own paper container plants to vertically integrate synergistic effects, develop high-worth products, increase its market response capability, and mitigate the effect of market changes on the company's business operation.

Consumer Products Business Group: The business group has adjusted its marketing channels and sales strategies to increase profits from Chinese markets. The group's profit status improved, despite a decrease in its operating revenue. Regarding products, the consumer group is committed to developing new products such as nPulp environmentally friendly toilet papers, thick toilet papers, and tissue papers to increase customer satisfaction, create market demand, and bolster business competitiveness.

(II) Reinvestment Plans for the Coming Year

- (1) The main objective of developing subsidiary investments was to enhance vertical integration and expand into other businesses, and the key consideration was to facilitate the development of the Company's business units so that they can complement each other and achieve synergy.
- (2) Resource integration and complementarity were enforced among the subsidiaries and the core competitiveness strengthened in order to enhance business performance of the subsidiaries.

VI. Risk analysis and assessment in last fiscal year and up to the print date for this annual report:

(I) Impact of changes in interest rates, exchange rates, and inflation on the Company's profitability and response measures

(1) Interest rate

In 2018, monetary policies gradually became normalized as the economy in the United States slowly recovers. The Federal Reserve Board of the United States raised the interest rate four times in 2018 and began gradually reducing the scale of balance sheet. The European Central Bank maintained a prudent approach in exiting the quantitative easing policy. Despite the end of quantitative easing at the end of 2018, the European Central Bank promises that it will still provide stimulus for the European economy in the future. Japan and numerous other emerging economies still maintained a tendency toward the quantitative easing policy to sustain the growth momentum of the economy. Taiwan's economy still performed well in the first half of 2018. However, the beginning of the U.S.-China trade war in the second half of the year and continuous interest hike, which caused a global influx of USD, emerging markets and financial markets in developing countries fluctuated drastically, prompting business owners and financial operators to hold uncertain and conservative attitude toward the prospects of long-term investments. While international political and economic factors remain unclear, Taiwan Central Bank has kept its reduced discount rate for ten consecutive quarters in order to maintain the stability of its economy.

Response measures: Because the continuous US-China trade war will continue to cloud the global economic outlook, the Federal Reserve Board keeps an open mind about whether to continue to increase the interest rate. The Taiwan central bank is expected to kept its monetary policies adequately relaxed to facilitate the economic growth of Taiwan in the presence of moderate inflation and continuous negative impact of the US-China trade war on Taiwan's economy. The Company will evaluate the liability positions and financing policies regularly and flexibly to effectively reduce the Company's interest expenses.

(2) Exchange rate:

In 2018, the US economy continues to recover, the Federal Reserve Board steadily increases the interest rate, and a reduction in the balance sheet resulted in the tightening of US dollar liquidity, causing US dollar to appreciate. China's Renminbi depreciated considerably due to the strengthening of the US dollar, the US-China trade war, narrowing interest-rate gap, and other mid/long-term factors. New Taiwan Dollar also depreciated substantially in 2018 because of a considerable outflow of foreign investment and stronger US dollar. Major exchange rate risks faced by the Company are foreign currency loans in US dollars from mainland China. In 2018, the Company continued to dynamically adjust RMB hedging ratio and implement response measures for hedging cost control in order to reduce the variations in exchange gain or loss.

Response measures: Looking forward to 2019, the subsequent movements of the US monetary policies are highly uncertain, particularly in the presence of political factors such as the trade war between the United States and China. Global economic forecast is susceptible to changes, and the trends of foreign exchange rate are affected by numerous variables. At the same time, the Company will take into account exchange rate risks and hedging costs, and take appropriate financial and hedging strategies to reduce the negative impact of exchange rate fluctuations on the Company's overall operations.

(3) Inflation:

Although the global oil price fluctuated significantly in the first half of 2018, NTD depreciated against the USD, resulting in imported inflation pressure in the second half of 2018. However, the oil prices weakened considerably in the second half of the year, and utility rates for water and electricity in Taiwan stabilized. In general, the inflation pressure in Taiwan is relatively moderate. The overall CPI and core CPI in 2018 (excluding the CPI of energy and fruits and vegetables) were 1.35% and 1.22%, respectively, suggesting stable commodity price.

Looking forward to 2018, the central bank anticipates a drop in global oil price coupled with cooling of imported inflation pressure. Domestic demand increased subtly, while the effect of cigarette tax increase evaporated. The central bank preliminary estimated that CPI in 2019 and core CPI increased annually by 1.05% and 0.93%, with inflation outlook being benign. Up to the printing date of this annual report, inflation does not exert a material impact on the Company. However, Mainland China is continuing to increase the extent of its environmental supervision, while the US-China trade war and relocation of supply chains have exposed raw material prices to risks of fluctuation. The Company will still pay close attention to changes in raw material prices as well as the risks derived from the trade war between the two major economies.

(II) Policies on high risk or high leverage investments, lending to others, making endorsement or guarantees, and trading derivatives, reasons for profit or loss, and response measures

The Company is not engaged in investing in high risk and high leverage instruments. For example, the utilization of idle funds focuses on trading of notes or bonds with repurchase agreements and subscriptions of money market funds in the short term.

The Company adheres to its Procedure for Lending Funds to Other Parties and Procedures of Making of Endorsement and Guarantees when lending funds to others and providing endorsements and guarantees. Principally, funds or endorsement/guarantees are extended to affiliated parent company and subsidiaries for financial and business purposes.

The Company engages in derivative transaction in accordance with its Procedures for Engaging in Financial Derivative Transactions so as to clearly define the purposes of each transaction, which must be primarily hedging. The derivatives operated in 2018 are primarily aimed at avoiding RMB exchange rate risks. The hedging ratio is adjusted with due consideration given to the hedge cost and exchange rate risk of derivatives to mitigate the effects of RMB exchange rate fluctuations.

(III) Future R&D Programs and Expected R&D Investment:

The Company's major R&D investment projects in 2019 include:

Paper product R&D	• • • • •	NT\$21,043,000
Specialized material development	• •	NT\$18,618,000
Cleaning product R&D	• • • •	NT\$15,749,000
Material analysis	• • • • •	NT\$24,517,000

R&D expenses listed above do not include investments in product development, new technology development, and equipment modifications.

(IV) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures:

For the purpose of managing legal risks as a whole, the Company has established the Legal Department to be responsible for preventing legal risks due to regulation changes. When important policy and legislative changes in Taiwan and overseas have a potential impact on the Company's financial or sales performance, the responsible departments will cooperate with the Legal Department to devise the Company's response measures. In case of any noncompliance with the law in the Company's internal guidelines and operating procedures, the responsible departments will make the necessary changes and corrections to effectively manage and reduce the Company's legal risks.

In response to the promulgation of the amendments of the Labor Standards Act, the Company also modified related company regulations and work policies as well as convened a labor-management meeting to discuss various response measures. Work hours and work schedule for each company (plant) were adjusted accordingly, and employee vacation days and money for unused vacation days were issued to employees according to regulations.

The implementation of IFRS9 not only changes the recognition and measurement regulations prescribed in IAS 39 but also significantly influences presentation and disclosure, specifically with respect to the disclosure of risk

management and information on the management of credit risks. Nevertheless, the Company has complied with relevant regulations.

(V) Impact of recent technological and market changes on the Company's finance and business, and response measures:

Industries invested in by the Company strive for new achievements in innovation and R&D. In the development of various industries, use various technologies to enhance product quality, production capacity, and production volume, strengthen existing competitive advantages in order to pursue sustainable management.

(VI) Impact of corporate image change on risk management and response measures

Operating a business involves a variety of potential risks, including security, environmental, financial, product quality, marketing, etc. Especially with the widespread of today's mass media, the occurrence of a risky event and the deliberate dissemination of false information can be passed on rapidly and conveyed incorrectly through social media, which often evolves into an irreparable crisis. Regardless of which, from an actual case or each country has mature corporate social responsibility indices, evidences have shown that focusing on corporate social responsibility, having a good corporate image, accumulating social capitals day by day and step by step, and earning the trust of consumers and investors during a major crisis can effectively reduce visible/invisible damages. The Company believes that corporate image is more than just packaging on the outside, and to fundamentally adjust the Company's structure, we must start from the inside first in order to enhance our corporate image at a steady pace.

Since the establishment of YFY, the management team has always adhered to the mission of sustainable development by using "employees", "community", and "the environment" as its three major concerns. In 2013, YFY established the "Sustainability and Social Responsibility Office". In 2016, we also established the "Resource Recycling Platform", "Water Resource Recycling Platform", and "Occupational Safety and Health Platform" to make continuous improvements and serve as resource sharing platforms. We also set the environment, society, and human resources as our corporate responsibility objectives. In 2018, the Company and employees worked together to brainstorm ideas to maximize the benefits of circular economy in the use of raw materials and energy sources. Through this we have decided increasing the depth of key investments in circular economy. The Company further cooperated with academic and research institutes to convert industrial and agricultural wastes into new materials, thereby creating new value for waste materials.

From all action and no talk to an active and pragmatic approach in taking actions, we aim to transform our corporate image by taking not only actions but also maintaining constant communication. Internally, we value the importance of employee communication and educate employees on the company's principle of sustainable management in a timely manner. In the protection of employee rights, continue to improve staff health and provide a safe work environment. Externally, in terms of community involvement, we share the goals and vision of the Company to raise employee's awareness on environmental protection and green subjects. We encourage employees to participate in local environmental protection, cultural, and volunteering activities, and invite schools around our plants to participate in our arts and cultural activities. We focus on recycling papers from households in order to prosper with the society and the environment. With respect to supply chain management, we aim to incorporate environmental protection, labor safety, and other standards into the work process, regulations, and agreements.

YFY believes that fully enhancing YFY's threshold for safety and health, social responsibility, and sustainable development and adjusting the mentality of management teams and all employees when dealing with relevant issues can fundamentally reduce the probability of work safety and environmental risks and improve the Company's image with achievements. From YFY's perspective, corporate image and crisis management are closely linked to each other.

(VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: N/A.

(VIII) Expected benefits of plant expansion, potential risks, and response measures:

Containerboard and Packaging Business Group: In view of the supply chain relocation trends, the business group focused on the north Vietnamese market in 2018 to expand its containerboard production expansion. The Company plans to build Level-2 and Level-3 plants in north Vietnam and complete them by 2019. Market risks in Vietnamese areas are mainly intense price competition. Our response measures involve forming strategic alliances with existing paper suppliers and manufacturers in order to reduce the bargaining costs of raw papers and increase the economies of scale.

Shin Foong Specialty and Applied Materials Co., Ltd.: Optimistic about the growth of the medical industry in Asian countries and witnessing the increase in demand for medical gloves, Shin Foong's plant in Southern Pingtung is expanding its production lines, which are expected to be completed in 2019 and will raise its production capacity by nearly 30%. Potential risks include reduced market demand in Asia. By engaging in R&D collaboration with key clients and improving customer service, Shin Foong actively improves its product quality and creates market segmentation to capture more opportunities for business growth.

(IX) Risks in concentrated purchases or sales and response measures:

The Company's source of purchase and sales channels remain stable, there are no concentration risks.

(X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures:

The composition of directors, supervisors, or shareholders holding more than 10% of the Company's shares and the shareholding ratio are stable. As of the printing date of this annual report, there are not large transfers. Equity transfer or conversion is considered a normal financial transaction for shareholders which does not have a significant impact on the Company. The Company's directors and major shareholders always maintain open channels of communication.

(XI) Impact of control transfer and risks: The Company is not exposed to risks of control transfer.

(XII) Litigation or non-litigation events:

1. YFY INC.

(1) On June 20, 2011, YFY Global, a subsidiary of the Company, purchased the shares of Giant Crystal (a subsidiary of San Pou Group) at US\$8.5 million and used the equity of Star City company as convertible corporate bond. On August 11, 2017, YFY Global received US\$12.39 million in payment for the redemption of corporate bonds, including principal and interest, equivalent to roughly 45% in return on investment. However, the Taipei District Prosecutor's Office believed that the Company's directors S.C. Ho, Melody Chiu, and four other employees committed a breach of trust in accordance with Subparagraph 3, Paragraph 1, Article 171 of the Securities and Exchange Act. The involved parties were prosecuted in August 2017 and all plead not guilty in the Taipei District Court. The trial is still ongoing, and the Company did not sustain any loss.

(2) The Securities and Futures Investors Protection Center took legal actions against Shin Foong Specialty and Applied Materials and directors S.C. Ho and Melody Chiu in accordance with Subparagraph 2, Paragraph 1, Article 10-1 of the Securities Investor and Futures Trader Protection Act, and proposed to dismiss them. The court cost arising from this subject matter totaled NT\$1.65 million. Director Melody Chi is currently not a director of the Company after the election on June 21, 2018. This trial is still ongoing in the Taipei District Court.

2. YFY Packaging Inc.

(1) To dispose waster paper slagging, the Xinwu plant of YFY Packaging Inc. signed a 「Letter of Entrustment for Slagging Gasification Processing of Machine for Dispersing Pulp」 with Taiwan Cleaning Company on June 1, 2011. After signing the Contract, the Xinwu plant had doubts about whether the proposed gasifier could reach the state of quantity production and questioned the stability and safety of gasifier, so it notified the other party to stop cooperating. After that, Taiwan Cleaning Company thought it was suffered from loss, so it sued the Taipei District Court for a compensation of NT\$ 120 million from YFY Packaging Inc. The case is now being tried by the Taipei District Court.

(2) The Taoyuan operating center of Taiwan Power Company claimed one of the two cogeneration facilities in Xinwu did not acquired the qualified certificaiton when the facility on grid with Taiwan Power Company, hence the unused sapare-elctricity could not be calculated by 5% of regular power cost which applicable for "Operating Procedures for Cogeneration System" and it should be calculated as 25% of the regular power cost instead. The Taoyuan operating center of Taiwan Power Company sued in Taoyuan District Court to Xinwu plant to request increasing the difference costs of electricity bill during Mar22, 1993 to Nov 15, 2005 amounted for NT\$124.6 million. The case is now being tried by the Taoyuan District Court.

(XIII) Other significant risks and response measures:

1. Other major risks:

In addition to implementing management guidelines for internal management in accordance with the law, the Company also devises rules to be followed by different departments. Business risks are diversified and managed by each business unit according to the respective functions, and the management of each functional

unit is coordinated by the management headquarters.

2. Organizational structure of response measures and risk management:
The Company's business risks are decentralized and managed by each business department according to the respective functions, and the management of each functional unit is coordinated by the management headquarters.

Department responsibilities are as follows:

Unit	Business (Responsibilities)	Corresponding risks
Pulp and Fine Paper BG	Operations in paper stationery products, special paper, paperboard, pulp and chemical products	Risks related to operation and market change
Containerboard and packaging BG	Operations in industrial paper, cardboard boxes, color boxes, and food containers	Risks related to operation and market change
Consumer Products BU	Operations in household paper and cleaning products	Risks related to operation and market change
Auditing and Compliance Office	The Office performs ad hoc reviews to inspect the degree of guideline compliance, and the board of directors determines the overall business direction for the Company. The Office is also responsible for internal audit and process management.	Guidelines and process
Human Resources Department	Human resources management and organization development.	Risks related to management and regulation change
Corporate Affairs	Corporate internal and external communication, image maintenance	Corporate image
Administration Department	Administrative general affairs	Risks related to management and regulation change
Legal Department	Legal affairs, contracts, patents, and other intellectual property rights related affairs.	Laws and policies, litigious and nonlitigious matters
Research & Development Center	New product and paper development and technology enhancement	R&D projects and investments
Center of Corporate Finance	Investment analysis, financial management, and fund utilization management	Interest rate, exchange rate, inflation, investment, acquisition, laws, share
Accounting Department	Accounting administration	Laws and policies
Business Control Office	Budget control of the various business groups, analysis of operation, follow-up of business performance	Budget planning and implementation
IT Department	Information management planning, system development and maintenance	Information security
Procurement Department	Procurement, logistics, imports and exports, and property management	Plant expansion, purchases
Water Resource Platform Energy Resource Platform	Environmental protection, resource reuse, renewable energy	Optimization of Environmental protection and resource reuse
Occupational Safety and Health Platform	Employee occupational safety and health management	Employee safety

3. Information Security Risk

In an era of rigorous technological development and prevalent Internet use, everyone, including business entities and individuals, must confront the growing risk of information security and the challenges thereof. From our perspective, information management requires both software and hardware facilities comprising equipment, technologies (hardware), and safety awareness (software), which are all key to ensuring information security. With a dedicated information security management platform and team, all companies within the Group could adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, and upgrade existing information security network equipment and mechanisms, so that the information of YGY companies is kept secure in line with current trends. We will continuously work toward increasing employees' awareness on the risks of information security to reinforce our lines of defense for information security. Details are as follows:

Information Security Risk Management Framework

The Company's manages information security risk by using a professional IT management and technical service platform, which ensures that professional skills are properly allocated across the Company and the Group, that

accurate technical support is provided, and control mechanisms are clearly defined. Meanwhile, we conduct periodic auditing and report applicable results to the Board of Directors. Details are provided below:

- Professional IT management and technical service team: Since 2000, YFY has expanded its original information department and recruited specialists to establish Cupid InfoTech Co., Ltd. (hereafter referred to as Cupid), which is an independent, professional IT subsidiary fully owned by YFY. All employees of Cupid, including the president, are all IT professionals responsible for managing IT-related affairs and providing professional services to the Company and the group's companies. With respect to the organization of executive managements, decision-makers directly under the Company are in charge of supervising and executing information security management policies for the Company and the group's companies.
- Responsibilities of IT management platform and YFY companies: The duties of each company are distributed as follows in order to facilitate optimal allocation and utilization of IT resources among YFY companies and at the same time implement IT policies and management of executive responsibilities.

Types of Information Management	Key Management Focus	Responsible and Managing Unit		
		IT Unit of the Group - Cupid	IT Unit of Affiliated Subsidiaries	IT Unit of Plants (in Taiwan, Mainland China, and Vietnam)
		Taipei Headquarters (including YFY Inc. and YFY Holding Management)	Subsidiaries	Containerboard, packaging, Chunghwa Pulp
IT Infrastructure	Group's core dedicated network	V	Δ Partial management	
	Network equipment management	V	V	V
	Network use application	V	V	V
	Group central server room management	V		
	Plant information server room management		V	V
	Computer repair handling	V	V	V
	Mail system usage management	V		
	Information security and anti-virus system	V	V	
	Software/hardware asset management	V	V	
	Major system host management	V	V	
	Group copyright management	V		
	Access control and surveillance system		V	V
	Telecommunication voice system		V	V
Functional system	Group e-signature system	V		
	Administration system	V		
	Corporate homepage	V		
	File server	V		
	Legal documents	V		
	Enterprise resource management	V		
	Production and manufacturing systems	Δ Partial management	V	Δ Partial management
	Production machinery automated system	Δ Partial management		V
	Budget analysis	V		
	Business management and reporting	V		
	Capital expenditures	V		
	Business intelligence	V		
	Accounting system	V		
	Fund management	V		

Information security policies and specific management plans

The Company's information security policy is focused on use of technology and information governance. By using a human machine interface, software, and hardware configurations and systems of checks and balances, we construct a network of information security management and subsequently implement various aspects of the policy through firewall setup, information server room management, user information management, and plant information security management. The Company conducts yearly discussions with IT technicians from each plant to talk about information security problems, trends, and reinforcement measures. Education and training programs are organized to increase employees' awareness on the environmental maintenance of information security and risks.

The professional IT management and service platform is responsible for the governance, planning, supervision, and policy implementation relating to the information security of the Company and YFY companies. The platform simultaneously evaluates and selects potential risks and proposes corresponding plans as needed. An external consultant is hired when necessary in hopes of keeping in pace with current trends and facilitating immediate response to various IT demands. Reporting of information security risk management is conducted periodically, and information security policies and plans of action are inspected every six months. In addition, information security protection mechanism review and counseling is occasionally conducted at production sites to develop a total information security protection capability and educate employees on the importance of information security.

Complete information security auditing system: Auditing departments of the Company and its subsidiaries regularly conduct auditing of information security tasks to ensure the completeness of information security systems and the effective implementation of relevant policies. Relevant audit results are periodically reported to the Board of Directors as required by law.

In the current era of Internet of Things, no one, including business entities, is safe from information security risks hidden in every corner of a network. YFY not only endeavors to comply with government policies and in-house regulations regarding information security. The Company also fulfills responsibilities to complete routine tasks related to information security management so as to minimize the IT-related operational risks of all YFY companies.

4. Other market risks:US-China Trade War has made large scale of volatility to market supplies and demands, we shall develop flexible reaction abtily from the raw materials and product sides.

US-China trade war has created trade barriers and caused companies to change and reconfigure their supply chains. The Company needs to develop more flexible response capabilities with regards to raw materials or products: Our containerboard business in Mainland China must quickly adjust the types of clients and industries it serves and turn to industries that are domestically in demand and whose business is minimally affected. The business group must then develop and use ideas and strategies to integrate the production and marketing activities of global supply chains, while continuing its expansion in Vietnam. All business groups must continue to develop new market products such as specialized papers and high-quality paper and cleaning products to introduce market segmentation and actively develop other new markets. Moreover, YFY Inc. continues to pay attention to industries that merit long-term investments, attract foreign investments, and disperse market risks in order to increase return on equity.

VII. Other material disclosures:N/A.

Chapter 8. Special disclosures

I. Information of YFY affiliates

II. Progress of private placement of securities during the latest year and up to the date of annual report publication

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report

IV. Other supplemental information

V. Any incidents that have a material impact on shareholders equity or security price as described under Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act in last fiscal year and up to the print date for this annual report

VI. Appendix 1: Notes to consolidated financial statements

VII. Appendix 2: Notes to individual financial statements

I. Information of YFY affiliates

(I) Affiliate organization chart December 31, 2018

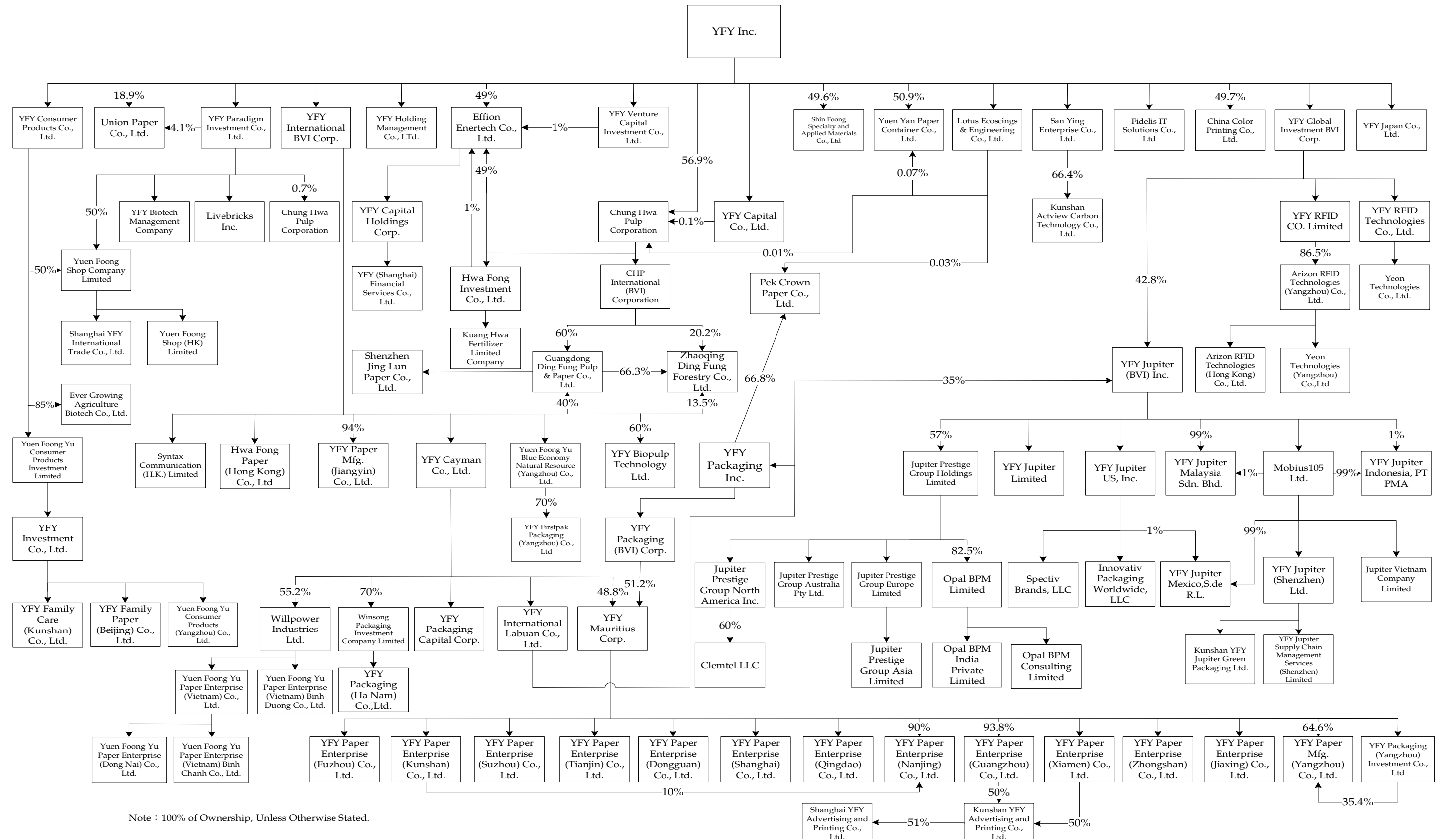
I. Information of YFY affiliates

(I) Affiliate organization chart December 31, 201

YFY INC. AND SUBSIDIARIES

DIAGRAM OF INVESTMENT STRUCTURE

FOR THE YEAR ENDED DECEMBER 31, 2018



(II) Basic information of the various affiliated enterprises

Up to December 31, 2018

Unit: \$1,000 (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
YFY Packaging Inc.	2005.04.26	12F, No. 51, Chongqing S. Road Sec. 2, Taipei	4,101,500	Production and sales of paper and paper products.
Pek Crown Paper Co., Ltd.	1983.10.29	No. 46, Ju Yi Rd., Da Jia District, Taichung County	300,000	Production, trading and import/export of papers, cardboards, containers, and related materials.
Yuen Yan Paper Co., Ltd.	1995.10.16	No. 8-1, Dapuding, Dongguan Li, Jhunan Township, Miaoli County	121,275	Production, trade and import/export of corrugated boards and corrugated boxes.
Union Paper Corp.	1973.05.08	No. 65, Reinung, Linzhung Village, Linnei Township, Yulin County	1,035,300	Production, processing, and selling of paper products.
China Color Printing Co., Ltd.	1961.09.27	No. 229, Baochiao Rd., Xindian District, New Taipei City	662,486	Printing, photography, plate making, binding and related design and planning.
YFY Capital Co., Ltd.	1986.12.30	14F, No. 51, Chongqing S. Road Sec. 2, Taipei	268,400	Trading of paper and related products.
YFY Consumer Products Co., Ltd.	1986.10.29	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	2,272,994	Production and sales of paper, paper products and household cleaning products.
Yuen Foong Shop Co., Ltd.	2014.9.19	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	50,000	Wholesale retail industry.
Shin Foong Specialty and Applied Materials Co., Ltd.	1979.07.17	No. 55, Zhongshan Road Section 3, Taiyuan Village, Fangliao Township, Pingtung County	1,046,681	Production and sales of latex and adhesives.
YFY Venture Capital Investment Co., Ltd.	1988.09.20	15F, No. 51, Chongqing S. Road Sec. 2, Taipei	594,966	General investment.
YFY Paradigm Investment Co., Ltd.	1987.10.23	14F, No. 51, Chongqing S. Road Sec. 2, Taipei	800,125	General investment.
Lotus Ecoscings & Engineering Co., Ltd.	1989.01.05	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	269,140	Engineering of treatment for water, waste water and sewage water.
San Ying Enterprises Co., Ltd.	1962.04.14	11F, No. 51, Chongqing S. Road Sec. 2, Taipei	126,000	Engineering of various water treatment and design and construction of measurement facilities used in environmental pollution prevention engineering.
Cupid Info Tech Co., Ltd.	2000.07.06	15F, No. 51, Chongqing S. Road Sec. 2, Taipei	28,570	Wholesale and retailing of information software, information processing, electronic information service and relevant equipment.
Ever Growing Agriculture Biotechnology Co., Ltd.	1999.11.27	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	214,557	Manufacturing and wholesale of agricultural services, fertilizers and cleaning products.
LiVEBRiCKS Inc.	2012.02.09	16F, No. 51, Chongqing S. Road Sec. 2, Taipei City	77,000	Information processing service.
YEON Technologies Co., Ltd.	2006.09.22	17F, No. 51, Chongqing S. Road Sec. 2, Taipei City	60,000	Design and sales of RFID products and related system integration services.
YFY Biotechnology Management Co., Ltd.	2003.11.27	14F, No. 51, Chongqing S. Road Sec. 2, Taipei City	35,700	Investment consulting.
Effion Enertech Co., Ltd.	2008.12.08	14F, No. 51, Chongqing S. Road Sec. 2, Taipei	700,000	Management of cogeneration, heat supply, and energy technology services.
YFY Holding Management Co., Ltd.	2012.12.22	15F, No. 51, Chongqing S. Road Sec. 2, Taipei	30,000	Management consulting services.
Chung Hwa Pulp Corp.	1968.07.05	No. 100, Guanghua Street, Ji-an Township, Hualien County.	11,028,353	Pulp and paper production, sale and afforestation operations.

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Guang Hwa Fertilizer Corp.	2010.08.30	No. 100, Guanghua Street, Ji-an Township, Hualien County.	5,000	Production and retailing of fertilizers.
Hwa Fong Investment Co., Ltd.	1994.02.04	12F, No. 51, Chongqing S. Road Sec. 2, Taipei	36,000	General investment.
Eihoyo Shoji Co., Ltd.	1990.11.26	Rm.603 Shinjuku Mitsui Bldg. No.2, 3-2-11, Nishi-Shinjuku, Shinjuku-ku Tokyo, 160-0023, Japan	JPY 10,000	Import and export of paper and related chemical materials; trading of related equipment.
YFY Mauritius Corp.	2003.01.16	2nd Floor, Cerne House, La Chaussee, Port Louis, Mauritius	USD 302,502	General investment.
YFY International BVI Corp.	1989.11.30	Portcullis Chambers 4 th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 580,099	General investment.
YFY Global Investment BVI Corp.	1989.11.30	Portcullis Chambers 4 th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 79,000	General investment.
YFY Packaging (BVI) Corp.	2007.10.18	Portcullis TrustNet Chambers, P.O. Box 3444 Road Town, Tortola, British Virgin Islands	USD 150,050	General investment.
YFY Biopulp Technology Limited	2012.10.30	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 150	General investment.
Yuen Foong Yu Consumer Products Investment Limited	2004.11.08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 150,013	General investment.
YFY RFID Technologies Co., Ltd.	2004.08.05	Palm Grove House P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 5,330	General investment.
YFY RFID Co., Ltd.	2010.06.25	13/F Amber Commercial Building, 70 Morrison Hill Road, Wanchai, Hong Kong	USD 25,600	General investment.
YFY Cayman Co., Ltd.	2007.03.27	The Grand Pavilion Commercial Centre Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208 Cayman Islands	USD 339,918	General investment.
YFY International Labuan Co., Ltd.	2006.08.18	Level 15(A2), Main Office Tower, Financial Park, 87000 Labuan FT, Malaysia	USD 165,901	General investment.
YFY Packaging Capital Corp.	2015.01.05	Portcullis TrustNet Chambers 4 th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 200,000	General investment.
CHP International (BVI) Corporation	1990.03.15	Citco Building, P.O.BOX 662, Road Town, Tortola, British Virgin Islands	USD 61,040	General investment.
YFY Packaging (Yangzhou) Investment Co., Ltd.	2012.12.05	No. 168, Chuen Jiang Rd., Economic Development Park, Yangzhou, Jiangsu Province	USD 86,707	General investment, paper products and trading of paper products.
Yuen Foong Yu Papers (Guangzhou) Co., Ltd.	1990.10.30	No. 5, Siayuan Rd., Economic Technology Development District, Huangpu, Guangzhou, Guangdong Province	USD 9,500	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Papers (Xiamen) Co., Ltd.	1990.03.26	No.6-12 Changhe Rd., Xinyuan Building, Upper Warehouse District, Huli Zhai, Xiamen, Fujian	USD 6,500	Production, printing and sales of all types of paper and paperboard.

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Yuen Foong Yu Paper Enterprise (Zhongshan) Co., Ltd.	2001.05.16	No. 188, Yixian Rd., Torch Development District, Zhong Shan, Guangdong Province	USD 6,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Dongguan) Co., Ltd.	2003.03.11	Fong Yien Industrial Park, Yentien Section, Longping Rd., Fenggang Town, Dong Guan, Guangdong Province	USD 6,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Nanjing) Co., Ltd.	2001.08.24	No. 1-2, Chuen Jiang Rd., Nanjing Economic Development Park, Nanjing city, Jiangsu Province	USD 9,959	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Qingdao) Co., Ltd.	2002.11.15	Liu Ting Industrial Park, Liu Ting, Cheng Yang District, Qingdao, Shan Dong	USD 8,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Jiashin) Co., Ltd.	2003.11.24	No. 795, Zhong Shan W. Rd. and Xiuxin Rd., Xiu Zhou Industrial District, Jiaixng, Zhejiang	USD 5,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.	1995.08.10	No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu Province	USD 11,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Suzhou) Co., Ltd.	2002.01.31	No. 168, Yin Zhong S. Rd. and Jiang Xing Rd., Hedong Industrial Zone, Wuzhong Economic Development Area, Suzhou Industrial District, Jiangsu	USD 7,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Shanghai) Co., Ltd.	2003.01.24	No. 1236, Guinan Road, Shihudang Town, Songjiang District, Shanghai City	USD 8,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Tianjin) Co., Ltd.	2001.11.08	No. 19 Shuangchenzhong Rd., Beichen Development District, Tianjin	USD 8,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper Enterprise (Fuzhou) Co., Ltd.	2004.02.11	No. 17, Changxing East Road, Mawei District, Fujian County, Fuzhou City	USD 5,000	Production, printing and sales of all types of paper and paperboard.
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	2004.11.24	No. 168, Chuen Jiang Rd., Economic Development Park, Yuangzhou, Jiangsu Province	USD 244,695	Production sales of all types of paper and paperboard.
Yuen Foong Yu Family Care (Kunshan) Co., Ltd.	2004.12.28	No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu Province	USD 30,000	Production and sales of toilet paper, paper towels and napkins.
Yuen Foong Yu Family Paper (Beijing) Co., Ltd.	2004.12.23	No. 35, Jinma N. Rd., Beijing	USD 35,000	Production and sales of toilet paper, paper towels and napkins.
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	2011.11.18	No. 168, Chuen Jiang Rd., Economic Development Park, Yuangzhou, Jiangsu Province	USD 30,000	Production and sales of toilet paper, paper towels and napkins.
YFY Investment Co., Ltd.	2008.11.26	Rm. 301, 3F, Honghui Xinhui Garden, No. 6, Alley 4718, Gonghexin Rd., Jing'an District, Shanghai City	USD 115,000	General investment and trading of paper products.
YFY International Trading (Shanghai) Co.	2015.05.13	Room 1307, 13F, No. 55 Xili Rd., Pilot Free Trade Zone, Shanghai	RMB 1,000	International trade and re-exportation

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	1993.11.08	No. 258 South River Rd., Cheng Jiang Town, Jiang Yin City, Jiangsu Province	USD 14,900	Production, processing and sales of all types of paper and paperboard.
Shenzhen Jinflun Paper Co., Ltd.	2008.06.24	21E Caihong Xindu Building, Ciatian S. Rd., Futian District, Shenzhen, Guangdong Province	RMB 3,200	Sales of paper products and cargo and technology imports/exports.
YFY Advertising & Printing (Kunshan) Co., Ltd.	2004.09.07	No. 999, YFY N. Rd., Yu Shan Town, Kunshan, Jiangsu Province	USD 3,000	Design, production and distribution of various domestic advertising materials, plate making and printing.
Shanghai Yuen Foong Yu Printing Co., Ltd.	1992.12.19	No. 1130, Building 2, District 10, Jinge Rd., Jinshan Industrial Park, Shanghai	RMB 2,000	Pre-printing, printing, and post-printing services; packaging and business card printing, and sales of paper and printing equipment.
Kunshan Actview Carbon Technology Co., Ltd.	2002.01.15	No. 11, Cai Mao Rd., Zhou Shi Town, Kunshan, Jiangsu Province	USD 1,260	R&D, manufacturing and sales of active carbon and related products.
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	2011.05.18	No. 168, Chuen Jiang Rd., Bali Town, Economic Development Park, Yangzhou, Jiangsu Province	USD 8,000	Development of agricultural recycling and production technologies and related consulting and services.
YFY Firstpack Packaging (Yangzhou) Co., Ltd.	2014.08.29	No. 168, Chuen Jiang Rd., Bali Town, Economic Development Park, Yangzhou, Jiangsu Province	RMB 28,000	R&D, manufacturing and sales of packaging products; design, production, and selling of packaging equipment and molds.
Arizon RFID Technology (Yangzhou) Co., Ltd.	2004.06.11	No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu Province	USD 192,429	Production of various high-frequency and ultra-high frequency RFID INLAY and label cards.
Yangzhou YEON Technologies Co., Ltd.	2007.09.18	No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu Province	RMB 8,000	Design and distribution of RFID and related assemblies, as well as smart identification systems and reception antennas.
YFY Capital Holdings Corp.	2013.03.28	Palm Gove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 8,060	General investment.
YFY (Shanghai) Commercial Factoring Co., Ltd.	2013.07.01	Room 20, Building 49, No. 6999, Chuansha Rd., Pudong New Area, Shanghai	RMB 50,000	Export factoring, domestic factoring, and business factoring-related consulting services; development of credit risk management platforms
Guangdong Dingfung Pulp & Paper Co., Ltd.	2000.08.18	Shouyue Village, Nanjie Township, Guangning County, Zhaoqing, Guangdong Province	USD 85,630	Production and marketing of pulp, writing/printing paper, and dowing paper.
Zhaoqing Dingfung Forestry Co., Ltd.	2006.04.01	Shouyue Village, Nanjie Township, Guangning County, Zhaoqing, Guangdong Province	USD 21,880	Cultivating and marketing seedlings; afforestation, logging and other forestry businesses including sales, processing, and transportation.
Hwa Fong Paper (Hong Kong) Co., Ltd.	1993.06.14	2F, No. 22-28, Shatin Industrial Building, Wo Shui Rd., Fo Tan, Shatin, NT, HK	HKD 116,000	Trading, printing and sales of all types of paper products; paper-related businesses.
Syntax Communication (H.K.) Ltd.	1985.05.31	2F, No. 22-28, Shatin Industrial Building, Wo Shui Rd., Fo Tan, Shatin, NT, HK	HKD 34,000	Trading, printing and sales of all types of paper products; paper-related businesses.

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
YFY Jupiter (BVI) Inc.	2005.11.30	Portcullis TrustNet Chambers,P.O. Box 3444, Road Town, Tortola, British Virgin Islands.	USD 1,306	General investment.
YFY Jupiter Ltd.	1997.06.02	1501-3, 15/F. Yen Sheng Centre, 64 Hoi Yuen Road Kwun Tong, Kowloon, Hong Kong	HKD 0.003	Packaging design and paper trading.
YFY Jupiter US, Inc.	2014.09.27	404 S 2nd Street, First Floor, St. Charles, IL 60174, USA	USD 1	Packaging design and paper trading.
Innovativ Packaging Worldwide, LLC	2015.03.09	121 S 8th Street, Suite 800, Minneapolis, MN 55402, USA	USD 0.1	Packaging design and paper trading.
Mobius105 Ltd.	2006.07.25	1501-3, 15/F. Yen Sheng Centre, 64 Hoi Yuen Road Kwun Tong, Kowloon, Hong Kong	HKD 10	General investment.
YFY Jupiter Trading (Shenzhen) Ltd.	2007.11.27	Unit 411 (#11), Xinggang Tongchuanghui Tianshu Building, No. 6099, Bao'an Boulevard, Bao'an District, Shenzhen, Guangdong Province	USD 140	Packaging design and paper trading.
Kunshan YFY Jupiter Green Packing Ltd.	2012.01.17	Plant 4, No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu Province	RMB 2,000	Packaging design and paper trading.
Jupiter Supply Chain Management Services (Shenzhen) Co., Ltd.	2015.05.21	Room 201, Building A, No. 1, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, Guangdong Province	RMB 0	Supply chain management-related services.
Jupiter Prestige Group Holdings Limited	2012.05.01	TAH House, Aviation Way, Southend-on-Sea, Essex SS2 6UN	GBP 151	General investment.
Jupiter Prestige Group North America Inc.	2005.07.13	180 West Adams, 2nd Floor, Chicago, IL 60603, USA	USD 1	Packaging design and paper trading.
Opal BPM Limited	2013.11.08	48-50 St. John Street London, BC1M 4DG	GBP 1	Process system design and support.
Opal BPM India Private Limited	2015.10.21	436, Level-4, 6/24,, East Patel Nagar, New Delhi 110008, Delhi, India	INR 100	System process coding.
Jupiter Prestige Group Australia PTY Ltd.	2012.01.19	Coles Store Support Centre,L2 M7 800 Toorak Road, Hawthom East, VIC 3123	AUD 0.1	Graphic design.
Jupiter Prestige Group Europe Ltd.	2003.02.03	TAH House, Aviation Way, Southend-on-Sea, Essex SS2 6UN	GBP 30	Graphic design.
Jupiter Prestige Group Asia Ltd.	2010.06.17	17/F Yen Sheng Centre, 64 Hoi Yuen Road Kwun Tong, Kowloon, Hong Kong	HKD 0.1	Graphic design.

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
YFY Jupiter Malaysia SDN. Bhd.	2016.01.12	Level 2, No.11, Jalan PJU 1A/41B, NZX Commercial Centre, Ara Jaya, 47301 Petaling Jaya, Selangor	MYR 0.1	Package design.
YFY Jupiter Mexico, S. de R.L.	2016.03.14	Ciudad Juarez, Chihuahua, Mexico	MXN 3	Package design.
Spectiv Brands, LLC	2017.03.17	121 South 8th Street, Suite 800, Minneapolis, MN 55402	-	Product distribution.
Yuen Foong Shop (Hong Kong) Co., Ltd.	2017.03.24	Rm 1702, Sino Centre, 582- 592 Nathan Rd., MK, Kln. HK	-	International trade and selling of household products.
Opal BPM Consulting Ltd.	2017.04.28	601 London Load, Westcliff-on-sea, Essex, SS0 9PE	GBP 1	System-related consulting services.
Arizon RFID Technology (Hong Kong) Co., Ltd.	2017.10.2	Rm 2702-03, C. C. Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong Island	USD 3,000	Hardware products for radio-frequency identification (RFID) systems, software system development, and tag design.
Clemtel LLC	2018.01.12	3411 Silverside Road, Tatnall Building Ste 104, Wilmington, New Castle, DE 19810, USA	USD 1	Brand design.
Winsong Packaging Investment Company Ltd.	2018.01.29	16F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	USD 13,600	Company investment and selling of paperboard
YFY Packaging (Ha Nam) Co., Ltd.	2018.04.02	Part of Lot J, Dong Van II Industrial Park, Bach Thuong Commune, Duy Tien District, Ha Nam Province, Vietnam	USD 12,400	Production and sales of all types of paperboard and cardboard boxes.
Willpower Industries Limited	2004.03.30	Vistra Corporate Services Centre, Wickhams Cay II Road Town, Tortola VG1110, British Virgin Islands	USD 15,500	Company investment and selling of cardboard boxes
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	2015.11.20	No 20 VSIP II-A, Street 31 VSIP II-A Industrial Park , Vinh Tan Village, Tan Uyen district, Binh Duong province	USD 10,500	Production, printing and sales of all types of paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	2005.11.29	Lot E3-E6 Duc Hoa 1 Industrial Park , hamlet 5, Duc Hoa Dong Village, Duc Hoa district, Long An province	USD 5,100	Production, printing and sales of all types of paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	2015.07.10	Lot K1-K3 Street 10 Hai Son Industrial Park , Binh Tien 2 hamlet, Duc Hoa Ha Village, Duc Hoa district, Long An province	USD 1,200	Production, printing and sales of all types of cardboard boxes.
Yuen Foong Yu Paper Enterprise(Dong Nai) Co., Ltd.	2003.11.26	Group 1, Hamlet 8, Binh Son Village, Long Thanh District, Dong Nai Province, Vietnam.	USD 10,000	Production, printing and sales of all types of paper and paperboard.
YFY Jupiter Indonesia, PT PMA	2018.07.30	Satrio Tower Jalan Prof. Dr. Satrio Lot C4 Unit 1 Lantai 6	IDR 2,500,000	Packaging design
Jupiter Vietnam Company Limited	2018.10.02	Floor 1, H3 Building, No. 384 Hoang Dieu Street, Ward 6, District 4, Ho Chi Minh City, Vietnam.	USD 50	Packaging design

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Packaging Inc.	Chairman	Cheng Yang Peng (Representative of YFY International Labuan Co., Ltd.)	410,150,000	100.0
	Director	Felix Ho (Representative of YFY International Labuan Co., Ltd.)		
	Director	Kuo Tang Yin (Representative of YFY International Labuan Co., Ltd.)		
	Director	Ching Cheng Huang (Representative of YFY International Labuan Co., Ltd.)		
	Director	Zhe Hong Ou (Representative of YFY International Labuan Co., Ltd.)		
	Supervisor	Yu Yang Wang (Representative of YFY International Labuan Co., Ltd.)		
	President	Cheng Yang Peng		
Pek Crown Paper Co., Ltd.	Chairman	Yan Chung Chang (Representative of YFY Packaging Inc.)	20,027,557	66.8
	Director	Zhe Hong Ou (Representative of YFY Packaging Inc.)		
	Director	Yuan Huang Zhang (Representative of YFY Packaging Inc.)		
	Supervisor	Tsong Han Lin (Representative of Lotus Ecoscings & Engineering Co., Ltd.)	10,000	0.03
	President	Yuan Huang Zhang		
Yuen Yan Paper Co., Ltd.	Chairman	Yan Chung Chang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	6,178,500	50.9
	Director	Zhe Hong Ou (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	S.R. Liao (Representative of Hwa Yuan Enterprises Co., Ltd.)	1,980,000	16.3
	Supervisor	Tsong Han Lin (Representative of Lotus Ecoscings & Engineering Co., Ltd.)	9,000	0.07
	Supervisor	Y.M. Kuo (Representative of Hwa Yuan Enterprises Co., Ltd.)	3,960,000	32.7
	President	Zhe Hong Ou		
Union Paper Corp.	Chairman	Kun Lung Lin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	19,584,000	18.9
	Director	Ching Cheng Huang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Rui He Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Pei Wen Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Lee Zhu Chang	1,081,200	1.0
	Supervisor	Chung Fu Wu (Representative of Gao Cheng Investment Co.)	1,000	0.0
	President	Kun Lung Lin		
China Color Printing Co., Ltd.	Chairman	Chung Yi Chang (Representative of YFY Investment Holding Co., Ltd.)	32,896,330	49.7
	Vice Chairman	Hung Yi Ho (Representative of Shin Kang Jie BVI Corp.)	27	0.0
	Director	Pi Yao Lin (Representative of Shin Kang Jie BVI Corp.)		
	Director	Jian Nan Liao (Representative of Shin Kang Jie BVI Corp.)		
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Shun Xiang Zhan (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Li Ren Guo (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Zhi Qing Min (Representative of Gao Cheng Investment Co.)	1,000	0.0
	Supervisor	Chung Fu Wu (Representative of Gao Cheng Investment Co.)		
	Supervisor	Yu Tsong Ho (Representative of Motai Investments Ltd.)	2,000,000	3.0
	President	Chung Yi Chang		
YFY Capital Co., Ltd.	Chairman	Gu Feng Lin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	26,840,000	100.0
	Director	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Shang Ming Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	President	Proxy, Shang Ming Chen		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Consumer Products Co., Ltd.	Chairman	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	227,299,406	100.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Zhi Hong Xu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Zong Chun Li (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Pei Wen Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	President	Zhi Hong Xu		
Yuen Foong Shop Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	2,500,000	50.0
	Director	Shi Wei Liu (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Hua Mei (Representative of YFY Consumer Products Co., Ltd.)		
	Supervisor	Zhi Qing Min (Representative of YFY Paradigm Investment Co., Ltd.)	2,500,000	50.0
	President	Shi Wei Liu		
Shin Foong Specialty and Applied Materials Co., Ltd.	Chairman	Melody Chiu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	51,914,248	49.6
	Director	Kirk Huang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Zhi Min Xu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Yu Hui Ho (Representative of Ho Shi Investment Co. Ltd.)		
	Independent Director	Chiu, Po-Young		
	Independent Director	Xi Cheng Yan		
	Independent Director	Chang Mou Yang		
YFY Venture Capital Investment Co., Ltd.	Chairman	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	59,496,600	100.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Zhi Qing Min (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
YFY Paradigm Investment Co., Ltd.	Chairman	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	80,012,500	100.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Zhi Qing Min (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	President	Zhi Qing Min		
Lotus Ecoscings & Engineering Co., Ltd.	Chairman	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	26,914,000	100.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Zhi Qing Min (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
San Ying Enterprises Co., Ltd.	Chairman	Ching Cheng Huang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	12,600,000	100.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	President	Huang, C. C.		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Cupid Info Tech Co., Ltd.	Chairman	Hsiang Ming Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	2,857,000	100.0
	Director	Ray Chien (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	President	Chien, Ray		
Ever Growing Agriculture Biotechnology Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	18,245,944	85.0
	Director	Xian Ming Guo (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Zhi Hong Xu (Representative of YFY Consumer Products Co., Ltd.)	3,209,775	15.0
	Supervisor	Pao Yu Hsieh (Representative of Cheng Yu Co., Ltd.)		
	President	Xian Ming Guo		
LiVEBRiCKS Inc.	Chairman	Shi Wei Liu (Representative of YFY Paradigm Investment Co., Ltd.)	7,700,002	100.0
	Director	Felix Ho (Representative of YFY Paradigm Investment Co., Ltd.)		
	Director	Hua Mei (Representative of YFY Paradigm Investment Co., Ltd.)		
	Supervisor	Zhi Qing Min (Representative of YFY Paradigm Investment Co., Ltd.)		
	President	Shi Wei Liu		
YEON Technologies Co., Ltd.	Chairman	Bing Yi Lin (Representative of YFY RFID Technologies Co., Ltd.)	6,000,001	100.0
	Director	Zhi Qing Min (Representative of YFY RFID Technologies Co., Ltd.)		
	Director	Guo Feng Gao (Representative of YFY RFID Technologies Co., Ltd.)		
	Supervisor	Su Ping Lian (Representative of YFY RFID Technologies Co., Ltd.)		
	President	Guo Feng Gao		
YFY Biotechnology Management Co., Ltd.	Chairman	Hong Jen Chang (Representative of YFY Paradigm Investment Co., Ltd.)	3,570,000	100.0
	Director	Shou Chuan Ho (Representative of YFY Paradigm Investment Co., Ltd.)		
	Director	Yi Xue Cai (Representative of YFY Paradigm Investment Co., Ltd.)		
	Supervisor	Zhi Qing Min (Representative of YFY Paradigm Investment Co., Ltd.)		
	President	Hong Jen Chang		
Effion Eneritech Co., Ltd.	Chairman	Ching Cheng Huang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	34,300,000	49.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Kuo Tang Yin (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of YFY Venture Capital Investment Co., Ltd.)	700,000	1.0
	President	Huang, C. C.		
YFY Holding Management Co., Ltd.	Chairman	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	3,000,000	100.0
	Director	Shao Ren Lu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Shun Xiang Zhan (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Chung Fu Wu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	President	Ho, Felix		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Chung Hwa Pulp Corp.	Chairman	Kirk Huang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	627,827,989	56.9
	Director	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Melody Chiu (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Director	Zhi Cheng Huang (Representative of Lotus Ecoscings & Engineering Co., Ltd.)	117,247	0.01
	Director	Gu Feng Lin (Representative of Lotus Ecoscings & Engineering Co., Ltd.)		
	Director	Rui He Chen (Representative of Lotus Ecoscings & Engineering Co., Ltd.)		
	Independent Director	Si Kuan Chen		
	Independent Director	Ling Han Zhang		
	Independent Director	Shi Lei Lu		
	President	Zhi Cheng Huang		
Guang Hwa Fertilizer Corp.	Director	Li Peng Lu (Representative of Hwa Fong Investment Co., Ltd.)	Investment amount: 5,000,000	Investment Percentage 100.0
Hwa Fong Investment Co., Ltd.	Chairman	Gu Feng Lin (Representative of Chung Hwa Pulp Corp.)	3,600,000	100.0
	Director	Zhi Cheng Huang (Representative of Chung Hwa Pulp Corp.)		
	Director	Kuo Tang Yin (Representative of Chung Hwa Pulp Corp.)		
	Supervisor	Guan Jun Lin (Representative of Chung Hwa Pulp Corp.)		
Eihoyo Shoji Co., Ltd.	Director	Zhi Shu Luo He (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	200	100.0
	Director	Shou Chuan Ho (Representative of YFY Investment Holding Co., Ltd.)		
	Director	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
	Supervisor	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)		
YFY Mauritius Corp.	Director	Ho, Felix		
	Director	YFY Cayman Co., Ltd.		
	Director	Chen, Hsianmin		
	Director	Pines Ltd.		
YFY International BVI Corp.	Director	Yuen Foong Yu Investment Holding Co., Ltd.	580,098,758	100.0
YFY Global Investment BVI Corp.	Director	Yuen Foong Yu Investment Holding Co., Ltd.	79,000,000	100.0
YFY Packaging (BVI) Co.,	Director	YFY Packaging Inc.	Investment USD	Investment Percentage
YFY Biopulp Technology Ltd.	Director	Chiu, Melody		
Yuen Foong Yu Consumer Products Investment Limited	Director	Ho, S. C.		
	Director	Ho, Felix		
YFY RFID Technologies Co., Ltd.	Director	YFY Global Investment BVI Corp.	Investment USD 5,330,000	Investment Percentage 100.0
YFY RFID Co., Ltd.	Director	YFY Global Investment BVI Corp.	25,600,000	100.0
	Director	Ho, Felix		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Cayman Co., Ltd.	Chairman	Ho, Felix	Investment USD	Investment Percentage
	Director	YFY International BVI Corp.	339,918,142.15	100.0
	Director	Peng, Cheng Yang		
YFY International Labuan Co., Ltd.	Director	YFY Cayman Co., Ltd.	Investment USD 165,901,098.99	Investment Percentage 100.0
YFY Packaging Capital Corp.	Director	YFY Cayman Co., Ltd.	Investment USD 200,000,000	Investment Percentage 100.0
CHP International (BVI) Corporation	Director	Kirk Huang (Representative of Chung Hwa Pulp Corp.)	Investment USD 61,039,956	Investment Percentage 100.0
	Director	Gu Feng Lin (Representative of Chung Hwa Pulp Corp.)		
YFY Packaging (Yangzhou) Investment Co., Ltd.	Chairman	Ho, Felix (Representative of YFY Mauritius Corp.)	Investment USD 86,707,159.45	Investment Percentage 100.0
	Director	Jun Lang Huang (Representative of YFY Mauritius Corp.)		
	Director	Cheng Yang Peng (Representative of YFY Mauritius Corp.)		
	Supervisor	K. T. Yin (Representative of YFY Mauritius Corp.)		
	President	Jun Lang Huang		
Yuen Foong Yu Paper Enterpriser (Guangzhou) Co., Ltd.	Chairman	Zhong Cheng Dou (Representative of YFY Mauritius Corp.)	Investment USD 8,906,250	Investment Percentage 93.75
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)	Investment USD 593,750	Investment Percentage 6.25
	Director	Xin Zhang Sun (Representative of Guangzhou High-Tech Investment Group Co., Ltd.)		
	Supervisor	Shun Xiang Zhan (Representative of YFY Mauritius Corp.)		
	President	Yu Hsu Chang		
Yuen Foong Yu Paper Enterprise (Xiamen) Co., Ltd.	Chairman	Zhong Cheng Dou (Representative of YFY Mauritius Corp.)	Investment USD 6,500,000	Investment Percentage 100.0
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	YO Hui Liu (Representative of YFY Mauritius Corp.)		
	Supervisor	Tsong Han Lin (Representative of YFY Mauritius Corp.)		
	President	Sheng Jing Xie		
Yuen Foong Yu Paper Enterprise (Zhong Shan) Co., Ltd.	Chairman	Yu Hsu Chang (Representative of YFY Mauritius Corp.)	Investment USD 6,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Yo Hui Liu (Representative of YFY Mauritius Corp.)		
	Supervisor	Tsong Han Lin (Representative of YFY Mauritius Corp.)		
	President	Hong Yi Zhang		
Yuen Foong Yu Paper Enterprise (Dong Guan) Co., Ltd.	Chairman	Yu Hsu Chang (Representative of YFY Mauritius Corp.)	Investment USD6,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Yo Hui Liu (Representative of YFY Mauritius Corp.)		
	Supervisor	Tsong Han Lin (Representative of YFY Mauritius Corp.)		
	President	Cheng Chia Li		
Yuen Foong Yu Paper Enterprise (Nanjing) Co., Ltd.	Chairman	Zhao Kun Wang (Representative of YFY Mauritius Corp.)	Investment USD8,958,825.93	Investment Percentage 90.0
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)	Investment USD1,000,000	Investment Percentage 10.0
	Director	Shao Yu Chen (Representative of Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.)		
	Supervisor	Shun Xiang Zhan (Representative of YFY Mauritius Corp.)		
	President	Ming Gui Luo		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Yuen Foong Yu Paper Enterprise (Qingdao) Co., Ltd.	Chairman	Wen Nan Sun (Representative of YFY Mauritius Corp.)	Investment USD8,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Shao Yu Chen (Representative of YFY Mauritius Corp.)		
	Supervisor	Tsong Han Lin (Representative of YFY Mauritius Corp.)		
	President	Hong Ming Chu		
Yuen Foong Yu Paper Enterprise (Jaixing) Co., Ltd.	Chairman	De Ming Liao (Representative of YFY Mauritius Corp.)	Investment USD5,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Shao Yu Chen (Representative of YFY Mauritius Corp.)		
	Supervisor	Ming Shu Hsu (Representative of YFY Mauritius Corp.)		
	President	Ren De Fu		
Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.	Chairman	Zhao Kun Wang (Representative of YFY Mauritius Corp.)	Investment USD 11,000,000	Investment Percentage 100.0
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Shao Yu Chen (Representative of YFY Mauritius Corp.)		
	Supervisor	Kai Chun Kang (Representative of YFY Mauritius Corp.)		
	President	Zhao Kun Wang		
Yuen Foong Yu Paper Enterprise (Suzhou) Co., Ltd.	Chairman	Zhao Kun Wang (Representative of YFY Mauritius Corp.)	Investment USD7,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Shao Yu Chen (Representative of YFY Mauritius Corp.)		
	Supervisor	Kai Chun Kang (Representative of YFY Mauritius Corp.)		
	President	Zhao Kun Wang		
Yuen Foong Yu Paper Enterprise (Shanghai) Co., Ltd.	Chairman	De Ming Liao (Representative of YFY Mauritius Corp.)	Investment USD8,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Shao Yu Chen (Representative of YFY Mauritius Corp.)		
	Supervisor	Ming Shu Hsu (Representative of YFY Mauritius Corp.)		
	President	De Ming Liao		
Yuen Foong Yu Paper Enterprise (Tianjin) Co., Ltd.	Chairman	Wen Nan Sun (Representative of YFY Mauritius Corp.)	Investment USD8,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Shao Yu Chen (Representative of YFY Mauritius Corp.)		
	Supervisor	Tsong Han Lin (Representative of YFY Mauritius Corp.)		
	President	Jin Tong Huang		
Yuen Foong Yu Paper Enterprise (Fuzhou) Co., Ltd.	Chairman	Zhong Cheng Dou (Representative of YFY Mauritius Corp.)	Investment USD5,000,000	Investment Percentage 100.00
	Director	Yan Chung Chang (Representative of YFY Mauritius Corp.)		
	Director	Yo Hui Liu (Representative of YFY Mauritius Corp.)		
	Supervisor	Tsong Han Lin (Representative of YFY Mauritius Corp.)		
	President	Yo Wei Chu, chief of plant as proxy		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Yuen Foong Yu Paper MFG.(Yangzhou) Co., Ltd.	Chairman	Cheng Yang Peng (Representative of YFY Mauritius Corp.)	Investment USD 244,694,899.74	Investment Percentage 100.0
	Director	Shou Chuan Ho (Representative of YFY Mauritius Corp.)		
	Director	Felix Ho (Representative of YFY Mauritius Corp.)		
	Director	Jun Lang Huang (Representative of YFY Mauritius Corp.)		
	Director	Ching Cheng Huang (Representative of YFY Mauritius Corp.)		
	Supervisor	Kuo Tang Yin (Representative of YFY Mauritius Corp.)		
	President	Ching Cheng Huang		
Yuen Foong Yu Family Care (Kunshan) Co.,Ltd.	Chairman	Zong Chun Li (Representative of Yuen Foong Yu Investment Co., Ltd.)	Investment USD 30,000,000	Investment Percentage 100.0
	Director	Shi Yang Zeng (Representative of YFY Investment Co., Ltd.)		
	Director	Ming Fa Tang (Representative of YFY Investment Co., Ltd.)		
	Supervisor	Pei Wen Chen (Representative of Yuen Foong Yu Investment Co., Ltd.)		
	President	Zong Chun Li		
Yuen Foong Yu Paper Enterprise (Beijing) Co., Ltd.	Chairman	Zong Chun Li (Representative of Yuen Foong Yu Investment Co., Ltd.)	Investment USD 35,000,000	Investment Percentage 100.0
	Director	Shi Yang Zeng (Representative of YFY Investment Co., Ltd.)		
	Director	Ming Fa Tang (Representative of YFY Investment Co., Ltd.)		
	Supervisor	Pei Wen Chen (Representative of Yuen Foong Yu Investment Co., Ltd.)		
	President	Zong Chun Li		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Chairman	Zong Chun Li (Representative of Yuen Foong Yu Investment Co., Ltd.)	Investment USD 30,000,000	Investment Percentage 100.0
	Director	Shi Yang Zeng (Representative of YFY Investment Co., Ltd.)		
	Director	Ming Fa Tang (Representative of YFY Investment Co., Ltd.)		
	Supervisor	Pei Wen Chen (Representative of Yuen Foong Yu Investment Co., Ltd.)		
	President	Zong Chun Li		
YFY Investment Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	Investment USD115,000,000	Investment Percentage 100.0
	Director	Zong Chun Li (Representative of Yuen Foong Yu Consumer Products Investment Limited)		
	Director	Kuo Tang Yin (Representative of Yuen Foong Yu Consumer Products Investment Limited)		
	Supervisor	Pei Wen Chen (Representative of Yuen Foong Yu Consumer Products Investment Limited)		
	President	Zong Chun Li		
YFY International Trading (Shanghai) Co.	Managing director	Shi Wei Liu (Representative of Yuen Foong Shop Co., Ltd.)	Investment RMB 1,000,000	Investment Percentage 100
	Supervisor	Zhi Qing Min (Representative of YFY Shop)		
	President	Shi Wei Liu		
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	Chairman	Jun Lang Huang (Representative of YFY International BVI Corp.)	Investment USD 14,006,000	Investment Percentage 94.0
	Director	Melody Chiu (Representative of YFY International BVI Corp.)		
	Director	Hsiang Ming Chen (Representative of YFY International BVI Corp.)		
	Director	Shun Xiang Zhan (Representative of YFY International BVI Corp.)	Investment USD 894,000	Investment Percentage 6.0
	Director	Kuang Wei Chang (Representative of Cheng Jian Town Investment Co., Ltd.)		
	Supervisor	K. T. Yin (Representative of YFY International BVI Corp.)		
	President	Jun Lang Huang		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Shenzhen Jinglun Paper Co., Ltd.	Chairman	Chih Cheng Huang (Representative of Hwa Fong Paper (Hong Kong) Co., Ltd.)	Investment RMB 3,200,000	Investment Percentage 100.0
	Director	Rui He Chen (Representative of Hwa Fong Paper (Hong Kong) Co., Ltd.)		
	Director	Wei Yen Liu (Representative of Hwa Fong Paper (Hong Kong) Co., Ltd.)		
	Supervisor	Shun Xiang Zhan (Representative of Hwa Fong Paper (Hong Kong) Co., Ltd.)		
	President	Wei Yen Liu		
YFY Advertising & Printing (Kunshan) Co., Ltd.	Director	Chue Jen Chang (Representative of Yuen Foong Yu Paper (Xiamen) Co., Ltd.)	Investment USD 1,500,000	Investment Percentage 50.0
	Director	Jian Wang (Representative of Yuen Foong Yu Papers (Guangzhou) Co., Ltd.)	Investment USD 1,500,000	Investment Percentage 50.0
	Supervisor	Yu Yang Wang (Representative of Yuen Foong Yu Paper (Guangzhou) Co., Ltd.)		
Shanghai Yuen Foong Yu Printing Co., Ltd.	Chairman	De Xing Yu (Representative of YFY Advertising & Printing (Kunshan) Co. Ltd.)	Investment RMB 1,020,000	Investment Percentage 51.0
	Director	Shun Xiang Zhan (Representative of YFY Advertising & Printing (Kunshan) Co. Ltd.)		
	Director	Wei Wen Wang (Representative of Shanghai ECNU Asset Management Co., Ltd.)	Investment RMB 980,000	Investment Percentage 49.0
	Supervisor	Yun Chiu Chang (Representative of Shanghai ECNU Asset Management Co., Ltd.)		
Kunshan Actview Carbon Technology Co., Ltd.	Chairman	Ching Cheng Huang (Representative of San Ying Enterprises Co., Ltd.)	Investment USD 836,080	Investment Percentage 66.4
	Director	Zhi Qing Min (Representative of San Ying Enterprises Co., Ltd.)		
	Director	Jin Bang Zhang (Representative of San Ying Enterprises Co., Ltd.)		
	Director	He Xin Lie (Representative of China Carbon Technology)	Investment USD 424,000	Investment Percentage 33.6
	Director	Ruei Shui Lee (Representative of China Carbon Technology)		
	Supervisor	Shao Yu Chen (Representative of San Ying Enterprises Co., Ltd.)		
	President	Huang, C. C.		
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	Chairman	Jun Lang Huang (Representative of YFY International BVI Corp.)	Investment USD 8,000,000	Investment Percentage 100.0
	Director	Ching Cheng Huang (Representative of YFY International BVI Corp.)		
	Director	Jui Chih Huang (Representative of YFY International BVI Corp.)		
	Supervisor	Shun Xiang Zhan (Representative of YFY International BVI Corp.)		
	President	Jui Chih Huang		
YFY Firstpack Packaging (Yangzhou) Co., Ltd.	Chairman	Sheng Xiu Pu (Representative of Yuen Foong Yu Blue Economy Natural Resources Co., Ltd.)	Investment RMB 19,600,000	Investment Percentage 70.0
	Director	Zhi Qing Min (Representative of Yuen Foong Yu Blue Economy Natural Resources Co., Ltd.)		
	Director	Da Ming Yuan (Representative of Firstpak International Ltd.)	Investment RMB 8,400,000	Investment Percentage 30.0
	Supervisor	Shun Xiang Zhan (Representative of Yuen Foong Yu Blue Economy Natural Resources Co., Ltd.)		
Arizon RFID Technology (Yangzhou) Co., Ltd.	Chairman	Felix Ho (Representative of YFY RFID Technologies Co., Ltd.)	Investment USD 168,086,816	Investment Percentage 86.5
	Director	Bing Yi Lin (Representative of YFY RFID Co., Ltd.)		
	Director	Yuan Pei Chang (Representative of YFY RFID Co., Ltd.)		
	Supervisor	Zhi Qing Min (Representative of YFY RFID Co., Ltd.)		
	President	Hong Shi Wen		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Yangzhou YEON Technologies Co., Ltd.	Chairman	Bing Yi Lin (Representative of Arizon RFID Technology (Yangzhou) Co., Ltd.)	Investment RMB 8,000,000	Investment Percentage 100.0
	Director	Hong Shi Wen (Representative of Arizon RFID Technology (Yangzhou) Co., Ltd.)		
	Director	Yong Long Xu (Representative of Arizon RFID Technology (Yangzhou) Co., Ltd.)		
	Supervisor	Su Ping Lian (Representative of Arizon RFID Technology (Yangzhou) Co., Ltd.)		
	President	Yong Long Xu		
YFY Capital Holdings Corp.	Director	Chiu, Melody		
YFY (Shanghai) Commercial Factoring Co., Ltd.	Chairman	Melody Chiu (Representative of YFY Capital Holdings Corp.)	Investment RMB 50,000,000	Investment Percentage 100.0
	Director	Kuo Tang Yin (Representative of YFY Capital Holdings Corp.)		
	Director	Zheng Wei Zhou (Representative of YFY Capital Holdings Corp.)		
	Supervisor	Shun Xiang Zhan (Representative of YFY Capital Holdings Corp.)		
	President	Chiu, Melody		
Guangdong Dingfung Pulp & Paper Co., Ltd.	Chairman	Gu Feng Lin (Representative of CHP International (BVI) Co.)	Investment USD 51,378,000	Investment Percentage 60.0
	Director	Zhi Cheng Huang (Representative of CHP International (BVI) Co.)		
	Director	Kirk Huang (Representative of YFY International BVI Corp.)	Investment USD	Investment Percentage
	Supervisor	Kuo Tang Yin (Representative of YFY International BVI Corp.)	34,252,000	40.0
	President	Gu Feng Lin		
Zhaoqing Dingfung Forestry Co., Ltd.	Chairman	Gu Feng Lin (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)	Investment USD 14,500,000	Investment Percentage 66.27
	Director	Kirk Huang (Representative of CHP International (BVI) Co.)	Investment USD 4,428,000	Investment Percentage 20.24
	Director	Chih-Cheng Huang (Representative of YFY International BVI Corp.)	Investment USD 2,952,000	Investment Percentage 13.49
	Supervisor	Kuo Tang Yin (Representative of YFY International BVI Corp.)		
	President	Gu Feng Lin		
Hwa Fong Paper (Hong Kong) Co., Ltd.	Director	Chih Cheng Huang		
	Director	Rui He Chen		
	Director	Wei Yen Liu		
Systax Communication (H.K.) Ltd.	Director	YFY International BVI Corp.	34,000,000	100.0
	Director	Wei Yen Liu		
	President	Wei Yen Liu		
YFY Jupiter (BVI) Inc.	Chairman	Ho, Felix		
	Director	Ho, S. C.		
	Director	Bing Yi Lin		
	Director	Wen Fu Chen		
	Director	Mitch Crews	838,190	6.4
	Director	Sean James Murphy	761,905	5.8
	Director	Nancy A. Schachtner	838,190	6.4

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Jupiter Ltd.	Director	Wen Fu Chen	3	100.0
	Director	YFY Jupiter (BVI) Inc.		
YFY Jupiter US, Inc.	Director	Mitch Crews		
	Director	Wen Fu Chen		
	Director	Pei Ling Dai		
Innovativ Packaging worldwide, LLC	Director	Robert Kisiel		
	Director	Pei Ling Dai		
Mobius105 Ltd.	Director	Pei Ling Dai	10,000	100.0
	Director	Wen Fu Chen		
	Director	YFY Jupiter (BVI) Inc.		
YFY Jupiter Trading (Shenzhen) Ltd.	Director	Wen Fu Chen		
	Director	Li Jia Chen		
	Director	Xing Jun Lin		
	Supervisor	Pei Ling Dai		
	President	Wen Fu Chen		
Kunshan YFY Jupiter Green Packing Ltd.	Director	Wen Fu Chen		
	Director	Kuo-Lung Lee		
	Director	Xue Yi Lu		
	Supervisor	Pei Ling Dai		
	President	Wen Fu Chen		
Jupiter Supply Chain Management Services (Shenzhen) Co.	Chairman	Wen Fu Chen		
	Director	Li Jia Chen		
	Director	Xing Jun Lin		
	Supervisor	Pei Ling Dai		
	President	Wen Fu Chen		
Jupiter Prestige Group Holdings Limited	Director	Mark Raymond White	50,368	33.3%
	Director	Mitch Crews		
	Director	Ho, Felix		
Jupiter Prestige Group North America Inc.	Director	Mitch Crews		
	Director	Pei Ling Dai		
	Director	Mark Raymond White		
Opal BPM Limited	Director	Mark Raymond White	-	
	Director	Christopher Ebbs		
	Director	Matthew Mintman		
	Director	Pei Ling Dai		
	Director	Bing Yi Lin		
Opal BPM India Private Limited	Director	Christopher Ebbs		
	Director	Vimal Kumar		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Jupiter Prestige Group Australia PTY Ltd.	Director	Mark Raymond White		
	Director	Alison Jane Crisp		
	Director	Emma Bartle		
	Director	Pei Ling Dai		
	Director	Mitch Crews		
Jupiter Prestige Group Europe Ltd.	Director	Mark Raymond White		
	Director	Alison Jane Crisp		
	Director	Mitch Crews		
	Director	Pei Ling Dai		
Jupiter Prestige Group Asia Ltd.	Director	Mark Raymond White		
	Director	Alison Jane Crisp		
	Director	Mark Lee		
	Director	Mitch Crews		
	Director	Pei Ling Dai		
YFY Jupiter Malaysia SDN. BHD.	Director	Wen Fu Chen		
	Director	Pei Ling Dai		
	Director	Chan Chea Fang		
YFY Jupiter Mexico, S. de R.L.	Director	Wen Fu Chen		
	Director	Pei Ling Dai		
	Director	Kuo-Lung Lee		
	Director	Mitch Crews		
Spectiv Brands, LLC	Director	Mitch Crews		
	Director	Pei Ling Dai		
	Director	Robert Kisiel		
YFY Paper (HK) Co. Ltd.	Director	Yuen Foong Shop Co., Ltd.		
Opal BPM Consulting Ltd.	Director	Mark White		
	Director	Christopher Ebbs		
	Director	Mattew Mintman		
Arizon RFID Technology (Hong Kong) Co., Ltd.	Director	Bing Yi Lin (Representative of Arizon RFID Technology (Yangzhou) Co., Ltd.)	3,000,000	100
	Director	Hong Shi Wen (Representative of Arizon RFID Technology (Yangzhou) Co., Ltd.)		
Clemtel LLC	Director	Mark White		
Winsong Packaging Investment Company Ltd.	Chairman	Yan Chung Chang (Representative of YFY Cayman Co., Ltd.)	Investment USD	Investment Percentage
	Director	Tsung-Min Chang (representative of YFY Cayman Co., Ltd.)	9,520,000	70.0
	Director	To-Hsiang Chang (representative of YFY Cayman Co., Ltd.)		
	Director	Chih-Bang Chang (representative of Up High Developments Limited)	4,080,000	30.0
	Director	Yu-Wei Chang (representative of Up High Developments Limited)		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Packaging (Ha Nam) Co., Ltd.	Chairman	Liang-Hsing Huang (representative of YFY Cayman Co., Ltd.)	Investment USD	Investment Percentage
	Director	Tsung-Min Chang (representative of YFY Cayman Co., Ltd.)	12,400,000	100.0
	Director	Te Sheng Chen (Representative of Up High Developments Limited)		
	President	Liang Hsing Huang		
Willpower Industries Limited	Chairman	Felix Ho (Representative of YFY Cayman Co., Ltd.)	Investment USD	Investment Percentage
	Director	Tsung-Min Chang (Representative of YFY Cayman Co., Ltd.)	8,550,000	55.16
	Director	Hsian Min Chen (Representative of YFY Cayman Co., Ltd.)		
	Director	Chia Li Chang (Representative of Great Pacific Investments Limited)	6,950,000	44.84
	Director	Nai Yong Tsai (Representative of Great Pacific Investments Limited)		
	President	Tsung Min Chang		
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Chairman	Tsung-Min Chang (Representative of Yuen Foong Paper (Vietnam) Co., Ltd.)	Investment USD	Investment Percentage
	President	Tsung Min Chang	1,200,000	100.0
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Chairman	Tsung Min Chang (Representative of Willpower Industries Limited)	Investment USD	Investment Percentage
	Director	Felix Ho (Representative of Willpower Industries Limited)	5,100,000	100.0
	Director	Nai Yong Tsai (Representative of Great Pacific Investments Limited)		
	Director	Chia Li Chang (Representative of Great Pacific Investments Limited)		
	Director	Hsiang Ming Chen (Representative of Willpower Industries Limited)		
	Director	Yi An Lin (Representative of Willpower Industries Limited)		
	Director	Ching San Chang (Representative of Willpower Industries Limited)		
	President	Tsung Min Chang		
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Chairman	Tsung Min Chang (Representative of Willpower Industries Limited)	Investment USD	Investment Percentage
	Director	Yan Chung Chan (Representative of Willpower Industries Limited)	10,500,000	100.0
	Director	Chia Li Chang (Representative of Willpower Industries Limited)		
	President	Tsung Min Chang		
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Chairman	Yi An Li (Representative of Yuen Foong Paper (Vietnam) Co., Ltd.)	Investment USD	Investment Percentage
	Director	Tsung-Min Chang (Representative of Yuen Foong Paper (Vietnam) Co., Ltd.)	10,000,000	100.0
	Director	Hui Sheng Chen (Representative of Yuen Foong Paper (Vietnam) Co., Ltd.)		
	President	Tsung Min Chang		
YFY Jupiter Indonesia, PT PMA	Director	Li Jia Chen		
	Director	MARLISSA DESSY SETYO UTAMI		
	Supervisor	Pei Ling Dai		
Jupiter Vietnam Company Limited	representative	Li Jia Chen		

(IV) Financial overview and performance of affiliated companies December 31, 2018 Unit: NT\$1,000

Company name	Paid-in capital	Total Assets	Total liabilities	Net worth	Operating income	Operating profit	Net income (after taxes)	Earnings per share (NT\$)(after taxes)
YFY Packaging Inc.	4,101,500	17,665,051	10,940,980	6,724,071	12,111,131	654,502	185,562	0.45
Pek Crown Paper Co., Ltd.	300,000	780,127	349,034	431,093	1,122,267	43,236	37,974	1.27
Yuen Yan Paper Co., Ltd.	121,275	141,294	1,425	139,869	-	(3,084)	6,410	0.53
Union Paper Corp.	1,035,300	1,711,643	506,480	1,205,163	2,302,726	(21,276)	(10,670)	(0.10)
China Color Printing Co., Ltd.	662,486	1,101,766	194,293	907,473	608,894	6,939	17,592	0.27
YFY Capital Co., Ltd.	268,400	2,198,322	1,816,125	382,197	1,022,531	(28,477)	32,253	1.20
YFY Consumer Products Co., Ltd.	2,272,994	7,283,715	4,769,455	2,514,260	6,468,238	250,917	160,339	0.71
Yuen Foong Shop Co., Ltd.	50,000	381,591	342,037	39,554	1,274,659	26,918	27,673	5.53
Shin Foong Specialty and Applied Materials Co., Ltd.	1,046,681	3,724,307	441,636	3,282,671	3,690,565	495,587	426,961	4.08
YFY Venture Capital Investment Co., Ltd.	594,966	2,067,932	1,047,831	1,020,101	-	(499)	106,545	1.79
YFY Paradigm Investment Co., Ltd.	800,125	2,225,743	973,054	1,252,689	-	(12,697)	68,652	0.86
Lotus Ecoscings & Engineering Co., Ltd.	269,140	493,458	153,838	339,620	-	(450)	18,093	0.67
San Ying Enterprises Co., Ltd.	126,000	166,213	18,085	148,128	103,863	15,833	22,013	1.75
Cupid Info Tech Co., Ltd.	28,570	130,654	81,893	48,761	98,381	(2,784)	466	0.16
Ever Growing Agriculture Biotechnology Co., Ltd.	214,557	520,271	227,485	292,786	317,464	48,817	38,270	1.78
LiVEBRiCKS Inc.	77,000	2,503	667	1,836	4,229	2,013	2,020	0.26
YEON Technologies Co., Ltd.	60,000	21,621	31,197	(9,576)	14,805	124	(3)	(0.00)
YFY Biotechnology Management Co., Ltd.	35,700	52,547	4,884	47,663	32,077	4,035	3,285	0.92
Effion Enertech Co., Ltd.	700,000	687,859	90	687,769	-	(424)	13,959	0.20
YFY Holding Management Co., Ltd.	30,000	109,452	67,924	41,528	254,119	17,412	16,170	5.39
Chung Hwa Pulp Corp.	11,028,353	28,035,820	12,414,110	15,621,710	21,005,335	291,560	445,663	0.40
Guang Hwa Fertilizer Corp.	5,000	12,779	5,803	6,976	15,334	494	(340)	
Hwa Fong Investment Co., Ltd.	36,000	44,606	175	44,431	-	(170)	892	0.25
Eihoyo Shoji Co., Ltd.	2,782	133,288	36,127	97,161	570,626	6,073	7,482	37,408.51
YFY Mauritius Corp.	9,905,641	6,994,542	257	6,994,285	-	(454)	(569,124)	(1.76)
YFY International BVI Corp.	17,817,733	21,941,514	1,277,900	20,663,614	-	(10,169)	187,577	0.32
YFY Global Investment BVI Corp.	2,426,485	5,759,933	213,948	5,545,985	-	(75,214)	351,492	4.45
YFY Packaging (BVI) Corp.	5,069,511	3,619,735	-	3,619,735	-	-	(290,595)	(1.76)
YFY Biopulp Technology Ltd.	4,607	557	3,133	(2,576)	-	(143)	(213)	(1.42)
Yuen Foong Yu Consumer Products Investment Limited	4,607,649	2,493,092	-	2,493,092	-	-	(59,521)	(0.40)
YFY RFID Technologies Co., Ltd.	163,711	6,865	9,575	(2,710)	-	(72)	(53)	(0.01)
YFY RFID Co., Ltd.	786,304	2,610,809	138	2,610,671	-	(84)	400,845	15.66
YFY Cayman Co., Ltd.	10,440,586	25,433,750	11,882,797	13,550,953	-	(85,363)	(11,849)	(0.03)
YFY International Labuan Co., Ltd.	5,095,652	7,108,115	-	7,108,115	-	-	185,318	1.12
YFY Packaging Capital Corp.	6,143,000	6,149,820	2,246	6,147,574	-	-	(130,490)	(0.65)
CHP International (BVI) Corporation	1,874,842	5,375,863	65	5,375,798	-	(2,973)	126,957	2.08
YFY Packaging (Yangzhou) Investment Co., Ltd.	2,663,206	3,825,254	3,265,006	560,248	6,955,558	(4,753)	(502,177)	
Yuen Foong Yu Papers (Guangzhou) Co., Ltd.	291,793	1,020,894	565,106	455,788	1,691,235	139,684	106,463	
Yuen Foong Yu Papers (Xiamen) Co., Ltd.	199,648	458,075	555,533	(97,458)	766,739	30,036	7,683	
Yuen Foong Yu Paper Enterprise (Zhongshan) Co., Ltd.	184,290	1,328,695	431,990	896,705	999,900	97,956	102,600	
Yuen Foong Yu Paper Enterprise (Dongguan) Co., Ltd.	184,290	774,331	351,592	422,739	903,812	82,293	60,931	
Yuen Foong Yu Paper Enterprise (Nanjing) Co., Ltd.	305,891	1,045,787	675,202	370,585	1,074,464	124,187	80,214	
Yuen Foong Yu Paper Enterprise (Qingdao) Co., Ltd.	245,720	1,261,498	373,911	887,587	776,635	76,734	69,206	
Yuen Foong Yu Paper Enterprise (Jiashin) Co., Ltd.	153,575	464,632	312,512	152,120	675,443	18,384	5,349	
Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.	337,865	1,168,999	652,757	516,242	920,003	87,403	72,801	
Yuen Foong Yu Paper Enterprise (Suzhou) Co., Ltd.	215,005	647,553	464,575	182,978	1,068,019	39,832	25,792	
Yuen Foong Yu Paper Enterprise (Shanghai) Co., Ltd.	245,720	724,868	441,106	283,762	1,017,284	114,478	80,201	
Yuen Foong Yu Paper Enterprise (Tianjin) Co., Ltd.	245,720	1,190,645	454,081	736,564	1,058,259	91,858	70,771	
Yuen Foong Yu Paper Enterprise (Fuzhou) Co., Ltd.	153,575	338,853	466,604	(127,751)	294,983	7,994	(7,658)	
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	7,515,807	16,919,239	14,628,287	2,290,952	11,370,719	(835,090)	(1,071,707)	
Yuen Foong Yu Family Care (Kunshan) Co., Ltd.	921,450	723,038	268,825	454,213	1,223,988	(3,592)	5,219	
Yuen Foong Yu Family Paper (Beijing) Co., Ltd.	1,075,025	758,285	290,661	467,624	680,125	(13,204)	(10,535)	
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	921,450	2,271,753	1,273,499	998,254	2,648,322	26,770	13,510	
YFY Investment Co., Ltd.	3,532,225	3,801,976	2,293,090	1,508,886	8,535,840	(81,283)	(58,559)	
YFY International Trading (Shanghai) Co.	4,475	235	2,151	(1,916)	-	(140)	(211)	

Company name	Paid-in capital	Total Assets	Total liabilities	Net worth	Operating income	Operating profit	Net income (after taxes)	Earnings per share (NT\$)(after taxes)
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	457,654	86,971	986,037	(899,066)	4,018	(50,644)	(76,123)	
Shenzhen Jinglun Paper Co., Ltd.	14,321	633,740	529,087	104,653	1,030,819	26,515	20,080	
YFY Advertising & Printing (Kunshan) Co., Ltd.	92,145	570	462,338	(461,768)	-	(43)	(13,436)	
Shanghai Yuen Foong Yu Printing Co., Ltd.	8,951	4,745	4,536	209	-	(54)	(54)	
Kunshan Actview Carbon Technology Co., Ltd.	38,701	48,610	1,335	47,275	-	(2,713)	4,263	
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	245,720	136,379	22,465	113,914	71,030	(5,070)	(6,411)	
YFY Firstpack Packaging (Yangzhou) Co., Ltd.	125,309	135,492	136,771	(1,279)	-	(3,671)	(3,672)	
Arizon RFID Technology (Yangzhou) Co., Ltd.	869,510	3,121,565	357,069	2,764,496	2,124,163	465,743	435,378	
Yangzhou YEON Technologies Co., Ltd.	35,803	96,022	42,429	53,593	197,565	736	3,533	
YFY Capital Holdings Corp.	247,563	304,578	-	304,578	-	-	9,484	1,176.67
YFY (Shanghai) Commercial Factoring Co., Ltd.	223,766	786,613	482,299	304,314	-	(25,625)	9,483	
Guangdong Dingfung Pulp & Paper Co., Ltd.	2,630,125	6,834,845	1,756,709	5,078,136	2,800,567	128,303	158,291	
Zhaoqing Dingfung Forestry Co., Ltd.	672,044	3,865,671	917,929	2,947,742	334,253	505	505	
Hwa Fong Paper (Hong Kong) Co., Ltd.	454,836	95,603	73	95,530	-	(125)	19,427	0.17
Syntax Communication (H.K.) Ltd.	133,660	17,193	3,753	13,440	31,585	4,551	3,068	0.09
YFY Jupiter (BVI),Inc.	40,177	868,789	273,716	595,073	-	(858)	(15,062)	(1.66)
YFY Jupiter Ltd.	0.012	648,539	585,233	63,306	908,079	(110,665)	(105,823)	(35,274,355.08)
YFY Jupiter US, Inc.	31	114,555	219,797	(105,242)	38,451	(20,971)	(34,831)	(348.31)
Innovativ Packaging Worldwide, LLC	3	9,407	38,598	(29,191)	9,596	(3,431)	58,086	580.86
Mobius105 Ltd.	39	64,112	11,357	52,755	94,894	3,330	131,036	13,103.61
YFY Jupiter Trading (Shenzhen) Ltd.	4,300	287,499	195,148	92,351	701,830	(3,714)	111,794	
Kunshan YFY Jupiter Green Packing Ltd.	8,951	617,555	476,284	141,271	1,087,440	79,899	63,745	
Jupiter Supply Chain Management Services (Shenzhen) Co.	-	50,532	8,040	42,492	-	7,351	6,302	
Jupiter Prestige Group Holdings Limited	5,877	115,447	65,344	50,103	328	(9,359)	43,827	249.81
Jupiter Prestige Group North America Inc.	31	60,773	37,177	23,596	129,625	(3,107)	(6,152)	(61.52)
Opal BPM Limited	51	79,426	37,106	42,320	117,366	43,457	35,461	29,258.05
Opal BPM India Private Limited	44	1,804	898	906	-	810	586	585.52
Jupiter Prestige Group Australia PTY Ltd.	3	21,428	24,708	(3,280)	71,656	4,396	4,396	43,963.30
Jupiter Prestige Group Europe Ltd.	1,546	141,882	75,883	65,999	190,208	(3,315)	25,527	850.88
Jupiter Prestige Group Asia Ltd.	0.39	161,970	61,844	100,126	233,988	32,779	28,848	288,482.65
YFY Jupiter Malaysia SDN. BHD.	1	5,588	4,873	715	5,452	881	882	8,816.13
YFY Jupiter Mexico, S. de R. L.	5	72,010	106,503	(34,493)	67,611	(33,954)	(33,895)	(338,948.93)
Spectiv Brands, LLC	-	18,917	55,784	(36,867)	6,775	(25,958)	(25,958)	
YFY Paper (HK) Co. Ltd.		-	-	-	-	-	-	
Opal BPM Consulting Ltd.	39	39	-	39	-	-	-	
Arizon RFID Technology (Hong Kong) Co., Ltd.	92,145	132,760	31,151	101,609	116,959	10,269	10,224	3.41
Clemtel LLC	31	9,331	6,426	2,905	18,053	(2,393)	(2,393)	(23.93)
Winson Packaging Investment Co., Ltd.	417,724	375,036	149	374,887	-	(86)	(565)	(0.04)
YFY Packaging (Ha Nam) Co., Ltd	380,866	712,355	374,382	337,973	-	(2,863)	(617)	(0.05)
Willpower Industries Limited	476,083	1,938,335	154,291	1,784,044	349,726	(42,375)	96,074	6.20
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	322,508	1,698,934	1,384,147	314,787	997,561	51,263	26,217	2.50
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	156,647	1,908,687	625,109	1,283,578	1,191,119	72,148	113,025	22.16
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	36,858	140,468	86,096	54,372	232,714	(1,142)	(1,679)	(1.40)
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	307,150	1,160,902	418,913	741,989	1,098,343	106,654	77,567	7.76
YFY Jupiter Indonesia, PT PMA	5,325	4,804	947	3,857	-	(1,343)	(1,340)	(535.82)
Jupiter Vietnam Company Limited	1,356	1,503	1,909	(406)	-	(1,941)	(1,941)	

Exchange rate at the end of 2018

USD:	30.715	JPY:	0.2782	HKD:	3.9210	RMB:	4.475318
EUR:	35.2	SGD:	22.48	MXN:	1.564	GBP:	38.88
INR:	0.437175	IDR:	0.00213	MYR:	7.112	VND:	0.001200

(V) Consolidated financial statements of various affiliated enterprises:

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, 2018 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:

FELIX HO
Chairman

March 22, 2019

II. Privately purchased securities in last fiscal year and up to the print date for this annual report: N/A

III. YFY's shares held or disposed of by subsidiaries in last fiscal year and up to the print date for this annual report: N/A

IV. Other necessary supplements: N/A

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of report:

On February 1, 2019, the Company's Board of Directors approved the appointment of a new president to meet the company's future operational needs. This appointment has no significant impact on the Company's shareholders' equity or securities price

YFY INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 was originally principally engaged in the manufacture and sale of paper and paper-related products and the design, manufacture and sale of equipment. To increase its sales and competitiveness, the Company carried out a restructuring of the organization and spin-off of its specialized divisions. 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 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, 2019.

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 Financial Supervisory Commission (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:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category			Carrying Amount		Remark	
	IAS 39		IFRS 9	IAS 39	IFRS 9		
<u>Financial assets</u>							
Derivatives	Held-for-trading		Mandatorily at fair value through profit or loss (i.e. Mandatorily at FVTPL)	\$ 4,351	\$ 4,351		
	Hedging instruments		Hedging instruments	2	2		
Structured deposits	Loans and receivables		Mandatorily at FVTPL	783,256	783,256		
Equity securities	Held-for-trading		Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	104,523	104,523		
	Available-for-sale (accounted for as financial assets carried at cost)		FVTOCI - equity instruments	1,495,143	3,171,938	a)	
	Available-for-sale		FVTOCI - equity instruments	13,244,667	13,244,667	a)	
Mutual funds	Held-for-trading		Mandatorily at FVTPL	216,452	216,452		
Subordinated bank debentures	Loans and receivables		Mandatorily at FVTPL	402,418	402,418		
Time deposits with original maturities of more than 3 months	Loans and receivables		Amortized cost	2,120,878	2,120,878		
<u>Financial liabilities</u>							
Derivatives	Held-for-trading		Mandatorily at fair value through profit or loss	278,060	278,060		
	Hedging instruments		Hedging instruments	292	292		
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	\$ 325,326	\$ -	\$ -	\$ 325,326	\$ -	\$ -	
Add: Reclassification from loans and receivables	-	1,185,674	-	1,185,674	-	-	
Less: Reclassification to FVTOCI - equity instruments	-	(104,523)	-	(104,523)	-	-	
	<u>325,326</u>	<u>1,081,151</u>	<u>-</u>	<u>1,406,477</u>	<u>-</u>	<u>-</u>	
FVTOCI - equity instruments	-	-	-	-	-	-	
Add: Reclassification from FVTPL	-	104,523	-	104,523	-	-	
Add: Reclassification from available-for-sale	-	14,739,810	1,676,795	16,416,605	45,037	1,591,674	a)
	<u>-</u>	<u>14,844,333</u>	<u>1,676,795</u>	<u>16,521,128</u>	<u>45,037</u>	<u>1,591,674</u>	
	<u>\$ 325,326</u>	<u>\$ 15,925,484</u>	<u>\$ 1,676,795</u>	<u>\$ 17,927,605</u>	<u>\$ 45,037</u>	<u>\$ 1,591,674</u>	
	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018		Remark
Investments accounted for using the equity method	\$ 6,307,712	\$ 12,021	\$ 6,319,733	\$ 22,070	\$ (10,609)		b)

- a) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at fair value through other comprehensive income (i.e. FVTOCI) under IFRS 9. The related other equity - unrealized gain (loss) on available-for-sale financial assets of \$1,964,407 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously carried at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and remeasured at fair value. Consequently, there was an increase of \$1,676,795 thousand on financial assets at FVTOCI, an increase of \$1,636,711 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase in non-controlling interests of \$40,084 thousand on January 1, 2018.

The Group recognized, under IAS 39, impairment loss on certain investments in equity securities previously carried at cost, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$45,037 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$45,037 thousand in retained earnings on January 1, 2018.

- b) The Company recognized investments in unlisted shares, previously classified as financial assets carried at cost under IAS 39, by associates accounted for using equity method were designated as at FVTOCI and be remeasured at fair value under IFRS 9. Additionally, the impairment loss that the Company recognized under IAS 39 was accumulated in retained earnings. Since those investments were designated as at FVTOCI and no impairment assessment is required, an adjustment was made that resulted in an increase of \$12,021 thousand in investments accounted for using the equity method, a decrease of \$10,609 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI, an increase of \$22,070 thousand in retained earnings and an increase in non-controlling interests of \$560 thousand on January 1, 2018.

Hedge accounting

When the Group applies IFRS 9 for the first time for hedge accounting, it will be subject to deferral.

Furthermore, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented retrospectively as financial assets and financial liabilities held for hedging starting from January 1, 2018.

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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables and deferred revenue were recognized when revenue was recognized for the contract under IAS 18.

As a result of the retrospective application of IFRS 15 by associates, there was an increase of \$47,083 thousand in investments accounted for using the equity method, an increase of \$44,928 thousand in retained earnings and an increase of \$2,155 thousand in non-controlling interests on January 1, 2018. There is no significant impact on assets and liabilities on January 1, 2018 and the comprehensive income and cash flows items as of January 1 to December 31, 2018.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: 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, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the notes of the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 12,073	\$ (12,073)	\$ -
Prepayments for leases - non-current	1,354,948	1,354,948	-
Right-of-use assets	<u>-</u>	<u>1,904,289</u>	<u>1,904,289</u>
Total effect on assets	<u>\$ 1,367,021</u>	<u>\$ 537,268</u>	<u>\$ 1,904,289</u>
Lease liabilities - current	\$ -	\$ 128,244	\$ 128,244
Lease liabilities - non-current	<u>-</u>	<u>409,024</u>	<u>409,024</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 537,268</u>	<u>\$ 537,268</u>

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assesses that the application of other standards and interpretations will have no material impacts 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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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, net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, investments accounted for using the equity method and the lower of cost or net realizable value on inventories.

The fair value measurements, which 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

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 16 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 pro rata to the other assets of the unit 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 (i.e. FVTPL) 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI or the amortized cost.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured 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 incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 3 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.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets at FVTPL 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 dividends on the financial asset. Fair value is determined in the manner described in Note 29.

Investments in equity instruments under financial assets at FVTPL 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 presented as 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 non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

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 (loss) 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 as 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 other comprehensive income. Any impairment losses are recognized in profit and loss.

iii Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market, notes receivables and accounts receivable) 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial assets.

2017

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as receivables, such 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 with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

For financial assets 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 a 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 those financial assets 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 is 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, 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 carried at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a 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 notes receivable and accounts receivable are considered uncollectible, they are 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.

Before 2018, 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 (loss) is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, 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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL, 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 such financial liabilities are either held for trading or designated as at fair value through profit or loss.

Financial liabilities at FVTPL 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 dividends paid on the financial liability. Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

The difference between the carrying amount of a 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, cross-currency swap contracts and combined option contracts.

Derivatives are initially recognized at fair value at the date on which 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 a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts, which contain financial asset hosts within the scope of IFRS 9, are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. Starting from 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. 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

2018

Revenue from merchandise sales mainly comes from sales of various types of paper and cardboard products. When control over the ownership of goods has been transferred, revenue and receivables are recognized; advance receipts received before the merchandise has been transferred are recognized as a contractual liability.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2017

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. An allowance for sales returns and a 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 remeasurement) 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. Remeasurement, 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. Remeasurement 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 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, estimations 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 financial assets - 2018

The estimation for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the 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.

c. Fair value measurement of equity investments in unlisted shares

The fair value measurement of equity investments in unlisted shares is determined by the estimated fair value under appropriate valuation methods primarily based on investees' financial positions, operation results and recent financing activities, the market transaction prices of similar investments, market conditions and the required discount factors. As such, the estimated fair value may be different from the actual disposal price in the future. The Group assesses the fair value quarterly based on market conditions to ensure the appropriateness of fair value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 17,296	\$ 5,762
Checking accounts and demand deposits	3,468,017	2,752,372
Cash equivalents		
Time deposits	1,116,298	1,375,260
Repurchase agreements collateralized by bonds	<u>57,000</u>	<u>11,500</u>
	<u>\$ 4,658,611</u>	<u>\$ 4,144,894</u>

As of December 31, 2017, 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, was 0.16%-4.40% per annum, respectively.

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 4,351
Non-derivative financial assets		
Mutual funds	-	216,452
Listed shares	-	104,523
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Cross-currency swap contracts	97,838	-
Combined option contracts	47,920	-
Foreign exchange forward contracts	10,292	-
Non-derivative financial assets		
Mutual funds	179,048	-
Hybrid financial assets		
Structured deposits	<u>950,205</u>	<u>-</u>
	<u>\$ 1,285,303</u>	<u>\$ 325,326</u>

(Continued)

	December 31	
	2018	2017
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Subordinated bank debentures	\$ 402,418	\$ -
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ 102,116	\$ 64,482
Combined option contracts	33,200	-
Cross-currency swap contracts	-	213,578
	<u>\$ 135,316</u>	<u>\$ 278,060</u>
		(Concluded)

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 contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	USD:RMB	2019.07.05	USD10,000
Sell	USD:NTD	2019.01.03-2019.01.22	USD19,700
Sell	RMB:USD	2019.01.07-2019.05.20	RMB2,340,554
<u>December 31, 2017</u>			
Sell	USD:NTD	2018.01.03-2018.01.29	USD16,430
Sell	RMB:USD	2018.01.08-2018.03.28	RMB651,872

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, 2018

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
US\$45,000	2019.04.16-2019.05.08	3.52%-3.64%	1.55%-1.56%

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.

At the end of the reporting period, outstanding combined option contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	USD:RMB	2019.06.26-2019.11.10	USD70,000
Sell	USD:RMB	2019.06.26-2019.11.10	USD70,000

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

8. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
<u>Current</u>	
Domestic investments	
Listed shares	\$ 4,990,981
<u>Non-current</u>	
Domestic investments	
Listed shares	\$ 8,363,169
Unlisted shares	<u>3,007,277</u>
	11,370,446
Foreign investments	
Unlisted shares	<u>382,881</u>
	<u>\$ 11,753,327</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 10 and 12 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Time deposits with original maturity of more than 3 months and not exceeding than 1 year	<u>\$ 1,320,145</u>
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Non-current

Time deposits with original maturity of more than 1 year	<u>\$ 64,400</u>
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The ranges of interest rates for time deposits with original maturities of more than 3 months and not exceeding 1 year and more than 1 year were 0.19%-3.95% and 1.07%-1.12%, respectively, as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 6 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

**December 31,
2017**

Current

Domestic investments Listed shares	<u>\$ 4,532,411</u>
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Non-current

Domestic investments Listed shares	<u>\$ 8,712,256</u>
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11. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2018	2017
Derivative financial assets under hedge accounting (accounted for as other current assets)		
Foreign exchange forward contracts	\$ <u>101</u>	\$ <u>2</u>
Derivative financial liabilities under hedge accounting (accounted for as other current liabilities)		
Foreign exchange forward contracts	\$ <u>251</u>	\$ <u>292</u>

The Group's hedge strategy is to enter foreign exchange forward contracts to avoid its exchange rate exposure to certain foreign currency receipts and payments and to manage its exchange rate exposure in relation to foreign currency denominated forecasted purchases. When forecasted 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:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	EUR:NTD	2019.01.22-2019.03.05	EUR3,712
Buy	JPY:NTD	2019.01.31	JPY13,950
<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

12. FINANCIAL ASSETS CARRIED AT COST - 2017

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

13. NOTES RECEIVABLES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
<u>Notes receivable</u>		
Notes receivable	\$ 3,711,474	\$ 3,787,692
Less: Allowance for impairment loss	<u>(11,148)</u>	<u>(12,091)</u>
	<u>\$ 3,700,326</u>	<u>\$ 3,775,601</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 12,128,209	\$ 11,442,787
Less: Allowance for impairment loss	<u>(452,199)</u>	<u>(490,289)</u>
	<u>\$ 11,676,010</u>	<u>\$ 10,952,498</u>

2018

Notes receivable and accounts receivable were generated by operating activities.

The Group reviews the recoverable amounts at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group recognizes allowances for expected credit losses during the reporting period as prescribed by IFRS 9, which permits the use of a lifetime expected loss allowance for all trade receivables.

The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base.

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 15,042,231	\$ 400,375	\$ 47,546	\$ 46,678	\$ 302,853	\$ 15,839,683
Loss allowance (Lifetime ECL)	<u>(92,968)</u>	<u>(28,684)</u>	<u>(669)</u>	<u>(39,413)</u>	<u>(301,613)</u>	<u>(463,347)</u>
Amortized cost	<u>\$ 14,949,263</u>	<u>\$ 371,691</u>	<u>\$ 46,877</u>	<u>\$ 7,265</u>	<u>\$ 1,240</u>	<u>\$ 15,376,336</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018	\$ 502,380
Add: Net remeasurement of loss allowance	43,363
Less: Amounts written off	(76,543)
Effect of foreign currency exchange differences	<u>(5,853)</u>
Balance at December 31, 2018	<u>\$ 463,347</u>

2017

The Group applied the same credit policy in 2018 and 2017.

The aging of receivables was as follows:

	December 31, 2017
Not past due	\$ 14,280,365
Less than 90 days	473,055
91-180 days	72,398
181-360 days	23,821
More than 360 days	<u>380,840</u>
	<u>\$ 15,230,479</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:

	December 31, 2017
Less than 90 days	\$ 409,547
91-180 days	67,635
181 days-360 days	11,482
More than 360 days	<u>79,640</u>
	<u>\$ 568,304</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:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
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>

The aging of individually impaired receivables was as follows:

	December 31, 2017
Less than 90 days	\$ 63,508
91-180 days	4,763
181-360 days	12,339
More than 360 days	<u>301,200</u>
	<u>\$ 381,810</u>

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

As of December 31, 2018, the Group discounted a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of \$1,675,911 thousand. For information on the transfer of financial instruments, refer to Note 29.

The carrying amount of notes receivable pledged as collateral was disclosed in Note 31.

14. INVENTORIES

	December 31	
	2018	2017
Finished and purchased goods	\$ 4,732,968	\$ 4,183,434
Materials	5,426,203	4,019,584
Work-in-process	1,002,479	986,495
Construction-in-progress	<u>-</u>	<u>1,617</u>
	<u>\$ 11,161,650</u>	<u>\$ 9,191,130</u>

The cost of goods sold for the year ended December 31, 2018 and 2017 included inventory write-downs of \$48 thousand and \$12,029 thousand, respectively.

15. BIOLOGICAL ASSETS

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 3,280,878	\$ 3,275,503
Increases due to planting	262,718	194,119
Loss on changes in fair value less costs to sell	(10,695)	(8,111)
Decreases due to harvest	(156,619)	(114,840)
Effect of foreign currency exchange differences	<u>(58,807)</u>	<u>(65,793)</u>
Balance at December 31	<u>\$ 3,317,475</u>	<u>\$ 3,280,878</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:

	December 31	
	2018	2017
Eucalyptus (Level 3)	<u>\$ 3,396,946</u>	<u>\$ 3,380,533</u>

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 3,380,533	\$ 3,370,430
Increases due to planting	292,628	212,082
Loss on changes in fair value	(11,912)	(8,861)
Decreases due to harvesting	(174,448)	(125,467)
Effect of foreign currency exchange differences	<u>(89,855)</u>	<u>(67,651)</u>
Balance at December 31	<u>\$ 3,396,946</u>	<u>\$ 3,380,533</u>

16. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements (for the diagram of investment structure of the Group as at December 31, 2018, refer to Table 1):

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
YFY Inc.	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	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	49.60	49.80	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	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark	
			December 31			
			2018	2017		
YFY International BVI Corp.	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	49.00	49.00	1)	
	YFY Capital Co., Ltd.	Sale of paper and paper-related merchandise	100.00	100.00		
	YFY Holding Management Co., Ltd.	Consulting	100.00	100.00		
	Union Paper Co., Ltd.	Manufacture and sale of paper	18.9	18.9		
	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		
	YFY Japan Co., Ltd	Trade of paper, chemical material and machinery	100.00	100.00		
	Yuen Yan Paper Container Co., Ltd.	Sale and manufacture of corrugated paper and materials	50.90	50.90		
	Fidelis IT Solutions Co., Ltd	a. Provides services in information software and information processing. b. Wholesale of information software and electric appliance.	100.00	100.00		
	YFY International BVI Corp.	YFY Cayman Co., Ltd.	Investment and holding	100.00	100.00	
		Guangdong Ding Fung Pulp & Paper Co., Ltd	Pulp and paper production and trading business	40.00	40.00	
		Zhaoqing Ding Fung Forestry Co., 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) Co., Ltd	Sale and print of paper merchandise	100.00	100.00	
		Syntax Communication (H.K.) Limited	Sale and print of paper merchandise	100.00	100.00	
YFY International BVI Corp.	YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and paper	94.00	94.00	14)	
	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Technological development 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		
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	64.60	70.30		
YFY Mauritius Corp.	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 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	35.40	29.70	
	YFY Paper Enterprise (Kunshan) Co., Ltd.	YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and card board	10.00	-	
Hwa Fong Paper (Hong Kong) Co., Ltd.	Shenzhen Jing Lun Paper Co., Ltd.	Sale of paper merchandise and import/export business	-	100.00	15)	
YFY Cayman Co., Ltd.	YFY International Labuan Co., Ltd.	Investment and holding	100.00	100.00		
YFY Mauritius Corp.	YFY Mauritius Corp.	Investment and holding	48.80	52.10		
YFY Packaging Capital Corp.	YFY Packaging Capital Corp.	Investment and holding	100.00	100.00		
Winsong Packaging Investment Company Limited	Winsong Packaging Investment Company Limited	Investment and holding	70.00	-		10)
Willpower Industries Ltd.	Willpower Industries Ltd.	Sale of various paper product	55.20	-		12)

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
Winsong Packaging Investment Company Limited	YFY Packaging (Ha Nam) Co., Ltd.	Manufacture and sale of paper and card board	100.00	-	11)
Willpower Industries Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Manufacture and sale of paper and card board	100.00	-	12)
	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Manufacture and sale of paper and card board	100.00	-	12)
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Manufacture and sale of card board	100.00	-	12)
	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Manufacture and sale of paper and card board	100.00	-	12)
YFY International Labuan Co., Ltd.	YFY Jupiter (BVI) Inc.	Investment and holding	35.00	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	
YFY Jupiter US, Inc.	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	-	-	6)
	YFY Jupiter Malaysia Sdn. Bhd.	Design of packaging and sale of paper	99.00	99.00	
	YFY Jupiter Singapore Pte. Ltd.	Design of packaging and sale of paper	-	-	2)
	YFY Jupiter Indonesia, PT PMA	Design of packaging	1.00	-	13)
	Innovativ Packaging Worldwide, LLC	Design of packaging and sale of paper	100.00	100.00	9)
Mobius105 Ltd.	YFY Jupiter Mexico, S. de R.L.	Design of packaging and sale of paper	1.00	1.00	
	Spectiv Brands, LLC	Investment and holding	100.00	100.00	4)
	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	
	YFY Jupiter Mexico, S. de R.L.	Design of packaging and sale of paper	99.00	99.00	
	YFY Jupiter Indonesia, PT PMA	Design of packaging	99.00	-	13)
	Jupiter Vietnam Company Limited	Design of packaging	100.00	-	16)
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	-	-	8)
	Jupiter Prestige Group Europe Limited	Graphic design	100.00	100.00	
Jupiter Prestige Group North America Inc.	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	
	Clemtel LLC	Brand Design	60.00	-	10)
Rimagine Limited	Rimagine Group Limited	Investment and holding	-	-	8)
	Rimagine Design (Shanghai) Co., Ltd.	Photograph	-	-	8)
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	100.00	5)
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	51.20	47.90	
YFY Global Investment BVI Corp.	YFY RFID Co., Ltd.	Investment and holding	100.00	100.00	
	YFY Jupiter (BVI) Inc.	Investment and holding	42.80	38.45	
YFY RFID Co., Ltd.	YFY RFID Technologies Co., Ltd.	Investment and holding	100.00	100.00	
	Arizon RFID Technologies (Yangzhou) Co., Ltd.	Sale and design RFID (radio frequency identification) products	86.50	95.00	18)
Arizon RFID Technologies (Yangzhou) Co., Ltd	Yeon Technologies (Yangszhou) Co., Ltd.	Sale and design RFID (radio frequency identification) products	100.00	100.00	
	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Product distribution and R&D services	100.00	100.00	7)
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		
			2018	2017	
YFY Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited	Investment and holding	100.00	100.00	
	Ever Growing Agriculture Biotech Co., Ltd.	Wholesale of agriculture products	85.00	85.00	
	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 tissue paper and napkins	100.00	100.00	
YFY Capital Co., Ltd.	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.10	0.10	
YFY Venture Capital Investment Co., Ltd.	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	1.00	1.00	
	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	-	-	3)
Effion Enertech Co., Ltd.	YFY Capital Holdings Corp.	Investment and holding	100.00	100.00	
YFY Capital Holdings Corp.	YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, development of 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	
Yuen Foong Shop Co., Ltd.	Livebricks Inc.	Information processing services	100.00	100.00	
	Shanghai YFY International Trade Co., Ltd.	General trade	100.00	100.00	
Lotus Ecoscings & Engineering Co., Ltd.	Yuen Foong Shop (HK) Limited	General trade	100.00	100.00	4)
	Yuen Yan Paper Container Co., Ltd.	Sale and manufacture of corrugated paper and materials	0.07	0.07	
	Pek Crown Paper Co., Ltd.	Manufacture and sale of containers	0.03	0.03	
San Ying Enterprise Co., Ltd.	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.01	0.01	
	Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	66.40	66.40	
	CHP International (BVI) Corporation	Investment and holding	100.00	100.00	15)
CHP International (BVI) Corporation	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	
	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	60.00	60.00
Hwa Fong Investment Co., Ltd.	Zhaoqing Ding Fung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	20.20	20.20	
	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	
Guangdong Ding Fung Pulp & Paper Co., Ltd.	Zhaoqing Ding Fung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	66.30	66.30	
	Shenzhen Jing Lun Paper Co., Ltd.	Sale of paper merchandise and import/export business	100.00	-	15)

(Concluded)

Remarks:

- 1) China Color Printing Co., Ltd. and Union Paper Co., Ltd. were deemed as the Group's subsidiaries because the Group had substantial control over them even though the Group held less than 50% equity interests in each subsidiary's 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 49.6% on December 31, 2018. 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 dissolved after liquidation in June 2017.
- 3) YFY Venture Capital Investment Co., Ltd. sold all of its ownership of Chung Hwa Pulp Corporation in February 2017.
- 4) 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.
- 5) Opal BPM Consulting Limited was established in April 2017 and has been included in the consolidated financial statements since then.
- 6) Mobius105 (HK) Ltd. was dissolved after liquidation in September 2017.
- 7) Arizon RFID Technology (Hong Kong) Co., Ltd. was established in October 2017 and has been included in the consolidated financial statements since then.
- 8) 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.
- 9) 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.
- 10) Clemtel LLC and Winsong Packaging Investment Company were established in January 2018 and have been included in the consolidated financial statements since then.
- 11) YFY Packaging (Ha Nam) Co., Ltd. was established in April 2018 and has been included in the consolidated financial statements since then.
- 12) YFY Cayman Co., Ltd. acquired 10.4% of the shares of Willpower Industries Ltd. in June 2018, and the shareholding ratio increased to 55.2%. It was converted from a related company to a subsidiary, so Willpower Industries Ltd. and its subsidiaries have been included in the consolidated financial statements since then.
- 13) YFY Jupiter Indonesia, PT PMA was established in July 2018 and has been included in the consolidated financial statements since then.
- 14) According to the resolution of the Company's board of the directors, YFY Paper Mfg. (Jiangyin) Co., Ltd. signed the land reserve agreement with Jiangyin Land Reserve Center and Jiangyin City People's Government Chengjiang Sub-district Office, with an expected amount of RMB369,829 thousand. As of December 31, 2018, the land reserve project has not been completed.
- 15) To boost management performance, the Group carried out a restructuring of the organization, and sold all of the shares of Shenzhen Jing Lun Paper Co., Ltd. owned by Hwa Fong Paper (Hong Kong) Co., Ltd. to Guangdong Ding Fung Pulp & Paper Co., Ltd. in October 2018 and sold all of the shares of Syntax Communication (H.K.) Limited owned by YFY International BVI Corp. to CHP International (BVI) Corporation in January 2019.
- 16) Jupiter Vietnam Company Limited was established in October 2018 and has been included in the consolidated financial statements since then.
- 17) YFY Paper Enterprise (Kunshan) Co., Ltd. acquired 10% of the shares of YFY Paper Enterprise (Nanjing) Co., Ltd. in December 2018, and the shareholding ratio increased to 100%.

18) In December 2018, the Company's board of the directors passed the application of the Arizon RFID Technologies (Yangzhou) Co., Ltd. on the stock exchange in mainland China, and the shareholders' temporary meeting passed the resolution in February 2019. In addition, the Arizon RFID Technologies (Yangzhou) Co., Ltd. introduced the share of external investors in December 2018, and the shareholding ratio decreased to 86.5%.

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

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2018	2017
Chung Hwa Pulp Corporation	42.26%	42.26%

To boost management performance, the Group carried out a restructuring of the organization, and sold all of the shares of Shenzhen Jing Lun Paper Co., Ltd. owned by Hwa Fong Paper (Hong Kong) to Chung Hwa Pulp Corporation's subsidiary, Guangdong Ding Fung Pulp & Paper Co., Ltd. Due to the business combination under common control, the Chung Hwa Pulp Corporation and subsidiaries re-edited the financial information for the year 2017. The following summary financial information was prepared based on the amount before the inter-company transaction sales:

Chung Hwa Pulp Corporation and subsidiaries

	December 31	
	2018	2017 (Re-edited)
Current assets	\$ 13,763,487	\$ 12,937,151
Non-current assets	17,596,892	17,335,596
Current liabilities	(9,169,284)	(8,871,833)
Non-current liabilities	<u>(4,140,427)</u>	<u>(3,219,365)</u>
Equity	18,050,668	18,181,549
Consolidated adjustments	<u>94,109</u>	<u>94,109</u>
Adjusted equity	<u>\$ 18,144,777</u>	<u>\$ 18,275,658</u>
Equity attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 9,074,093	\$ 9,112,929
Non-controlling interests of Chung Hwa Pulp Corporation	6,641,726	6,670,149
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	2,428,958	2,406,511
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>86,069</u>
	<u>\$ 18,144,777</u>	<u>\$ 18,275,658</u>

	For the Year Ended December 31	
	2018	2017 (Re-edited)
Operating revenue	\$ 24,025,221	\$ 22,839,355
Profit for the year	\$ 529,235	\$ 744,953
Other comprehensive income (loss) for the year	<u>(46,269)</u>	<u>(302,896)</u>
Total comprehensive income (loss) for the year	<u>\$ 482,966</u>	<u>\$ 442,057</u>
Profit (loss) attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 257,319	\$ 357,688
Non-controlling interests of Chung Hwa Pulp Corporation	188,344	260,894
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	64,583	107,633
Equity attributable to former owner of business combination under common control	<u>18,989</u>	<u>18,738</u>
	<u>\$ 529,235</u>	<u>\$ 744,953</u>
Total comprehensive income (loss) attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 257,366	\$ 210,301
Non-controlling interests of Chung Hwa Pulp Corporation	187,790	153,065
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	21,547	61,141
Equity attributable to former owner of business combination under common control	<u>16,263</u>	<u>17,550</u>
	<u>\$ 482,966</u>	<u>\$ 442,057</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 494,357	\$ 1,917,720
Investing activities	(1,800,245)	(1,222,403)
Financing activities	620,535	51,042
Effects of exchange rate changes	<u>(2,844)</u>	<u>(5,853)</u>
Net cash inflow	<u>\$ (688,197)</u>	<u>\$ 740,506</u>
Dividends paid to non-controlling interests	<u>\$ 233,037</u>	<u>\$ 163,126</u>

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Material associates		
E Ink Holdings Inc.	\$ 4,816,889	\$ 4,680,947
Associates that are not individually material	<u>964,673</u>	<u>1,626,765</u>
	<u>\$ 5,781,562</u>	<u>\$ 6,307,712</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

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
E Ink Holdings Inc.	16.3%	16.4%

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, 2019, 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):

December 31	
2018	2017
<u>\$ 4,361,837</u>	<u>\$ 6,944,218</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:

	December 31	
	2018	2017
Current assets	\$ 18,870,925	\$ 17,747,740
Non-current assets	18,043,183	18,128,180
Current liabilities	(6,569,117)	(6,871,552)
Non-current liabilities	<u>(2,030,547)</u>	<u>(1,777,473)</u>
Equity	28,314,444	27,226,895
Non-controlling interests	<u>(385,799)</u>	<u>(294,397)</u>
	<u>\$ 27,928,645</u>	<u>\$ 26,932,498</u>
Proportion of the Group’s ownership	16.3%	16.4%
Equity attributable to the Group	\$ 4,563,429	\$ 4,427,487
Goodwill	<u>253,460</u>	<u>253,460</u>
Carrying amount	<u>\$ 4,816,889</u>	<u>\$ 4,680,947</u>

	For the Year Ended December 31	
	2018	2017
Operating revenue	\$ 14,208,661	\$ 15,203,334
Profit from continuing operations	\$ 2,692,076	\$ 2,932,298
Loss from discontinued operations	-	(849,968)
Net profit for the year	2,692,076	2,082,330
Other comprehensive income (loss)	(380,558)	(368,115)
Total comprehensive income (loss) for the year	\$ 2,311,518	\$ 1,714,215

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net profit (loss) for the year	\$ 52,102	\$ (22,850)
Other comprehensive income (loss)	(126,358)	(170,075)
Total comprehensive income (loss) for the year	\$ (74,256)	\$ (192,925)

Except for GST Packaging Ltd., YJY Packaging Ltd., JLD Logistics Ltd., Foster and Balyis (Prestige) Limited., Chengdu JieLianDa Warehousing 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 12,382,815	\$ 13,588,138	\$ 58,961,998	\$ 11,964,409	\$ 4,700,096	\$ 101,597,456
Additions	3,412	276,274	1,334,937	358,477	1,655,463	3,628,563
Disposals	-	(11,405)	(1,095,136)	(290,682)	-	(1,397,223)
Transfer from prepaid equipments	-	2,404	115,035	262,812	125,205	505,456
Transfer from constructions	-	831,127	3,401,576	410,471	(4,643,174)	-
Acquisitions through business combinations	-	527,106	1,440,053	214,775	-	2,181,934
Reclassification as investment properties	-	(88,055)	-	-	-	(88,055)
Effect of foreign currency exchange differences	-	(120,810)	(362,210)	(53,898)	(1,924)	(538,842)
Balance at December 31, 2018	\$ 12,386,227	\$ 15,004,779	\$ 63,796,253	\$ 12,866,364	\$ 1,835,666	\$ 105,889,289

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ 2,597	\$ 6,249,378	\$ 38,867,385	\$ 8,483,442	\$ -	\$ 53,602,802
Depreciation expense	-	481,321	2,591,581	724,414	-	3,797,316
Disposals	-	(6,480)	(938,026)	(222,205)	-	(1,166,711)
Acquisitions through business combinations	-	119,513	759,603	105,051	-	984,167
Reclassification as investment properties	-	(22,109)	-	-	-	(22,109)
Effect of foreign currency exchange differences	-	(39,492)	(178,835)	(34,861)	-	(253,188)
Balance at December 31, 2018	<u>\$ 2,597</u>	<u>\$ 6,782,131</u>	<u>\$ 41,101,708</u>	<u>\$ 9,055,841</u>	<u>\$ -</u>	<u>\$ 56,942,277</u>
Carrying amounts at December 31, 2018	<u>\$ 12,383,630</u>	<u>\$ 8,222,648</u>	<u>\$ 22,694,545</u>	<u>\$ 3,810,523</u>	<u>\$ 1,835,666</u>	<u>\$ 48,947,012</u>
<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)
Outflow on disposal of subsidiaries	-	-	-	(3,654)	-	(3,654)
Transfer from prepaid equipments	35,921	17,868	238,412	74,353	2,067,634	2,434,188
Transfer from constructions	-	502,001	814,872	244,724	(1,561,597)	-
Reclassification	-	-	-	-	(68,053)	(68,053)
Effect of foreign currency exchange differences	-	(150,834)	(764,120)	(98,837)	(12,649)	(1,026,440)
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)
Outflow on disposal of subsidiaries	-	-	-	(2,428)	-	(2,428)
Effect of foreign currency exchange differences	-	(37,368)	(187,263)	(50,588)	-	(275,219)
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>
(Concluded)						

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, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Acquisition of property, plant and equipment	\$ 3,628,563	\$ 3,286,295
Changes in prepaid equipment	632,810	639,479
Changes in payment of payables on equipment (accounted for as other payables)	<u>(280,140)</u>	<u>237,387</u>
	<u>\$ 3,981,233</u>	<u>\$ 4,163,161</u>

For the amounts of collateral pledged for bank borrowings, refer to Note 31.

19. INVESTMENT PROPERTIES

	Amount
<u>Cost</u>	
Balance at January 1, 2018	\$ 2,888,485
Additions	8
Disposals	(14,095)
Transferred from property, plant and equipment	88,055
Effect of foreign currency exchange differences	<u>(1,633)</u>
Balance at December 31, 2018	<u>\$ 2,960,820</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ 176,778
Depreciation expense	3,646
Disposals	(458)
Transferred from property, plant and equipment	22,109
Effect of foreign currency exchange differences	<u>(411)</u>
Balance at December 31, 2018	<u>\$ 201,664</u>
Carrying amounts at December 31, 2018	<u>\$ 2,759,156</u>
<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>

The fair values of the investment properties owned by the Group were \$7,055,951 thousand and \$6,992,430 thousand as of December 31, 2018 and 2017, 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 \$80,226 thousand for 2018 and \$44,911 thousand for 2017, 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.

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Bank credit loans	\$ 10,958,012	\$ 11,380,364
Bank secured loans	<u>519,175</u>	<u>4,193</u>
	<u>\$ 11,477,187</u>	<u>\$ 11,384,557</u>

Short-term borrowings include bank credit and bank secured loans. As of December 31, 2018 and 2017, the interest rate intervals of bank credit loans were 0.91%-5.74% per annum and 0.8%-5.6% per annum, respectively. As of December 31, 2018 and 2017, the interest rate of bank secured loans were 3.95%-5.8% per annum and 3.62% per annum, respectively.

b. Short-term bills payable

Short-term bills payable are commercial paper due within one year. Interest rate intervals on these bills payable were 0.94%-1.19% per annum and 0.91%-1.26% per annum as of December 31, 2018 and 2017, respectively.

c. Long-term borrowings

	December 31	
	2018	2017
Syndicated loans	\$ 28,430,194	\$ 26,167,306
Long-term bank credit loans	4,684,000	5,534,000
Long-term bank secured loans	<u>620,641</u>	<u>450,000</u>
	33,734,835	32,151,306
Less: Current portion	<u>(120,000)</u>	<u>(187,300)</u>
	<u>\$ 33,614,835</u>	<u>\$ 31,964,006</u>

Long-term bank loans included secured, credit and syndicated loans. Secured and credit loans expire in December 2023 and have interest rate intervals of 0.95%-6.38% per annum and 0.99%-1.99% per annum as of December 31, 2018 and 2017, respectively; syndicated loans expire in December 2023 and have interest rate intervals of 1.79%-4.2% per annum and 1.79%-3.03% per annum as of December 31, 2018 and 2017, respectively.

21. 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:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 3,370,162	\$ 3,403,885
Fair value of plan assets	<u>(2,118,752)</u>	<u>(2,275,264)</u>
Net defined benefit liabilities	1,251,410	1,128,621
Defined benefit assets (accounted for as other non-current assets)	<u>5,192</u>	<u>5,519</u>
Defined benefit liabilities	<u>\$ 1,256,602</u>	<u>\$ 1,134,140</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 3,403,885</u>	<u>\$ (2,275,264)</u>	<u>\$ 1,128,621</u>
Service cost			
Current service cost	53,695	-	53,695
Net interest expense (income)	<u>57,436</u>	<u>(41,680)</u>	<u>15,756</u>
Recognized in profit or loss	<u>111,131</u>	<u>(41,680)</u>	<u>69,451</u>
Remeasurement			
Return on plan assets	-	70,737	70,737
Actuarial loss - changes in financial assumptions	8,605	-	8,605
Actuarial loss - experience adjustments	117,301	-	117,301
Actuarial loss - changes in actuarial assumptions	<u>54,461</u>	<u>-</u>	<u>54,461</u>
Recognized in other comprehensive income (loss)	<u>180,367</u>	<u>70,737</u>	<u>251,104</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ -	\$ (193,560)	\$ (193,560)
Benefits paid	(321,015)	321,015	-
Liabilities extinguished on settlement	<u>(4,206)</u>	<u>-</u>	<u>(4,206)</u>
Balance at December 31, 2018	<u>\$ 3,370,162</u>	<u>\$ (2,118,752)</u>	<u>\$ 1,251,410</u>
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> (Concluded)

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

	For the Year Ended December 31	
	2018	2017
Operating costs	\$ 40,228	\$ 46,082
Operating expenses	<u>29,223</u>	<u>36,936</u>
	<u>\$ 69,451</u>	<u>\$ 83,018</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:

	December 31	
	2018	2017
Discount rates	1.50%	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:

	December 31	
	2018	2017
Discount rates		
0.125% increase	<u>\$ (28,666)</u>	<u>\$ (33,968)</u>
0.125% decrease	<u>\$ 29,257</u>	<u>\$ 34,734</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 29,253</u>	<u>\$ 34,785</u>
0.125% decrease	<u>\$ (28,763)</u>	<u>\$ (34,153)</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.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 150,468</u>	<u>\$ 456,570</u>
The average duration of the defined benefit obligation	5.9-10.7 years	7.1-12.0 years

22. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousand)	<u>2,200,000</u>	<u>2,200,000</u>
Value of 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>
Value of 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

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 the distribution of dividends and bonuses 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) The remainder after the distribution of cash dividends as share dividends. If there is a requirement for 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 reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 21, 2018 and June 7, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended December 31		(NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 160,651	\$ 12,612		
Cash dividends	996,223	-	<u>\$ 0.6</u>	<u>\$ -</u>

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 22, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 144,000	
Cash and share dividends	996,223	<u>\$ 0.6</u>

The appropriations of earnings are subject to the resolution of the shareholders' meeting to be held on June 25, 2019.

d. Special reserves

	<u>For the Year Ended December 31</u>	
	2018	2017
Beginning at January 1	\$ 4,030,039	\$ 4,031,432
Reversal:		
Disposal of property, plant and equipment	<u>(1,455)</u>	<u>(1,393)</u>
Balance at December 31	<u>\$ 4,028,584</u>	<u>\$ 4,030,039</u>

e. Other equity items

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Total
<u>2018</u>						
Balance at January 1 (IAS 39)	\$ (263,411)	\$ 1,964,407	\$ -	\$ (14,871)	\$ -	\$ 1,686,125
Effect of retroactive application	<u>-</u>	<u>(1,964,407)</u>	<u>3,545,472</u>	<u>14,871</u>	<u>(14,871)</u>	<u>1,581,065</u>
Balance at January 1, 2018 as restated	(263,411)	-	3,545,472	-	(14,871)	3,267,190
Exchange differences on translating foreign operations	214,303	-	-	-	-	214,303
Unrealized gain (loss) on financial assets at FVTOCI	-	-	257,409	-	-	257,409
Gain on hedging instruments	-	-	-	-	7,861	7,861
Share of associates accounted for using the equity method	8,743	-	(165,290)	-	-	(156,547)
Changes in associates accounted for using the equity method	-	-	(339)	-	-	(339)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>-</u>	<u>37,596</u>	<u>-</u>	<u>-</u>	<u>37,596</u>
Balance at December 31 (IFRS 9)	<u>\$ (40,365)</u>	<u>\$ -</u>	<u>\$ 3,674,848</u>	<u>\$ -</u>	<u>\$ (7,010)</u>	<u>\$ 3,627,473</u>
<u>2017</u>						
Balance at January 1 (IAS 39)	\$ 798,656	\$ 1,744,884	\$ -	\$ (11,183)	\$ -	\$ 2,532,357
Exchange differences on translating 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>-</u>	<u>-</u>	<u>(231,431)</u>
Balance at December 31 (IAS 39)	<u>\$ (263,411)</u>	<u>\$ 1,964,407</u>	<u>\$ -</u>	<u>\$ (14,871)</u>	<u>\$ -</u>	<u>\$ 1,686,125</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1 (IAS 39)	\$ 10,295,146	\$ 9,460,270
Effect of retroactive application	<u>42,799</u>	<u>-</u>
Balance at January 1, 2018 as restated	10,337,945	9,460,270
Attributable to non-controlling interests:		
Share of profit for the year	519,761	525,613
Share of other comprehensive income (loss)		
Effect of change in tax rate- remeasurement on defined benefit plan	5,955	-
Effect of change in tax rate- share of the other comprehensive income (loss) of associates accounted for using the equity method	15	-
Exchange differences on translating foreign operations	(12,235)	(66,987)
Unrealized gain on available-for-sale financial assets	-	16,780
Unrealized gain (loss) on financial assets at FVTOCI	25,362	-
Gain (loss) on fair value changes of cash flow hedges	-	2,130
Gain (loss) on hedging instruments	(247)	-
Remeasurement on defined benefit plans	(13,707)	(4,998)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(10,946)	(15,078)
Cash dividends	(481,966)	(390,858)
Adjustments relating to changes in the equity of associates accounted for using the equity method	1,103	930
Adjustments for the changes in equity of subsidiaries	45,641	627,518
Disposal of or acquisition of subsidiaries	315,830	139,826
Increase in non-controlling interests due to the acquisition of subsidiaries	<u>738,013</u>	<u>-</u>
Balance at December 31	<u>\$ 11,470,524</u>	<u>\$ 10,295,146</u>

23. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers - revenue from sale of goods	\$ 67,472,363	\$ 58,867,920
Other operating revenue	<u>8,967,320</u>	<u>7,901,988</u>
	<u>\$ 76,439,683</u>	<u>\$ 66,769,908</u>

Contract balances

	December 31, 2018
Notes receivable	<u>\$ 3,700,326</u>
Accounts receivable	<u>\$ 11,676,010</u>
Receivables from related parties	<u>\$ 91,176</u>
Contract liabilities - sale of goods	<u>\$ 481,727</u>

24. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 1,025,592	\$ 972,415
Less: Capitalization amount of interest	<u>(6,071)</u>	<u>(43,171)</u>
	<u>\$ 1,019,521</u>	<u>\$ 929,244</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalization rate	0.99%-1.62%	1.02%-1.56%

b. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 3,797,316	\$ 3,453,944
Investment properties	3,646	3,710
Other non - current assets	<u>159,497</u>	<u>128,355</u>
	<u>\$ 3,960,459</u>	<u>\$ 3,586,009</u>
An analysis of deprecation by function		
Operating costs	\$ 3,548,583	\$ 3,194,680
Operating expenses	<u>252,379</u>	<u>262,974</u>
	<u>\$ 3,800,962</u>	<u>\$ 3,457,654</u>
An analysis of amortization by function		
Operating costs	\$ 46,893	\$ 62,074
Operating expenses	<u>112,604</u>	<u>66,281</u>
	<u>\$ 159,497</u>	<u>\$ 128,355</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post - employment benefits		
Defined contribution plans	\$ 178,093	\$ 172,374
Defined benefit plans	<u>69,451</u>	<u>83,018</u>
	247,544	255,392
Other employee benefits	<u>7,553,674</u>	<u>7,365,467</u>
Total employee benefits expense	<u>\$ 7,801,218</u>	<u>\$ 7,620,859</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of employee benefits expense by function		
Operating costs	\$ 4,387,176	\$ 4,275,177
Operating expenses	<u>3,414,042</u>	<u>3,345,682</u>
	<u>\$ 7,801,218</u>	<u>\$ 7,620,859</u>
		(Concluded)

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, 2018 and 2017 which have been approved by the Company's board of directors on March 22, 2019 and 2018, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	0.10%	0.11%
Remuneration of directors	0.48%	0.43%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	\$ 1,467	\$ 1,758
Remuneration of directors	7,000	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, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 803,324	\$ 524,367
Income tax on unappropriated earnings	92,143	13,032
Adjustment for prior periods	9,066	3,939
Deferred tax		
In respect of the current year	81,939	164,984
Adjustment for prior periods	737	604
Effect of tax rate changes	<u>(20,879)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 966,330</u>	<u>\$ 706,926</u>

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

	For the Year Ended December 31	
	2018	2017
Income before tax	<u>\$ 2,926,094</u>	<u>\$ 2,839,049</u>
Income tax expense calculated at the statutory rate (20% and 17%, respectively, in 2018 and 2017)	\$ 585,219	\$ 482,638
Nondeductible expenses in determining taxable income	31,362	7,995
Tax - exempt income (loss)	(281,485)	141,733
Unrecognized loss carryforwards and deductible temporary differences	357,794	69,687
Income tax on unappropriated earnings	92,143	13,032
Loss carryforwards	(11,567)	1,221
Overseas company withholding income taxes	114,729	57,342
Effect of tax rate changes	(20,879)	-
Effect of different tax rate of group entities operating in other jurisdictions	89,211	(71,265)
Adjustments for prior years' tax	<u>9,803</u>	<u>4,543</u>
Income tax expense recognized in profit or loss	<u>\$ 966,330</u>	<u>\$ 706,926</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%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate		
Remeasurement of defined benefit plan	\$ (28,322)	\$ -
Share of other comprehensive income (loss) of associates	(331)	-
In respect of the current year:		
Remeasurement on defined benefit plan	(50,220)	27,947
Share of the other comprehensive income (loss) of associates	<u>(330)</u>	<u>(199)</u>
	<u>\$ (79,203)</u>	<u>\$ 27,748</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, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Defined benefit plan	\$ 179,802	\$ (41,428)	\$ 78,264	\$ -	\$ 216,638
Loss carryforwards	76,462	(51,626)	-	82	24,918
Allowance for impaired receivables	23,394	(5,210)	-	(180)	18,004
Payable for annual leave	20,309	9,017	-	(29)	29,297
Unrealized loss on inventories	13,161	4,077	-	(120)	17,118
Deferred revenue	10,792	5,319	-	-	16,111
Others	<u>44,326</u>	<u>43,570</u>	<u>-</u>	<u>(570)</u>	<u>87,326</u>
	<u>\$ 368,246</u>	<u>\$ (36,281)</u>	<u>\$ 78,264</u>	<u>\$ (817)</u>	<u>\$ 409,412</u>
<u>Deferred tax liabilities</u>					
Reserve for land revaluation increment tax	\$ 3,313,013	\$ -	\$ -	\$ -	\$ 3,313,013
Others	<u>73,637</u>	<u>25,516</u>	<u>(278)</u>	<u>(302)</u>	<u>98,573</u>
	<u>\$ 3,386,650</u>	<u>\$ 25,516</u>	<u>\$ (278)</u>	<u>\$ (302)</u>	<u>\$ 3,411,586</u>

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>

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Loss carryforwards		
Expire in 2018	\$ -	\$ 422,647
Expire in 2019	501,610	547,977
Expire in 2020	1,773,337	1,847,786
Expire in 2021	1,752,729	1,867,471
Expire in 2022	226,173	144,295
Expire in 2023	1,177,147	16,353
Expire in 2024	68,695	73,667
Expire in 2025	49,791	49,791
Expire in 2026	25,125	305,432
Expire in 2027	32,188	63,558
Expire in 2028	<u>22,647</u>	<u>-</u>
	<u>\$ 5,629,442</u>	<u>\$ 5,338,977</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised of:

Unused Amount	Expiry Year
\$ 508,970	2019
1,761,658	2020
1,764,407	2021
237,215	2022
1,187,153	2023
122,569	2024
59,266	2025
46,317	2026
32,188	2027
22,647	2028
<u>10,934</u>	Unlimited (Note)
<u>\$ 5,753,324</u>	

Note: Generated from Hong Kong subsidiaries.

f. Income tax assessments

	<u>Final Approved Year</u>
The Company	2013
YFY Consumer Products Co., Ltd.	2013
Chung Hwa Pulp Corporation	2016
Hwa Fong Investments Co., Ltd.	2016
Effion Enertech Co., Ltd.	2017
YFY Packaging Inc.	2017
Shin Foong Specialty and Applied Materials Co., Ltd.	2016
China Color Printing Co., Ltd.	2016
YFY Capital Co., Ltd.	2016
Union Investment Co., Ltd.	2016
YFY Venture Capital Investment Co., Ltd.	2016
YFY Paradigm Investment Co., Ltd.	2016
Lotus Ecoscings & Engineering Co., Ltd.	2016
Yuen Yan Paper Container Co., Ltd.	2016
San Ying Enterprise Co., Ltd.	2016
Fidelis IT Solutions Co., Ltd.	2016
Ever Growing Agriculture Biotech Co., Ltd.	2016
Pek Crown Paper Co., Ltd.	2016
Yeon Technologies Co., Ltd.	2016
YFY Biotech Management Company	2017
Kuang Hwa Fertilizer Limited Company	2016
YFY Holding Management Co., Ltd.	2016
Livebricks Inc.	2016
Yuen Foong Shop Co., Ltd.	2016

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic earnings per share (NT\$)	<u>\$ 0.87</u>	<u>\$ 0.97</u>
Diluted earnings per share (NT\$)	<u>\$ 0.87</u>	<u>\$ 0.97</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

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	<u>\$ 1,440,003</u>	<u>\$ 1,606,510</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,440,003</u>	<u>\$ 1,606,510</u>

Number of Share (In Thousands)

	For the Year Ended December 31	
	2018	2017
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>159</u>	<u>128</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,660,531</u>	<u>1,660,500</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.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

In June, the combined company acquired 10.4% of the shares of its subsidiary, Willpower Industries Ltd., and its shareholding ratio increased from 44.8% to 55.2%. As a result, the combined company obtained control of these subsidiaries and included these subsidiaries in the merger. The merger company acquired Willpower Industries Ltd. for operational purpose.

b. Consideration transferred

**Willpower
Industries Ltd.
and Its
Subsidiaries**

Cash	<u>\$ 162,928</u>
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c. Assets acquired and liabilities assumed at the date of acquisition

**Willpower
Industries Ltd.
and Its
Subsidiaries**

Current assets	
Cash and cash equivalents	\$ 239,969
Trade and other receivables	1,243,660
Inventories	494,048
Prepayments	177,565
Non-current assets	
Property, plant and equipment	1,197,767
Investments accounted for using the equity method	134,612
Other non-current assets	264,632
Current liabilities	
Short-term borrowings	(1,088,934)
Trade and other payables	(988,570)
Other non-current liabilities	<u>(28,820)</u>
	<u>\$ 1,645,929</u>

d. Non-controlling interests

The non-controlling interest (a 44.8% ownership interest in Willpower Industries Ltd.) recognized at the acquisition date was measured by reference to the fair value of the assets and liabilities acquired.

e. Gain on bargain purchases from the acquisition of subsidiaries (accounted for as other income)

**Willpower
Industries Ltd.
and Its
Subsidiaries**

Consideration transferred	\$ 162,928
Plus: Non-controlling interests	738,013
Less: Fair value of identifiable net assets acquired	<u>(907,916)</u>
Gain on bargain purchases	<u>\$ (6,975)</u>

f. Net cash inflow on the acquisition of subsidiaries

	Willpower Industries Ltd. and Its Subsidiaries
Consideration paid in cash	\$ (162,928)
Less: Cash and cash equivalent balances acquired	<u>239,969</u>
	<u>\$ 77,041</u>

g. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income are as follows:

	Willpower Industries Ltd. and Its Subsidiaries
Revenue	<u>\$ 2,921,466</u>
Profit	<u>\$ 48,576</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$78,173,134 thousand, and the profit from continuing operations would have been \$1,985,062 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

28. 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).

29. 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Hybrid financial assets	\$ -	\$ 950,205	\$ -	\$ 950,205
Non-derivative financial assets	179,048	402,418	-	581,466
Derivative financial assets	<u>-</u>	<u>156,050</u>	<u>-</u>	<u>156,050</u>
	<u>\$ 179,048</u>	<u>\$ 1,508,673</u>	<u>\$ -</u>	<u>\$ 1,687,721</u>
Financial assets held for hedging (accounted for as other current assets)	<u>\$ -</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 101</u>
Financial assets at FVTOCI				
Listed shares	\$ 13,354,150	\$ -	\$ -	\$ 13,354,150
Unlisted shares	<u>-</u>	<u>-</u>	<u>3,390,158</u>	<u>3,390,158</u>
	<u>\$ 13,354,150</u>	<u>\$ -</u>	<u>\$ 3,390,158</u>	<u>\$ 16,744,308</u>
Financial liabilities at FVTPL - held for trading				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 135,316</u>	<u>\$ -</u>	<u>\$ 135,316</u>
Financial liabilities held for hedging (accounted for as other current liabilities)	<u>\$ -</u>	<u>\$ 251</u>	<u>\$ -</u>	<u>\$ 251</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - held for trading				
Non-derivative financial assets	\$ 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>

(Continued)

	Level 1	Level 2	Level 3	Total
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> (Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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

For the year ended December 31, 2018

	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	\$ -
Impact of retroactive application	<u>3,171,938</u>
Balance at January 1, 2018 as restated	3,171,938
Recognized in other comprehensive income (accounted for as unrealized gain (loss) on investments in equity instruments designated as at FVTOCI)	294,763
Purchases	58,782
Disposals	(101,153)
Return of capital upon investees' capital reduction	(46,122)
Effect of foreign currency exchange differences	<u>11,950</u>
Balance at December 31, 2018	<u>\$ 3,390,158</u>

For the year ended December 31, 2017

	Financial Assets at FVTPL
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>

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

Financial Instruments	Valuation Techniques and Inputs
Structured deposits	Discounted cash flow method: The future cash flow is estimated based on the observable interest rate at the end of the period, discounted at the market interest rate.
Subordinated bank debentures	Discounted cash flow method: The future cash flow is estimated based on the discount rate that reflects the current borrowing rate of the bond issuer at the end of the period.
Derivatives - foreign exchange forward contracts, cross - currency swap contracts and combined option contracts	The fair value of each derivative contract is determined using the discounted cash flow method and: (a) The average exchange rate (i.e. difference between the highest and the lowest exchange rates) of the counterparties' financial institutions in accordance with the Reuters quoting system, or (b) The daily spot exchange rate quoted by financial institutions.

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

2018

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares	<p>Asset-based approach: The fair value is determined based on the net asset value of the investment target. The significant unobservable inputs are discounted prices based on market liquidity and non-controlling interests.</p> <p>Market approach: The fair value is assessed according to the recent transaction price of the investment target or similar market transaction prices and market conditions. The significant unobservable inputs are discounted prices for the lack of marketability.</p> <p>Income approach: Discounted cash flows are determined based on the present value of the expected future economic benefits that will be derived from the investment. Unobservable inputs mainly include the long-term growth rate, discount rate and the discount of liquidity. The fair value will increase if the long-term growth rate increases, discount rate decreases or the discount for liquidity decreases.</p>

2017

Financial Instruments	Valuation Techniques and Inputs
Exchangeable bonds	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 the discount for liquidity. 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

	December 31	
	2018	2017
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 1,687,721	\$ -
Held for trading	-	325,326
FVTOCI	16,744,308	-
Derivative instruments in designated hedge accounting relationships	101	2
Loans and receivables (1)	-	22,057,748
Available - for - sale financial assets (2)	-	14,739,810
Amortized cost (3)	21,622,972	-
<u>Financial liabilities</u>		
FVTPL		
Held for trading	135,316	278,060
Derivative instruments in designated hedge accounting relationships	251	292
Amortized cost (4)	64,030,601	62,290,835

- 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, receivables from related parties and other financial assets.
- 2) The balances included available - for - sale financial assets and financial assets carried at cost.
- 3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, receivables from related parties and other financial assets.
- 4) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, payables to related parties, 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, analyze and estimate related financial risk factor which may lead to unfavorable effect on the financial performance of the Company, and conduct related program to lower and hedge financial risk.

The Group sought to minimize the effects of these risks by using both derivative and non-derivative 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 non-derivative 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 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, cross - currency swap contracts and combined option contracts to eliminate foreign currency exposure. These derivative instruments 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 contracts, cross - currency swap contracts and combined option contracts that are unexpired.

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 strengthening 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.

	<u>For the Year Ended December 31</u>	
	2018	2017
Influence to profit or loss at 5% variance		
USD	<u>\$ 139,166</u>	<u>\$ 192,601</u>
RMB	<u>\$ 86,483</u>	<u>\$ 116,203</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:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 2,557,843	\$ 4,144,016
Financial liabilities	6,696,636	8,021,936
Cash flow interest rate risk		
Financial assets	3,468,017	2,752,372
Financial liabilities	45,212,022	43,535,863

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, 2018 and 2017 would decrease/increase by \$83,488 thousand and \$84,626 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 and commodity price risk through its investments in equity securities and mutual funds. The management of the Group manages risk by holding different risk portfolios.

Sensitivity analysis

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

If equity and commodity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$8,952 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$837,215 thousand, as a result of the changes in fair value of financial assets as FVTOCI.

If equity and commodity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2017 would have increased/decreased by \$16,049 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2017 would increase/decrease by \$662,233 thousand, as a result of the changes in fair value of available-for-sale investments.

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, 2018 and 2017, the amount of unused financing facilities were \$28,592,432 thousand and \$28,939,983 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, 2018

	Less than 1 Year	1 - 5 Years
<u>Non-derivative financial liabilities</u>		
Floating interest rate liabilities	\$ 12,760,690	\$ 34,615,957
Fixed interest rate liabilities	<u>6,699,000</u>	<u>-</u>
	<u>\$ 19,459,690</u>	<u>\$ 34,615,957</u>

December 31, 2017

	Less than 1 Year	1 - 5 Years
<u>Non-derivative financial liabilities</u>		
Floating 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>

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to other bank in order to generate operating income. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the banker's acceptance bills. The Group discounted and received amount were \$1,675,911 thousand and \$1,637,797 thousand, and the ranges of interest rates was 3.58%-4.33% per annum.

30. 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
Yuen Foong Paper Co., Ltd.	Entities with key management personnel (Note 1)
Taiwan Global BioFund Co., Ltd.	Associate
YFY Biotech Co., Ltd.	Associate
E Ink Holdings Inc.	Associate
Transcend Optonics (Yangzhou) Co., Ltd.	Associate
Willpower Industries Ltd.	Associate (Note 2)
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
Beautone Co., Ltd.	Substantive related party
Hsinex International Corp.	Substantive related party
Huashan Creative Co., Ltd.	Substantive related party
Fu Hwa Development Enterprise Co., Ltd.	Substantive related party

(Continued)

Related Party	Relationship with the Group
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)

Note 1: YFY Paper Co., Ltd was a substantive related party from January 1, 2017 to June 21, 2018. Since June 21, 2018, it has served as a director of the Company, and subsequently changed its identity from a substantive related party to an entity with key management personnel.

Note 2: The Group acquired 10.4% ownership of Willpower Industries Ltd. in June 2018, leading to an increase in ownership to 55.2% and a change in identity of the latter from associate to subsidiary, and has been included in the consolidated financial statements since then. Therefore, only the transactions that occurred as of the end of May 2018 are listed.

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Substantive related party	\$ 364,704	75,515
Associate	61,431	82,740
Entities with key management personnel	<u>39,645</u>	<u>2,687</u>
	<u>\$ 465,780</u>	<u>\$ 160,942</u>

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

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Associate	\$ 227,631	\$ 138,579
Substantive related party	11,843	11,087
Entities with key management personnel	<u>2,306</u>	<u>-</u>
	<u>\$ 241,780</u>	<u>\$ 149,666</u>

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

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Receivables from related parties	Substantive related party		
	Beautone Co., Ltd.	\$ 62,726	\$ -
	Others	<u>3,912</u>	<u>13,094</u>
		66,638	13,094
	Associate		
	Taiwan Global BioFund Co., Ltd.	10,648	-
	Others	<u>5,938</u>	<u>8,962</u>
		16,586	8,962
	Entities with key management personnel	<u>7,952</u>	<u>122</u>
		<u>\$ 91,176</u>	<u>\$ 22,178</u>

The outstanding accounts receivable from related parties are unsecured and no expected credit losses should be recognized after estimating.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Payables to related parties	Associate		
	YJY Packaging Ltd.	\$ 46,110	\$ 24,914
	JLD Logistics Ltd.	7,315	6,237
	Others	<u>967</u>	<u>1,019</u>
		54,392	32,170
	Entities with key management personnel	7,145	4,621
	Substantive related party	<u>2,868</u>	<u>4,230</u>
		<u>\$ 64,405</u>	<u>\$ 41,021</u>

The outstanding accounts payable to related parties are unsecured.

f. Others

Rental income

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Substantive related party	\$ 11,380	\$ 13,351
Entities with key management personnel	4,112	159
Associate	<u>1,207</u>	<u>309</u>
	<u>\$ 16,699</u>	<u>\$ 13,819</u>

Rental expenses (accounted for as operating expenses)

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Entities with key management personnel	\$ 44,079	\$ 45,369
Substantive related party	5,555	6,147
Associate	<u>250</u>	<u>247</u>
	<u>\$ 49,884</u>	<u>\$ 51,763</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's 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015, which amounted to \$400,000 thousand (accounted for as financial assets at FVTPL - non-current under IFRS 9 and accounted for as debt investments with no active market - non-current under IAS 39) and had an interest rate of 3.9%. As of December 31, 2018 and 2017, the interest receivables were both \$2,418 thousand.

In August 2018, the Group purchased \$36,642 thousand worth of common shares of iXensor Co., Ltd. from Taiwan Global BioFund Co., Ltd. (accounted for as financial assets at FVTOCI - non-current).

g. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Salaries and benefits	\$ 57,325	\$ 59,315
Bonuses and executive fees	<u>1,725</u>	<u>1,631</u>
	<u>\$ 59,050</u>	<u>\$ 60,946</u>

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

31. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collateral for bank loans, guarantees provided on certain commitments, bank acceptance bills and other credit facilities:

	December 31	
	2018	2017
Notes receivable (Note)	\$ 1,977,658	\$ 2,126,559
Property, plant and equipment	1,068,814	482,719
Pledged time deposits (accounted for as other financial assets and other non-current assets)	114,963	405,481
Land use rights (accounted for as long-term prepayments for leases)	<u>121,056</u>	<u>-</u>
	<u>\$ 3,282,491</u>	<u>\$ 3,014,759</u>

Note: In preparing the consolidated financial statements, an amount of \$161,111 thousand and \$1,803,813 thousand, respectively, has been eliminated as of December 31, 2018 and 2017.

32. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$791,019 thousand and \$610,658 thousand, respectively.

33. 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:

December 31, 2018			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,578,254	0.146 (RMB:USD)	\$ 7,063,188
RMB	375,810	4.475 (RMB:NTD)	1,681,867
USD	51,536	30.715 (USD:NTD)	1,582,929
USD	38,106	6.863 (USD:RMB)	1,170,432
<u>Financial liabilities</u>			
Monetary items			
USD	215,560	6.863 (USD:RMB)	6,620,924
December 31, 2017			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,270,123	0.153 (RMB:USD)	\$ 5,784,771
USD	55,698	29.76 (USD:NTD)	1,657,577
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

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gain (loss) were loss \$780,079 thousand and gain \$398,796 thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. 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 11)
- 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)

35. 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, 2018</u>					
Revenue from external customers	\$ 19,053,842	\$ 31,935,151	\$ 11,130,460	\$ 14,320,230	\$ 76,439,683
Revenue from other internal operating segments	<u>4,971,407</u>	<u>2,198,455</u>	<u>1,350,469</u>	<u>1,406,177</u>	<u>9,926,508</u>
Segment revenue	<u>\$ 24,025,249</u>	<u>\$ 34,133,606</u>	<u>\$ 12,480,929</u>	<u>\$ 15,726,407</u>	<u>86,366,191</u>
Eliminations					<u>(9,926,508)</u>
Consolidated revenue					<u>\$ 76,439,683</u>
Total profit or loss for reportable segments	<u>\$ 559,519</u>	<u>\$ 889,677</u>	<u>\$ 225,537</u>	<u>\$ 574,916</u>	<u>\$ 2,249,649</u>
Eliminations					<u>110,181</u>
Segment profit or loss					<u>2,359,830</u>
Finance costs					<u>(1,019,521)</u>
Net gain (loss) on fair value change of financial instruments at FVTPL					<u>619,430</u>
Net non-operating income and expenses					<u>966,355</u>
Profit before income tax					<u>\$ 2,926,094</u>
<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>
Total profit or loss for reportable segments	<u>\$ 821,573</u>	<u>\$ 1,311,197</u>	<u>\$ 54,926</u>	<u>\$ 653,095</u>	<u>\$ 2,840,791</u>
Eliminations					<u>119,635</u>
Segment profit or loss					<u>2,960,426</u>
Finance costs					<u>(929,244)</u>
Net gain (loss) on fair value change of financial instruments at FVTPL					<u>(783,844)</u>
Net non-operating income and expenses					<u>1,591,711</u>
Profit before income tax					<u>\$ 2,839,049</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

	December 31	
	2018	2017
<u>Segment assets</u>		
Business unit of pulp and fine paper	\$ 31,493,352	\$ 30,285,625
Business unit of containerboard and packaging	43,926,717	42,251,244
Business unit of consumer products	8,846,907	9,275,974
Other segments	73,035,379	70,820,279
Adjustment and elimination	<u>(39,093,981)</u>	<u>(40,047,349)</u>
Consolidated total assets	<u>\$ 118,208,374</u>	<u>\$ 112,585,773</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.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan	\$ 40,209,640	\$ 35,852,164	\$ 31,919,849	\$ 31,266,881
Mainland China	28,856,016	27,435,732	20,792,571	22,355,166
Others	<u>7,374,027</u>	<u>3,482,012</u>	<u>2,767,456</u>	<u>617,992</u>
	<u>\$ 76,439,683</u>	<u>\$ 66,769,908</u>	<u>\$ 55,479,876</u>	<u>\$ 54,240,039</u>

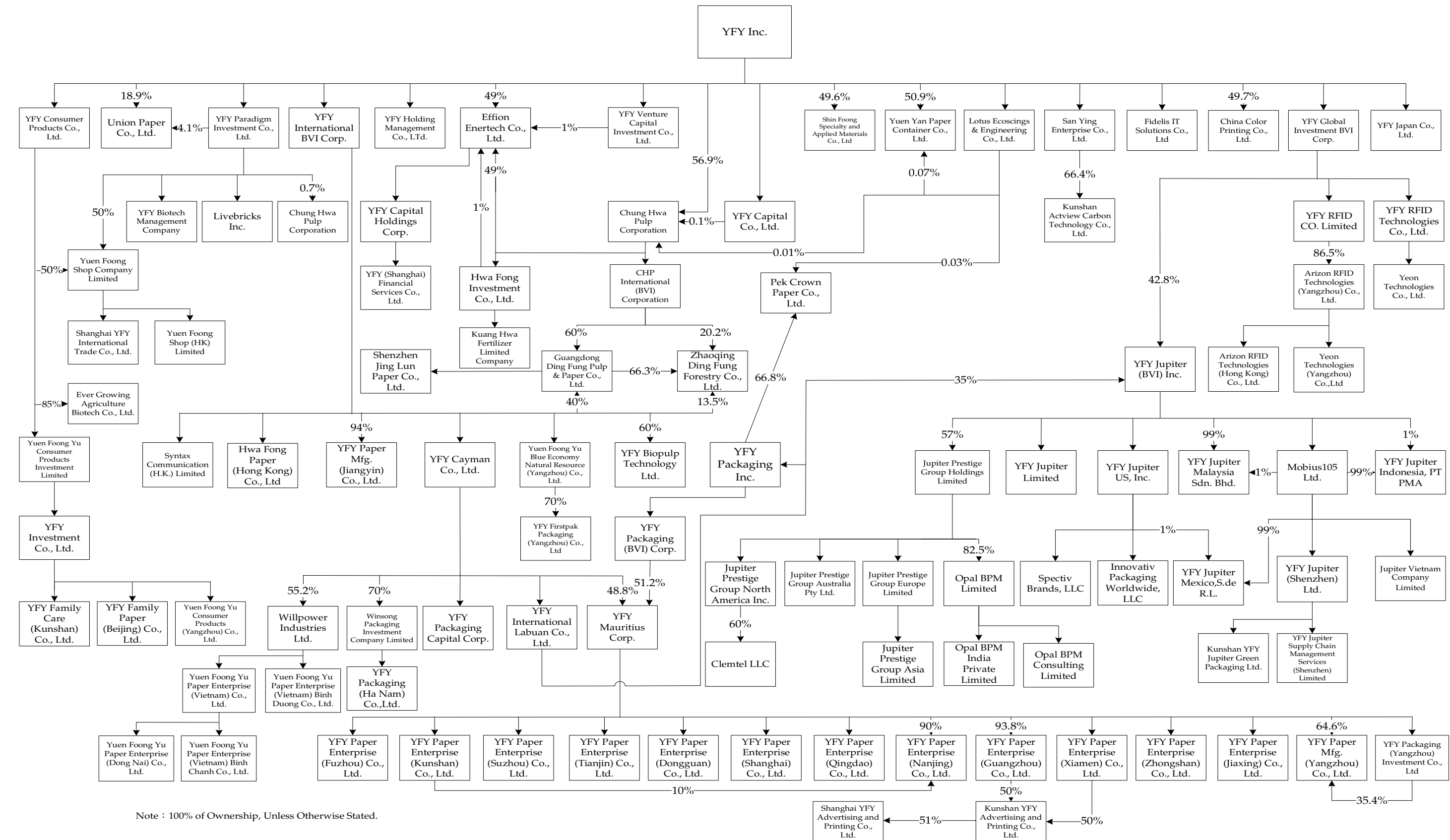
Information about Major Customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

TABLE 1**YFY INC. AND SUBSIDIARIES**

DIAGRAM OF INVESTMENT STRUCTURE

FOR THE YEAR ENDED DECEMBER 31, 2018



YFY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 539,100	\$ -	\$ -	-	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 13,292,470	\$ 13,292,470	Note 2
2	YFY Global Investment BVI Corp.	YFY International BVI Corp.	Other receivables from related parties	Yes	116,520	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	529,033	10,580,653	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	291,950	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	10,580,653	10,580,653	Note 2
		Yeon Technologies Co., Ltd.	Other receivables from related parties	Yes	30,830	30,715	30,715	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	529,033	2,116,131	Note 2
		YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	1,454,376	767,875	767,875	1.50-3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	10,580,653	10,580,653	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	1,290,030	1,290,030	1,290,030	3.00-3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	10,580,653	10,580,653	Note 2
		YFY Jupiter Limited	Other receivables from related parties	Yes	92,145	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	529,033	2,116,131	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	460,254	242,649	242,649	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	2,116,131	2,116,131	Note 2
3	YFY International BVI Corp.	YFY Paper Enterprise (Tianjin) Co., Ltd.	Long-term receivables from related parties	Yes	31,289	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		Syntax Communication (H.K.) Limited	Other receivables from related parties	Yes	53,508	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Long-term receivables from related parties	Yes	62,579	59,969	59,969	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2

		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	73,554	70,486	70,486	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	233,504	223,766	223,766	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	389,353	389,353	308,797	5.90	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	1,454,885	368,580	368,580	2.00-3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	464,325	460,725	460,725	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	3,541,292	2,753,394	2,753,394	2.37-3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	41,940,070	41,940,070	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	216,685	215,005	215,005	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	8,388,014	8,388,014	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	294,215	281,945	281,945	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	8,388,014	8,388,014	Note 2
		YFY Biopulp Technology Ltd.	Other receivables from related parties	Yes	3,096	3,072	3,072	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	8,388,014	8,388,014	Note 2
4	YFY Paper Enterprise (Guangzhou) Co., Ltd.	YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	140,102	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	220,790	220,790	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	57,588	55,197	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	55,197	220,790	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	57,599	55,197	24,112	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	55,197	220,790	Note 2
5	YFY Paper Enterprise (Kunshan) Co., Ltd.	YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	275,944	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	947,689	947,689	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	953,049	947,689	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	947,689	947,689	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	988,930	947,689	45,523	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	947,689	947,689	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 Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 988,930	\$ 947,689	\$ 580,302	3.25	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 947,689	\$ 947,689	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	46,126	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	189,538	189,538	Note 2
6	YFY Paper Enterprise (Qingdao) Co., Ltd.	YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	229,953	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	1,636,763	1,636,763	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,646,021	1,636,763	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,636,763	1,636,763	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,707,992	1,636,763	729,308	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,636,763	1,636,763	Note 2
7	YFY Paper Enterprise (Nanjing) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	30,301	29,037	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	29,037	116,148	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	29,201	29,037	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	29,037	116,148	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	30,301	29,037	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	29,037	116,148	Note 2
8	YFY Paper Enterprise (Dongguan) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	735,352	704,821	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	723,617	723,617	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	735,493	704,821	303,356	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	723,617	723,617	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	19,614	-	-	5.00	Short-term financing	-	Financing for working capital requirements	-	-	-	144,723	144,723	Note 2
9	YFY Paper Enterprise (Tianjin) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,339,116	1,331,585	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,331,585	1,331,585	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,389,532	1,331,585	635,075	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,331,585	1,331,585	Note 2
10	YFY Paper Enterprise (Zhongshan) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,376,858	1,319,691	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,588,210	1,588,210	Note 2
		YFY Paper Mfg. (Yangzhou)	Other receivables from	Yes	1,377,121	1,319,691	416,713	3.25	Short-term	-	Financing for working	-	-	-	1,588,210	1,588,210	Note 2

		Co., Ltd. YFY Paper Mfg. (Jiangyin) Co., Ltd.	related parties Other receivables from related parties	Yes	280,204	268,519	268,519	5.00	financing Short-term financing	-	capital requirements Financing for working capital requirements	-	-	-	317,642	317,642	Note 2
11	YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	328,054	314,374	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	314,374	314,374	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	328,054	314,374	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	314,374	314,374	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	316,152	314,374	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	314,374	314,374	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	46,126	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	62,875	62,875	Note 2
12	YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	700,377	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	700,377	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	700,377	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Fuzhou) Co., Ltd.	Other receivables from related parties	Yes	700,377	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	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 Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 675,095	\$ 671,298	\$ -	3.50	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 1,424,748	\$ 1,424,748	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	1,486,749	1,424,748	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	1,486,749	1,424,748	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	1,486,749	1,424,748	2,506	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	1,486,749	1,424,748	38,154	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,486,749	1,424,748	263,502	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,486,749	1,424,748	304,532	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,424,748	1,424,748	Note 2
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	74,323	71,237	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	71,237	284,949	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	71,640	71,237	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	71,237	284,949	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	74,337	71,237	50,792	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	71,237	284,949	Note 2
13	YFY Paper Enterprise (Shanghai) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	424,839	407,122	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	407,122	407,122	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	409,424	407,122	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	407,122	407,122	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	424,839	407,122	15,196	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	407,122	407,122	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	50,739	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	81,424	81,424	Note 2
14	YFY Paper Enterprise (Jiaxing) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	306,316	293,542	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	293,542	293,542	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	306,316	293,542	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	293,542	293,542	Note 2
		YFY Packaging (Yangzhou)	Other receivables from	Yes	295,202	293,542	-	3.25	Short-term	-	Financing for working	-	-	-	293,542	293,542	Note 2

		Investment Co., Ltd. YFY Paper Enterprise (Nanjing) Co., Ltd.	related parties Other receivables from related parties	Yes	36,901	-	-	-	financing Short-term financing	-	capital requirements Financing for working capital requirements	-	-	-	58,708	58,708	Note 2
15	YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Family Paper (Beijing) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		Kunshan YFY Jupiter Green Packaging Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Jupiter (Shenzhen) Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	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 Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 700,511	\$ 671,298	\$ -	3.25	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 5,585,383	\$ 5,585,383	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	675,095	671,298	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	3,565	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		Shenzhen Jing Lun Paper Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	7,433	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	13,087	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	27,755	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	55,901	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		Kunshan YFY Advertising and Printing Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	376,575	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Fuzhou) Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	422,135	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	291,422	279,269	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	279,269	1,117,077	Note 2
		Guangdong Ding Fung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	700,511	671,298	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		Shanghai YFY International Trade Co., Ltd.	Other receivables from related parties	Yes	2,428	2,327	2,144	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,585,383	5,585,383	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	291,422	279,269	76,913	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	279,269	1,117,077	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	291,422	279,269	167,740	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	279,269	1,117,077	Note 2
16	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	284,609	240,650	68,027	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	240,650	240,650	Note 2
17	YFY Jupiter (Shenzhen) Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	538,228	515,783	48,476	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	517,819	517,819	Note 2

		Chengdu YongJunYu Environmental Protection Packing Co., Ltd.	Other receivables from related parties	Yes	2,125	-	-	12.00	Short-term financing	-	Financing for working capital requirements	-	-	-	103,564	103,564	-
18	Kunshan YFY Jupiter Green Packaging Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	199,353	191,040	1	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	191,040	191,040	Note 2
19	YFY Cayman Co., Ltd.	YFY Paper Enterprise (Qingdao) Co., Ltd.	Long-term receivables from related parties	Yes	63,513	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	116,520	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Packaging (Ha Nam) Co., Ltd.	Other receivables from related parties	Yes	61,910	61,430	61,430	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,582,648	5,582,648	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Long-term receivables from related parties	Yes	78,224	74,962	74,962	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	82,917	79,460	79,460	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	88,731	85,031	85,031	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	152,128	89,954	89,954	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Long-term receivables from related parties	Yes	128,427	123,071	123,071	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	142,367	136,430	136,430	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	355,260	153,575	153,575	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	1,395,662	27,913,243	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	193,995	185,905	185,905	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Long-term receivables from related parties	Yes	213,889	204,970	204,970	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	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 Paper Enterprise (Tianjin) Co., Ltd.	Long-term receivables from related parties	Yes	\$ 246,580	\$ 236,297	\$ 236,297	4.35	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 27,913,243	\$ 27,913,243	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	449,769	449,769	449,769	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Long-term receivables from related parties	Yes	560,409	537,038	537,038	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Long-term receivables from related parties	Yes	912,965	912,965	912,965	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	4,171,116	3,178,191	3,178,191	3.00-4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	27,913,243	27,913,243	Note 2
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	344,184	164,915	164,915	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	1,395,662	5,582,648	Note 2
20	YFY RFID CO., LTD.	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	216,530	214,851	214,851	1.50-3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	4,715,538	4,715,538	Note 2
21	Hwa Fong Paper (Hong Kong) Company Limited	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	3,715	3,686	3,686	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	184,967	184,967	Note 2
22	Guangdong Ding Fung Pulp & Paper Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	513,160	491,760	458,792	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	491,760	1,967,039	Note 2
23	CHP International (BVI) Corporation	Zhaoqing Ding Fung Forestry Co., Ltd.	Other receivables from related parties	Yes	371,460	368,580	368,580	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	2,171,880	2,171,880	Note 2
		Guangdong Ding Fung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,021,515	1,013,595	1,013,595	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	2,171,880	2,171,880	Note 2
		YFY International BVI Corp.	Other receivables from related parties	Yes	309,550	307,150	307,150	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	542,970	2,171,880	Note 2
24	Zhaoqing Ding Fung Forestry Co., Ltd.	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	93,401	89,506	89,506	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,178,895	1,178,895	Note 2
25	Shenzhen Jing Lun Paper Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	176,506	8,457	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	8,457	33,829	Note 2

26	Yuen Foong Yu Consumer Products Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	513,708	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	959,608	959,608	Note 2
		YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	60,711	58,179	58,179	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	959,608	959,608	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	800,121	760,804	760,804	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	959,608	959,608	Note 2
27	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	928,650	921,450	921,450	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	5,357,979	5,357,979	Note 2
28	YFY Family Care (Kunshan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	470,933	448,995	15,091	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	897,989	897,989	Note 2
29	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,027,598	984,744	45,390	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,969,488	1,969,488	Note 2
30	YFY Family Paper (Beijing) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	498,967	478,159	59,784	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	956,318	956,318	Note 2
31	YFY Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,600,471	2,492,023	210,674	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	4,984,046	4,984,046	Note 2
32	YFY International Labuan Co., Ltd.	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	99,056	98,288	98,288	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	14,620,634	14,620,634	Note 2
33	YFY Mauritius Corp.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	309,550	307,150	307,150	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	14,682,267	14,682,267	Note 2
34	YFY Packaging BVI Corp.	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	173,189	26,108	26,108	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	7,425,320	7,425,320	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			
35	YFY Packaging Capital Corp.	YFY International BVI Corp.	Other receivables from related parties	Yes	\$ 435,277	\$ -	\$ -	-	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 11,664,304	\$ 11,664,304	Note 2
		YFY International BVI Corp.	Long-term receivables from related parties	Yes	675,730	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	11,664,304	11,664,304	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Long-term receivables from related parties	Yes	430,805	402,779	402,779	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	11,664,304	11,664,304	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	5,749,991	5,651,560	5,651,560	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	11,664,304	11,664,304	Note 2
36	YFY Capital Co., Ltd.	Yeon Technologies Co., Ltd.	Other receivables from related parties	Yes	35,000	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	136,624	136,624	Note 2
		Fidelis IT Solutions Co., Ltd.	Other receivables from related parties	Yes	50,000	50,000	50,000	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	136,624	136,624	Note 2
37	San Ying Enterprise Co., Ltd.	YFY Venture Capital Investment Co., Ltd.	Other receivables from related parties	Yes	50,000	50,000	50,000	1.10	Short-term financing	-	Financing for working capital requirements	-	-	-	50,712	50,712	Note 2
38	YFY Holding Management Co., Ltd.	YFY Packaging Inc.	Other receivables from related parties	Yes	40,000	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	99,751	99,751	Note 2
		YFY Venture Capital Investment Co., Ltd.	Other receivables from related parties	Yes	99,000	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	99,751	99,751	Note 2
39	Effion Enertech Co., Ltd.	Lotus Ecoscings & Engineering Co., Ltd.	Other receivables from related parties	Yes	80,000	70,000	70,000	1.25	Short-term financing	-	Financing for working capital requirements	-	-	-	271,684	271,684	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	-	-	-	271,684	271,684	Note 2
40	YFY Japan Co., Ltd.	YFY International BVI Corp.	Other receivables from related parties	Yes	55,460	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	172,267	172,267	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 Fung 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)

YFY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 the 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.	\$ 49,846,761	\$ 3,077,598	\$ 2,197,855	\$ 645,980	\$ -	6.20	\$ 66,462,348	Yes	No	Yes
2	YFY Packaging Inc.	YFY Cayman Co., Ltd.	Note 3 b.	10,030,800	4,643,250	4,607,250	2,948,640	-	68.52	13,374,400	No	Yes	No
3	YFY Cayman Co., Ltd.	YFY Packaging (Ha Nam) Co., Ltd.	Note 3 a.	20,934,932	477,865	476,083	210,464	-	3.51	27,913,242	Yes	No	No
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3 a.	20,934,932	717,800	704,000	192,835	-	5.20	27,913,242	Yes	No	Yes
4	Willpower Industries Ltd.	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Note 3 a.	2,448,711	154,775	153,575	30,715	-	8.61	3,264,948	Yes	No	No
		Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Note 3 a.	2,448,711	402,415	399,295	245,720	-	22.38	3,264,948	Yes	No	No
		Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Note 3 a.	2,448,711	1,052,470	1,044,310	1,003,540	-	58.54	3,264,948	Yes	No	No
5	YFY Jupiter (Shenzhen) Ltd.	YFY Jupiter Limited	Note 3 b.	388,364	61,430	-	-	-	-	517,817	No	No	No
6	Kunshan YFY Jupiter Green Packaging Ltd.	YFY Jupiter Limited	Note 3 b.	143,282	61,430	-	-	-	-	191,038	No	No	No

1	<u>Credit line (Note 4)</u>												
	YFY Inc.	Yeon Technologies Co., Ltd.	Note 3 a.	49,846,761	40,000	-	-	-	-	66,462,348	No	No	No
		San Ying Enterprise Co., Ltd.	Note 3 a.	49,846,761	50,000	-	-	-	-	66,462,348	No	No	No
		YFY Japan Co., Ltd.	Note 3 a.	49,846,761	84,000	-	-	-	-	66,462,348	No	No	No
		Lotus Ecoscings & Engineering Co., Ltd.	Note 3 a.	49,846,761	230,000	230,000	83,000	-	0.65	66,462,348	No	No	No
		YFY (Shanghai) Financial Services Co., Ltd.	Note 3 a.	49,846,761	553,235	408,056	147,685	-	1.15	66,462,348	No	No	No
		YFY Global Investment BVI Corp.	Note 3 a.	49,846,761	773,875	460,725	208,862	-	1.30	66,462,348	No	No	No
		YFY Paradigm Investment Co., Ltd.	Note 3 a.	49,846,761	1,670,000	1,670,000	970,000	-	4.71	66,462,348	No	No	No
		YFY Venture Capital Investment Co., Ltd.	Note 3 a.	49,846,761	1,920,000	1,920,000	796,000	-	5.41	66,462,348	No	No	No
		YFY Capital Co., Ltd.	Note 3 a.	49,846,761	2,700,000	2,600,000	1,730,000	-	7.33	66,462,348	No	No	No
		YFY International BVI Corp.	Note 3 a.	49,846,761	4,203,078	2,959,919	129,003	-	8.35	66,462,348	No	No	No
		YFY Jupiter Limited	Note 3 a.	49,846,761	329,990	285,610	226,005	-	0.81	66,462,348	No	No	No
		YFY Jupiter (BVI) Inc.	Note 3 a.	49,846,761	308,300	307,150	92,145	-	0.87	66,462,348	No	No	No
2	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	Note 3 a.	23,533,454	598,943	598,943	-	-	3.83	31,377,938	No	No	No
		Guangdong Ding Fung Pulp & Paper Co., Ltd.	Note 3 a.	23,533,454	186,767	179,013	-	-	1.15	31,377,938	No	No	No
3	Yuen Foong Yu Consumer Products Co., Ltd.	YFY Investment Co., Ltd.	Note 3 a.	3,598,529	291,300	-	-	-	-	4,798,039	No	No	No
		YFY Family Care (Kunshan) Co., Ltd.	Note 3 a.	3,598,529	291,300	-	-	-	-	4,798,039	No	No	No
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Note 3 a.	3,598,529	436,950	-	-	-	-	4,798,039	No	No	No
4	YFY Packaging Inc.	YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 3 b.	10,030,800	93,401	89,506	-	-	1.33	13,374,400	No	No	No
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Note 3 b.	10,030,800	93,401	89,506	-	-	1.33	13,374,400	No	No	No
		YFY Cayman Co., Ltd.	Note 3 b.	10,030,800	2,248,338	1,904,330	-	-	28.32	13,374,400	No	No	No

(Continued)

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., YFY Cayman Co., Ltd., Willpower Industries Ltd., YFY Jupiter (Shenzhen) Ltd. and Kunshan YFY Jupiter Green Packaging 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., Willpower Industries Ltd., YFY Jupiter (Shenzhen) Ltd. and Kunshan YFY Jupiter Green Packaging Ltd.

Note 3: The relationships between the endorsee and the guarantee are as follows:

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

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

(Concluded)

YFY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(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, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Inc.	<u>Common share</u>							
	SinoPac Holdings Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	468,485,150	\$ 4,825,397	4.2	\$ 4,825,397	
	Boardtek Electronics Corporation	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	37,323,087	1,183,142	16.7	1,183,142	
	TaiGen Biopharmaceuticals Holdings Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	84,509,502	1,436,662	11.8	1,436,662	
	Canada Investment and Development Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	20,826,000	167,785	12.9	167,785	
	Synmax Biochemical Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	5,999,371	63,877	13.9	63,877	
	Universal Investment Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	5,562,000	31,436	2.9	31,436	
	Fu Hwa Development Enterprise Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	4,200,000	56,950	14.0	56,950	
	Taiwan Cultural-Creative Development Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,600,000	22,593	8.0	22,593	
	Shin Taiwan Agricultural Machinery Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	5,612	32,064	5.5	32,064	
	China Trade and Development Corp.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	377,634	1,726	0.6	1,726	
	Taiwan Stock Exchange Corporation	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	20,817,024	1,590,763	3.0	1,590,763	

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Sino Cell Technologies Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	995,313	7,193	10.0	7,193	
	Yuen Foong Paper Co., Ltd.	Note 3	Financial assets measured at fair value through other comprehensive income and loss - non-current	544,067	12,399	0.7	12,399	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	20,884,500	300,123	14.9	300,123	
	iXensor Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,970,000	36,642	4.1	36,642	
	<u>Subordinated bank debentures</u> Bank SinoPac's 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015	Note 2	Financial assets measured at fair value through profit or loss - non-current	-	160,964	-	160,964	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	1,445,996	\$ 20,104	-	\$ 20,104	
YFY Paper Enterprise (Xiamen) Co., Ltd.	<u>Share certificate</u> Xiamen Taiwanese Investment Association Management Company	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	-	RMB 70 thousand	-	RMB 70 thousand	
YFY Global Investment BVI Corp.	<u>Beneficiary certificates</u>							

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shin Foong Specialty and Applied Materials Co., Ltd.	WI Harper INC Fund VII LP	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	-	US\$ 216 thousand	0.2	US\$ 216 thousand	
	<u>Special share</u> Neutron Innovation (BVI) Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,692,250	US\$ 2,082 thousand	6.6	US\$ 2,082 thousand	
	Micareo Inc.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	8,124,999	US\$ 5,477 thousand	19.9	US\$ 5,477 thousand	
	Omni-ID Corporation Inc.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	4,225,531	US\$ 4,226 thousand	5.5	US\$ 4,226 thousand	
	<u>Common share</u> SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	21,891,143	225,479	0.2	225,479	
	Foongtone Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	2,884,415	53,722	11.8	53,722	
	<u>Beneficiary certificates</u> Jih Sun Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	406,463	6,013	-	6,013	
	Hua Nan Phoenix Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	369,740	6,002	-	6,002	
	<u>Common share</u> China Development Financial Holding Corporation	-	Financial assets measured at fair value through other comprehensive income and loss - current	9,959,081	96,802	0.1	96,802	
	China Parcel Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non - current	463,917	5,660	10.8	5,660	
YFY Capital Co., Ltd.	<u>Common share</u> SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	106,496,565	1,096,915	0.9	1,096,915	
	Advance Materials Corporation Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non - current	1,542,258	7,989	1.3	7,989	

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Leadwell Machines Mfg. Corp.	-	Financial assets measured at fair value through other comprehensive income and loss - non - current	2,090,000	20,277	3.4	20,277	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Paradigm Investment Co., Ltd.	<u>Common share</u>							
	SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	113,222,824	\$ 1,166,195	1.0	\$ 1,166,195	
	Shen's Art Printing Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - current	43,109	552	0.1	552	
	Medeon Biodesign, Inc.	-	Financial assets measured at fair value through other comprehensive income and loss - current	108,000	9,601	0.2	9,601	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	24,154,353	410,624	3.4	410,624	
	Canada Investment and Development Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	2,574,000	20,737	1.6	20,737	
	Locus Publishing Company	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,402,386	12,963	13.4	12,963	
	Sino Cell Technologies Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	994,687	7,189	10.0	7,189	
	Foongtone Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	881,184	16,412	3.6	16,412	
	Taiwan Stock Exchange Corporation	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,440	110	-	110	
YFY Venture Capital Investment Co., Ltd.	<u>Common share</u>							
	SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	105,793,320	1,089,671	0.9	1,089,671	
	Medeon Biodesign, Inc.	-	Financial assets measured at fair value through other comprehensive income and loss - current	185,000	16,447	0.4	16,447	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,265,000	21,505	0.2	21,505	
	Quan Yuan Investment Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	7,000,000	56,739	5.5	56,739	
	Taiwan Global BioFund Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	5,600,000	40,946	4.7	40,946	
	Ever Terminal Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	2,401,920	13,464	2.5	13,464	

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Echem Solutions Corp.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	780,652	10,811	1.4	10,811	
	Overseas Investment & Development Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,000,000	8,358	1.1	8,358	
	Advance Materials Corporation Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,001	5	-	5	
	Hanmore Investment Corp.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,635,245	73,569	8.3	73,569	
	Somnics, Inc.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	485,000	11,296	1.3	11,296	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Packaging Inc.	<u>Beneficiary certificates</u>							
	Yuanta Wan Tai Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	1,520,737	\$ 23,001	-	\$ 23,001	
Fidelis IT Solutions Co., Ltd.	<u>Common share</u>							
	SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	7,455,438	76,791	0.1	76,791	
Lotus Ecoscings & Engineering Co., Ltd.	<u>Common share</u>							
	SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	30,220,080	311,267	0.3	311,267	
	Boardtek Electronics Corporation	Note 1	Financial assets measured at fair value through other comprehensive income and loss - current	2,335,530	74,036	1.0	74,036	
	Fu Hwa Development Enterprise Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	1,050,000	14,237	3.5	14,237	
	Foongtone Technology Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive income and loss - non-current	489,546	9,118	2.0	9,118	
Chung Hwa Pulp Corporation	<u>Common share</u>							
	SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	99,809,327	1,028,036	0.9	1,028,036	
	NTU Innovation & Incubation Co., Ltd.	Note 1	Financial assets measured at fair value through profit or loss - non-current	800,000	-	6.3	-	
	Groundhog Technologies Inc.	-	Financial assets measured at fair value through profit or loss - non-current	275,000	-	1.0	-	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	15,315,356	260,361	2.1	260,361	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	20,884,500	300,123	14.9	300,123	
	<u>Subordinated bank debentures</u>							
	Bank SinoPac's 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015	-	Financial assets measured at fair value through profit or loss - non-current	-	171,035	-	171,035	

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Hwa Fong Investment Co., Ltd.	<u>Common share</u> Caihui Technology Co., Ltd.	-	Financial assets measured at fair value through profit or loss - non-current	150,000	-	0.2	-	
	SinoPac Holdings Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - current	2,394,960	24,668	-	24,668	
YFY Holding Management Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	3,783,738	52,606	-	52,606	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Union Paper Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	3,366,201	\$ 46,801	-	\$ 46,801	
	<u>Subordinated bank debentures</u> Bank SinoPac's 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015	-	Financial assets measured at fair value through profit or loss - non-current	-	20,117	-	20,117	
YFY Japan Co., Ltd.	<u>Common share</u> Beautone Japan Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income and loss - non-current	440	JPY 50,147 thousand	36.7	JPY 50,147 thousand	
Effion Enertech Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	217,925	3,030	-	3,030	
	<u>Subordinated bank debentures</u> Bank SinoPac's 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015	-	Financial assets measured at fair value through profit or loss - non-current	-	50,301	-	50,301	
Kuang Hwa Fertilizer Limited Company	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	312,798	4,349	-	4,349	
	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	360,013	5,005	-	5,005	
San Ying Enterprise Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current					
	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current					
Kunshan Actview Carbon Technology Co., Ltd.	<u>Structured deposit</u> Fubon Bank (China) Financial Product No. 18010393	-	Financial assets measured at fair value through profit or loss - current	-	RMB 2,290 thousand	-	RMB 2,290 thousand	
	<u>Structured deposit</u> Fubon Bank (China) Financial Product No. 18010393	-	Financial assets measured at fair value through profit or loss - current					

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Fubon Bank (China) Financial Product No. 18040370	-	Financial assets measured at fair value through profit or loss - current	-	RMB 2,993 thousand	-	RMB 2,993 thousand	
	Fubon Bank (China) Financial Product No. 18070386	-	Financial assets measured at fair value through profit or loss - current	-	RMB 2,452 thousand	-	RMB 2,452 thousand	
	<u>Structured deposit</u>							
	Bank of Communications Financial Product No. 111000385218		Financial assets measured at fair value through profit or loss - current	-	RMB 40,397 thousand	-	RMB 40,397 thousand	
	Bank of Communications Financial Product No. 114600407399	-	Financial assets measured at fair value through profit or loss - current	-	RMB 30,282 thousand	-	RMB 30,282 thousand	
	Bank of Communications Financial Product No. 151100683240	-	Financial assets measured at fair value through profit or loss - current	-	RMB 15,135 thousand	-	RMB 15,135 thousand	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Bank of Communications Financial Product No. 102700277607	-	Financial assets measured at fair value through profit or loss - current	-	RMB 48,375 thousand	-	RMB 48,375 thousand	
	Bank of Communications Financial Product No. 093600148442	-	Financial assets measured at fair value through profit or loss - current	-	RMB 45,339 thousand	-	RMB 45,339 thousand	
	Bank of Communications Financial Product No. 151000746577	-	Financial assets measured at fair value through profit or loss - current	-	RMB 5,034 thousand	-	RMB 5,034 thousand	
	Bank of Communications Financial Product No. 144700621358	-	Financial assets measured at fair value through profit or loss - current	-	RMB 10,023 thousand	-	RMB 10,023 thousand	
	Bank of Communications Financial Product No. 143200736339	-	Financial assets measured at fair value through profit or loss - current	-	RMB 10,001 thousand	-	RMB 10,001 thousand	
Arizon RFID Technologies (Hong Kong) Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	771,912	US\$ 349 thousand	-	US\$ 349 thousand	
Yeon Technologies Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	100,986	1,404	-	1,404	

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

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

Note 3: A member of the board of directors of the investor.

(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, 2018

(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 (Note 3)		Number of Shares	Amount	
YFY Packaging Inc.	<u>Beneficiary certificates</u>															
	SinoPac TWD Money Market Fund	Note 1 a.	-	-	722,288	\$ 10,000	216,308,858	\$ 2,792,000	217,031,146	\$ 2,802,335	\$ 2,802,000	\$ 335	\$ -	-	\$ -	-
	Yuanta Wan Tai Money Market Fund	Note 1 a.	-	-	-	-	125,674,026	2,383,000	124,153,289	2,360,224	2,360,000	224	1	1,520,737	23,001	-
	<u>Common shares</u>															
	YFY Packaging (BVI) Corp.	Note 1 c.	Note 2	Subsidiary	150,050,000	3,597,225	15,000,000	444,075	-	-	-	-	(421,565)	165,050,000	3,619,735	Note 6
Chung Hwa Pulp Corporation	<u>Beneficiary certificates</u>															
	SinoPac TWD Money Market Fund	Note 1 a.	-	-	1,588,964	22,000	25,964,261	360,000	27,553,225	382,016	382,000	16	-	-	-	-
YFY Capital Co., Ltd.	<u>Beneficiary certificates</u>															
	SinoPac TWD Money Market Fund	Note 1 a.	-	-	-	-	105,167,040	1,460,000	105,167,040	1,460,158	1,460,000	158	-	-	-	-
	Capital Money Market Fund	Note 1 a.	-	-	-	-	31,669,642	510,000	31,669,642	510,032	510,000	32	-	-	-	-
	<u>Common shares</u>															
	SinoPac Holdings Co., Ltd.	Note 1 b.	-	-	28,481,679	275,418	78,014,886 (Note 5)	786,963	-	-	-	-	34,534	106,496,565	1,096,915	-
YFY Global Investment BVI Corp.	<u>Common shares</u>															
	SinoPac Holdings Co., Ltd.	Note 1 b.	-	-	75,925,719	US\$ 24,671 thousand	-	-	75,925,719	US\$ 25,500 thousand	US\$ 27,685 thousand	US\$ (2,185) thousand	US\$ 3,014 thousand	-	-	-

YFY Packaging (BVI) Corp.	<u>Common shares</u>															
	YFY Mauritius Corp.	Note 1 c.	Note 2	Same ultimate parent company	145,000,000	US\$ 114,565 thousand	20,000,000	US\$ 20,000 thousand	-	-	-	-	US\$ (18,060) thousand	165,000,000	US\$ 116,505 thousand	Note 6
YFY Mauritius Corp.	<u>Share certificate</u>															
	YFY Packaging (Yangzhou) Investment Co., Ltd.	Note 1 c.	Note 2	Subsidiary	-	US\$ 24,361 thousand	-	US\$ 20,000 thousand	-	-	-	-	US\$ (26,121) thousand	-	US\$ 18,240 thousand	Note 6
YFY Packaging (Yangzhou) Investment Co., Ltd.	<u>Share certificate</u>															
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 c.	Note 2	Same ultimate parent company	-	RMB 185,224 thousand	-	RMB 127,358 thousand	-	-	-	-	RMB (131,214) thousand	-	RMB 181,368 thousand	Note 6
Winsong Packaging Investment Company Limited	<u>Common shares</u>															
	YFY Packaging (Ha Nam) Co., Ltd	Note 1 c.	Note 2	Subsidiary	-	-	-	US\$ 12,400 thousand	-	-	-	-	US\$ (1,396) thousand	-	US\$ 11,004 thousand	Note 6

Note 1: Accounted for as follows:

- a. Accounted for as financial assets at fair value through profit or loss - current.
- b. Accounted for as financial assets at fair value through other comprehensive income - current.
- c. Accounted for as investments accounted for using the equity method.

Note 2: The Group’s subscription of ordinary shares of investees is in cash.

Note 3: Includes gain (loss) on the fair value change of financial instruments at FVTPL and unrealized gain (loss) on financial instruments at FVTOCI transferred to retained earnings.

Note 4: Includes exchange differences on translating foreign operations, share of profit of associates and unrealized gain (loss) on financial instruments at FVTPL or FVTOCI.

Note 5: Purchase of 75,726,919 shares and receipt of 2,088,167 shares in stock dividends.

Note 6: In preparing the consolidated financial statements, the transaction has been eliminated.

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, 2018**
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
YFY Packaging (Yangzhou) Investment	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 1 b.	Sales	\$ 644,884	9	In agreed terms	\$ -	-	\$ 72,273	3	Note 2
	YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 1 b.	Sales	605,127	9	In agreed terms	-	-	55,266	2	Note 2
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Note 1 b.	Sales	426,968	6	In agreed terms	-	-	33,251	1	Note 2
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 1 b.	Sales	200,583	3	In agreed terms	-	-	24,001	1	Note 2
	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Note 1 b.	Sales	350,425	5	In agreed terms	-	-	60,662	2	Note 2
	YFY Paper Enterprise (Qingdao) Co., Ltd.	Note 1 b.	Sales	308,778	4	In agreed terms	-	-	21,718	1	Note 2
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Note 1 b.	Sales	373,233	5	In agreed terms	-	-	48,837	2	Note 2
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 b.	Sales	3,666,845	52	In agreed terms	-	-	1,539,858	57	Note 2
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Note 1 b.	Sales	160,646	2	In agreed terms	-	-	9,939	-	Note 2
	YFY Paper Enterprise (Nanjing) Co., Ltd.	Note 1 b.	Sales	134,332	2	In agreed terms	-	-	11,673	-	Note 2
	YFY Paper Enterprise (Fuzhou) Co., Ltd.	Note 1 b.	Sales	123,923	2	In agreed terms	-	-	11,780	-	Note 2
YFY Packaging Inc.	Pek Crown Paper Co., Ltd.	Note 1 a.	Sales	752,176	6	3 months after transaction month	-	-	130,852	6	Note 2
	Chung Hwa Pulp Corporation	Note 1 b.	Sales	1,889,510	16	2 months after transaction month	-	-	346,869	16	Note 2
	Yuen Foong Yu Consumer Products Co., Ltd.	Note 1 b.	Sales	138,756	1	In agreed terms	-	-	50,605	2	Note 2
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 b.	Sales	320,276	3	In agreed terms	-	-	105,910	5	Note 2
Chung Hwa Pulp Corporation	YFY Capital Co., Ltd.	Note 1 b.	Sales	1,016,608	5	Half month after transaction month	-	-	54,726	2	Note 2
	Yuen Foong Yu Consumer Products Co., Ltd.	Note 1 b.	Sales	869,939	4	2 months after transaction month	-	-	261,088	9	Note 2
	Shenzhen Jing Lun Paper Co., Ltd.	Note 1 b.	Sales	977,100	5	5 months after transaction month	-	-	610,542	21	Note 2
	Union Paper Co., Ltd.	Note 1 b.	Sales	1,208,652	6	1 month after transaction month	-	-	112,940	4	Note 2
	YFY Packaging Inc.	Note 1 b.	Sales	383,884	2	2 months after transaction month	-	-	114,679	4	Note 2
	Beautone Co., Ltd.	Note 1 c.	Sales	312,629	1	1 month after transaction month	-	-	60,002	2	-

YFY Investment Co., Ltd.	China Color Printing Co., Ltd.	Note 1 b.	Sales	114,853	1	2 months after transaction month	-	-	26,045	1	Note 2
	YFY Family Care (Kunshan) Co., Ltd.	Note 1 a.	Sales	538,089	6	In agreed terms	-	-	62,961	5	Note 2
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Note 1 a.	Sales	1,976,035	23	In agreed terms	-	-	236,640	20	Note 2
	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Note 1 b.	Sales	224,839	3	2 months after transaction month	-	-	29,040	2	Note 2
	YFY Family Paper (Beijing) Co., Ltd.	Note 1 a.	Sales	170,961	2	In agreed terms	-	-	48,344	4	Note 2
YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Enterprise (Kunshan) Co., Ltd.	Note 1 b.	Sales	445,857	64	In agreed terms	-	-	52,397	18	Note 2

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Zhaoqing Ding Fung Forestry Co., Ltd.	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Note 1 b.	Sales	\$ 255,061	75	In agreed terms	\$ -	-	\$ 215,981	94	Note 2
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	1,246,915	100	In agreed terms	-	-	97,852	70	Note 2
YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	692,976	100	In agreed terms	-	-	746	100	Note 2
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	2,490,137	92	In agreed terms	-	-	226,250	61	Note 2
	YFY Family Care (Kunshan) Co., Ltd.	Note 1 b.	Sales	202,289	7	In agreed terms	-	-	94,442	25	Note 2
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Note 1 a.	Sales	1,114,534	30	In agreed terms	-	-	261,498	14	Note 2
Guangdong Ding Fung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b.	Sales	1,213,140	43	2 months after transaction month	-	-	106,240	17	Note 2
	YFY Family Paper (Beijing) Co., Ltd.	Note 1 b.	Sales	146,021	5	In agreed terms	-	-	26,636	4	Note 2
YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Enterprise (Nanjing) Co., Ltd.	Note 1 b.	Sales	540,850	5	In agreed terms	-	-	20,844	1	Note 2
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 1 b.	Sales	595,138	5	In agreed terms	-	-	50,462	1	Note 2
	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 1 b.	Sales	554,867	5	In agreed terms	-	-	43,913	1	Note 2
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Note 1 b.	Sales	509,029	4	In agreed terms	-	-	38,867	1	Note 2
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Note 1 b.	Sales	353,093	3	In agreed terms	-	-	21,906	1	Note 2
	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Note 1 b.	Sales	222,534	2	In agreed terms	-	-	6,651	-	Note 2
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Note 1 b.	Sales	235,965	2	In agreed terms	-	-	12,605	-	Note 2
	YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 1 b.	Sales	124,983	1	In agreed terms	-	-	6,796	-	Note 2
	YFY Paper Enterprise (Qingdao) Co., Ltd.	Note 1 b.	Sales	150,834	1	In agreed terms	-	-	77	-	Note 2
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Note 1 b.	Sales	116,322	1	In agreed terms	-	-	8,878	-	Note 2
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Yeon Technologies (Yangzhou) Co., Ltd.	Note 1 a.	Sales	137,093	6	In agreed terms	-	-	30,431	11	Note 2
Union Paper Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b.	Sales	208,775	9	1 month after transaction month	-	-	11,022	4	Note 2
Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b.	Sales	290,198	8	4 months after transaction month	-	-	132,512	32	Note 2
YFY Japan Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b.	Sales	485,250	87	In agreed terms	-	-	-	-	Note 2

San Ying Enterprise Co., Ltd.	Union Paper Co., Ltd.	Note 1 b.	Sales	101,527	98	In agreed terms	-	-	9,876	82	Note 2
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Note 1 b.	Sales	113,893	5	In agreed terms	-	-	19,179	5	Note 2
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Note 1 b.	Sales	156,003	7	In agreed terms	-	-	66,583	15	Note 2
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Willpower Industries Ltd.	Note 1 b.	Sales	157,252	7	In agreed terms	-	-	27,206	8	Note 2

(Continued)

Note 1: The relationships are as follow:

- a. Subsidiary.
- b. Parent company or the same ultimate parent company.
- c. Substantive related party.

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 \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
YFY Packaging Inc.	Chung Hwa Pulp Corporation	Same ultimate parent company	\$ 346,869	5.57	\$ -	-	\$ 335,412	\$ -
	Pek Crown Paper Co., Ltd.	Subsidiary	130,852	7.02	-	-	123,364	-
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Same ultimate parent company	105,910	6.05	-	-	18,313	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	236,640	5.01	-	-	236,640	-
YFY (Shanghai) Financial Services Co., Ltd.	YFY Firstpak Packaging (Yangzhou) Co., Ltd.	Same ultimate parent company	120,327	-	-	-	-	-
Chung Hwa Pulp Corporation	Shenzhen Jing Lun Paper Co., Ltd.	Same ultimate parent company	610,542	1.70	-	-	112,843	-
	Yuen Foong Yu Consumer Products Co., Ltd.	Same ultimate parent company	261,088	3.34	-	-	95,168	-
	YFY Packaging Inc.	Same ultimate parent company	114,679	3.61	-	-	31,140	-
	Union Paper Co., Ltd.	Same ultimate parent company	112,940	13.89	-	-	112,940	-
Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	123,992	2.92	-	-	49,617	-
YFY International BVI Corp.	YFY Investment Co., Ltd.	Same ultimate parent company	856,150	-	-	-	124,417	-
YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Same ultimate parent company	1,539,858	1.71	-	-	447,532	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	226,250	10.85	-	-	91,370	-
Zhaoqing Ding Fung Forestry Co., Ltd.	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Parent company	215,981	1.17	-	-	15,227	-

Guangdong Ding Fung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Same ultimate parent company	106,240	8.54	-	-	47,029	-
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	261,498	5.47	-	-	217,836	-
Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	Same ultimate parent company	132,512	2.37	-	-	58,149	-

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, 2018

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
YFY Inc.	Chung Hwa Pulp Corporation	Hualien, Taiwan	Pulp and paper production, trading and forestry business	\$ 5,715,988	\$ 5,715,988	627,827,088	56.90	\$ 8,946,875	\$ 445,663	\$ 254,105	Notes 1 and 3
	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	1,361,555	1,361,555	133,472,904	11.80	3,305,527	2,613,673	309,483	-
	YFY International BVI Corp.	British Virgin Islands	Investment and holding	18,124,434	18,124,434	580,098,758	100.00	20,659,509	184,122	176,305	Notes 1 and 3
	YFY Global Investment BVI Corp.	British Virgin Islands	Investment and holding	2,153,335	2,153,335	79,000,000	100.00	5,545,985	345,018	345,018	Notes 1 and 3
	Yuen Foong Yu Consumer Products Co., Ltd.	Taipei, Taiwan	Production and sale of high quality paper and paper - related merchandise	1,600,000	1,600,000	227,299,406	100.00	2,514,260	160,339	160,339	Notes 1 and 3
	Shin Foong Specialty and Applied Materials Co., Ltd.	Pingtung, Taiwan	Production and sale of SBR (styrene butadiene rubber) latex	73,020	73,020	51,914,248	49.60	1,628,076	426,961	212,186	Notes 1 and 3
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	310,125	310,125	31,012,500	23.00	569,730	88,103	20,239	-
	China Color Printing Co., Ltd.	Taipei, Taiwan	Design and printing of magazines, posters and books	190,068	190,068	32,896,330	49.70	452,350	17,592	8,736	Notes 1 and 3
	YFY Venture Capital Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	200,000	200,000	59,496,600	100.00	1,020,101	106,545	106,545	Notes 1 and 3
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.00	323,089	13,959	8,852	Notes 1 and 3
	YFY Capital Co., Ltd.	Taipei, Taiwan	Sale of paper and paper-related merchandise	189,759	189,759	26,840,000	100.00	382,197	32,253	32,253	Notes 1 and 3
	YFY Holding Management Co., Ltd.	Taipei, Taiwan	Consulting	30,000	250,000	3,000,000	100.00	41,528	16,170	16,170	Notes 1 and 3
	Union Paper Co., Ltd.	Yunlin, Taiwan	Manufacture and sale of paper	200,700	200,700	19,584,000	18.90	227,969	(10,670)	(2,018)	Notes 1 and 3
	YFY Paradigm Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	231,357	231,357	80,012,500	100.00	1,252,690	68,652	68,652	Notes 1 and 3
	San Ying Enterprise Co., Ltd.	Taipei, Taiwan	Design and construction of water processing and environmental facilities	100,003	100,003	12,600,000	100.00	148,128	22,013	22,013	Notes 1 and 3
	Lotus Ecoscings & Engineering Co., Ltd.	Taipei, Taiwan	Construction of sewage treatment plants and incinerators	152,944	152,944	26,914,000	100.00	339,620	18,093	18,093	Notes 1 and 3
	YFY Japan Co., Ltd.	Japan	Trade of paper, chemical material and machinery	2,099	2,099	200	100.00	97,161	7,295	7,295	Notes 1 and 3
	Yuen Yan Paper Container Co., Ltd.	Miaoli, Taiwan	Sale and manufacture of corrugated paper and materials	62,462	62,462	6,178,500	50.90	71,258	6,410	3,266	Notes 1 and 3
	Fidelis IT Solutions Co., Ltd.	Taipei, Taiwan	1. Provides services in information software and information processing. 2. Wholesale of information software and electric appliances.	10,000	10,000	2,857,000	100.00	48,761	465	465	Notes 1 and 3

	Taiwan Genome Sciences, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing.	12,260	12,260	1,225,956	19.40	19,800	29,798	5,767	-
YFY International BVI Corp.	YFY Cayman Co., Ltd.	Cayman Islands	Investment and holding	US\$ 391,850 thousand	US\$ 391,850 thousand	339,918,142	100.00	US\$ 441,184 thousand	US\$ (386) thousand	US\$ (386) thousand	Notes 1 and 3
	Hwa Fong Paper (Hong Kong) Company Limited	Hong Kong, China	Sale and print of paper merchandise	US\$ 13,520 thousand	US\$ 13,520 thousand	116,000,000	100.00	US\$ 3,110 thousand	US\$ 632 thousand	US\$ 632 thousand	Notes 1 and 3
	Syntax Communication (H.K.) Limited	Hong Kong, China	Sale and print of paper merchandise	US\$ 6,388 thousand	US\$ 4,646 thousand	34,000,000	100.00	US\$ 438 thousand	US\$ 100 thousand	US\$ 100 thousand	Notes 1 and 3
	YFY Biopulp Technology Limited	British Virgin Islands	Investment and holding	US\$ 90 thousand	US\$ 90 thousand	90,000	60.00	- thousand	US\$ (7) thousand	US\$ (4) thousand	Notes 1, 2 and 3
YFY Cayman Co., Ltd.	YFY International Labuan Co., Ltd.	Malaysia	Investment and holding	US\$ 165,901 thousand	US\$ 165,901 thousand	165,901,099	100.00	US\$ 231,412 thousand	US\$ 6,033 thousand	US\$ 5,984 thousand	Notes 1 and 3
	YFY Mauritius Corp.	Mauritius	Investment and holding	US\$ 157,502 thousand	US\$ 157,502 thousand	157,501,731	48.80	US\$ 111,211 thousand	US\$ (18,529) thousand	US\$ (9,033) thousand	Notes 1 and 3
	Willpower Industries Ltd.	British Virgin Islands	Sale of various paper products	US\$ 16,338 thousand	US\$ 10,898 thousand	8,550,000	55.20	US\$ 32,040 thousand	US\$ 3,128 thousand	US\$ 1,725 thousand	Notes 1 and 3
	YFY Packaging Capital Corp.	British Virgin Islands	Investment and holding	US\$ 200,000 thousand	US\$ 200,000 thousand	200,000,000	100.00	US\$ 200,149 thousand	US\$ (4,248) thousand	US\$ (4,248) thousand	Notes 1 and 3
	Winsong Packaging Investment Company Limited	Hong Kong, China	Investment and holding	US\$ 9,520 thousand	- thousand	9,520,000	70.00	US\$ 8,544 thousand	US\$ (18) thousand	US\$ (13) thousand	Notes 1 and 3
Winsong Packaging Investment Company Limited	YFY Packaging (Ha Nam) Co., Ltd.	Vietnam	Manufacture and sale of paper and cardboard	US\$ 12,400 thousand	- thousand	12,400,000	100.00	US\$ 11,004 thousand	US\$ (20) thousand	US\$ (20) thousand	Notes 1 and 3
Willpower Industries Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Vietnam	Manufacture and sale of paper and cardboard	US\$ 10,500 thousand	- thousand	10,500,000	100.00	US\$ 10,249 thousand	US\$ 854 thousand	US\$ 854 thousand	Notes 1 and 3
	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Vietnam	Manufacture and sale of paper and cardboard	US\$ 5,100 thousand	- thousand	5,100,000	100.00	US\$ 41,790 thousand	US\$ 3,680 thousand	US\$ 3,680 thousand	Notes 1 and 3
	Perpetual Prosperity Printing Technology Co., Ltd.	British Virgin Islands	Sale of various paper products	US\$ 4,500 thousand	- thousand	4,500,000	45.00	US\$ 4,417 thousand	US\$ (173) thousand	US\$ (78) thousand	-

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2018			Net Income (Loss)	Share of	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount	of the Investee	Profits (Loss)	
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Vietnam	Manufacture and sale of cardboard	US\$ 1,200 thousand	\$ -	1,200,000	100.00	US\$ 1,770 thousand	US\$ (55) thousand	US\$ (55) thousand	Notes 1 and 3
	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Vietnam	Manufacture and sale of paper and cardboard	US\$ 6,285 thousand	-	10,000,000	100.00	US\$ 25,077 thousand	US\$ 2,525 thousand	US\$ 2,525 thousand	Notes 1 and 3
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	35.00	US\$ 9,000 thousand	US\$ (490) thousand	US\$ (171) thousand	Note 3
	YFY Packaging Inc.	Taipei, Taiwan	Production and sale of high-quality craft paper and corrugated paper	US\$ 165,754 thousand	US\$ 165,754 thousand	410,150,000	100.00	US\$ 218,918 thousand	US\$ 6,155 thousand	US\$ 6,155 thousand	Notes 1 and 3
YFY Jupiter (BVI) Inc.	Mobius105 Ltd.	Hong Kong, China	Investment and holding	HK\$ 10 thousand	HK\$ 10 thousand	10,000	100.00	US\$ 9,596 thousand	US\$ 4,266 thousand	US\$ 4,266 thousand	Notes 1 and 3
	YFY Jupiter Limited	Hong Kong, China	Design of packaging and sale of paper	-	-	3	100.00	US\$ 2,061 thousand	US\$ (3,445) thousand	US\$ (3,445) thousand	Notes 1 and 3
	Jupiter Prestige Group Holding Limited	United Kingdom	Investment and holding	GBP 100 thousand	GBP 100 thousand	100,000	57.00	US\$ 3,165 thousand	US\$ 1,427 thousand	US\$ 813 thousand	Notes 1 and 3
	YFY Jupiter US, Inc.	USA	Design of packaging and sale of paper	US\$ 1 thousand	US\$ 1 thousand	100,000	100.00	-	US\$ (1,134) thousand	US\$ (1,134) thousand	Notes 1, 2 and 3
	YFY Jupiter Malaysia Sdn. Bhd.	Malaysia	Design of packaging and sale of paper	-	-	99	99.00	US\$ 23 thousand	US\$ 29 thousand	US\$ 28 thousand	Notes 1, 2 and 3
	YFY Jupiter Indonesia, PT PMA	Indonesia	Design of packaging	IDR 25,000 thousand	-	25	1.00	-	US\$ (44) thousand	-	Note 3
YFY Jupiter US, Inc.	Innovative, Packaging Worldwide, LLC	USA	Design of packaging and sale of paper	-	-	100,000	100.00	-	US\$ 1,891 thousand	US\$ 1,891 thousand	Notes 1, 2 and 3
	YFY Jupiter Mexico, S. de R.L.	Mexico	Design of packaging and sale of paper	-	-	1	1.00	-	US\$ (1,104) thousand	US\$ (11) thousand	Notes 2 and 3
	Spectiv Brands, LLC	USA	Investment and holding	-	-	-	100.00	-	US\$ (845) thousand	US\$ (845) thousand	Notes 1, 2 and 3
Mobius105 Ltd.	GST Packaging Limited	Hong Kong, China	Trading business	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 89 thousand	US\$ (2) thousand	US\$ (1) thousand	-
	YJY Packaging Limited	Hong Kong, China	Trading business	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 141 thousand	US\$ 7 thousand	US\$ 2 thousand	-
	JLD Logistics Limited	Hong Kong, China	Trading business	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 49 thousand	US\$ 45 thousand	US\$ 16 thousand	-
	YFY Jupiter Malaysia Sdn. Bhd.	Malaysia	Design of packaging and sale of paper	-	-	1	1.00	-	US\$ 29	-	Notes 2 and 3

	YFY Jupiter Mexico, S. de R.L.	Mexico	Design of packaging and sale of paper	MXN 3 thousand	MXN 3 thousand	99	99.00	-	thousand US\$ (1,104)	thousand US\$ (1,093)	Notes 1, 2 and 3
	YFY Jupiter Indonesia, PT PMA	Indonesia	Design of packaging	IDR 2,475,000 thousand	-	2,475	99.00	US\$ 12 thousand	US\$ (44) thousand	US\$ (43) thousand	Notes 1 and 3
	Jupiter Vietnam Company Limited	Vietnam	Design of packaging	VND1,129,700 thousand	-	-	100.00	-	US\$ (63) thousand	US\$ (63) thousand	Notes 1, 2 and 3
Jupiter Prestige Group Holdings Limited	Jupiter Prestige Group Europe Limited	United Kingdom	Graphic design	GBP 30 thousand	GDP 30 thousand	30,000	100.00	US\$ 5,409 thousand	US\$ 831 thousand	US\$ 831 thousand	Notes 1 and 3
	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\$ 825 thousand	US\$ (200) thousand	US\$ (200) thousand	Notes 1 and 3
	Jupiter Prestige Group Australia Pty Ltd.	Australia	Graphic design	-	-	100	100.00	-	US\$ 143 thousand	US\$ 143 thousand	Notes 1, 2 and 3
	Opal BPM Limited	United Kingdom	Design of process system and assistance in graphic design	GDP 1 thousand	GDP 1 thousand	1,000	82.50	US\$ 1,162 thousand	US\$ 1,155 thousand	US\$ 953 thousand	Notes 1 and 3
	Foster and Balyis (Prestige) Limited	United Kingdom	Graphic design	-	-	300	33.30	US\$ 471 thousand	US\$ 118 thousand	US\$ 39 thousand	-
	Jupiter Prestige Group Europe Limited	Hong Kong, China	Graphic design	-	-	100	100.00	US\$ 3,260 thousand	US\$ 939 thousand	US\$ 939 thousand	Notes 1 and 3
Jupiter Prestige Group North America, Inc.	Clemtel LLC	USA	Brand design	US\$ 1 thousand	-	60,000	60.00	US\$ 57 thousand	US\$ (78) thousand	US\$ (47) thousand	Notes 1 and 3
Opal BPM Limited	Opal BPM India Private Limited	India	Workflow system coding	INR 100 thousand	INR 100 thousand	1,000	100.00	US\$ 30 thousand	US\$ 19 thousand	US\$ 19 thousand	Notes 1 and 3
	Opal BPM Consulting Limited	United Kingdom	Consulting services of workflow system coding	GDP 1 thousand	GDP 1 thousand	1,000	100.00	US\$ 1 thousand	-	-	Notes 1 and 3
YFY Packaging Inc.	YFY Packaging (BVI) Corp.	British Virgin Islands	Investment and holding	5,263,223	4,819,148	165,050,000	100.00	3,619,735	(285,243)	(285,243)	Notes 1 and 3
	Pek Crown Paper Co., Ltd.	Taichung, Taiwan	Manufacture and sale of containers	234,666	234,666	20,027,557	66.80	284,863	37,974	19,463	Notes 1 and 3

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2018			Net Income (Loss)	Share of	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount	of the Investee	Profits (Loss)	
YFY Packaging (BVI) Corp.	YFY Mauritius Corp.	Mauritius	Investment and holding	US\$ 165,000 thousand	US\$ 145,000 thousand	165,000,000	51.20	US\$ 116,505 thousand	US\$ (18,529) thousand	US\$ (9,496) thousand	Notes 1 and 3
YFY Global Investment BVI Corp.	YFY RFID Co. Limited	Hong Kong, China	Investment and holding	US\$ 25,600 thousand	US\$ 25,600 thousand	25,600,000	100.00	US\$ 84,997 thousand	US\$ 13,050 thousand	US\$ 13,050 thousand	Notes 1 and 3
	YFY Jupiter (BVI) Inc.	British Virgin Islands	Investment and holding	US\$ 5,764 thousand	US\$ 4,056 thousand	5,588,310	42.80	US\$ 10,800 thousand	US\$ (490) thousand	US\$ (210) thousand	Notes 1 and 3
	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\$ (2) thousand	US\$ (2) thousand	Notes 1, 2 and 3
YFY RFID Technologies Co., Ltd.	Yeon Technologies Co., Ltd.	Taipei, Taiwan	Sale and design of RFID (radio frequency identification) products	US\$ 2,035 thousand	US\$ 2,035 thousand	6,000,001	100.00	-	-	-	Notes 1, 2 and 3
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Hong Kong, China	Product distribution and R&D services	US\$ 3,000 thousand	US\$ 1,000 thousand	3,000,000	100.00	RMB 22,704 thousand	RMB 2,201 thousand	RMB 2,201 thousand	Notes 1 and 3
Yuen Foong Yu 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	2,493,092	(58,425)	(58,425)	Notes 1 and 3
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.00	236,789	38,270	26,080	Notes 1 and 3
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	Sale of paper	25,000	25,000	2,500,000	50.00	15,875	27,673	11,946	Notes 1 and 3
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong, China	General trade	-	-	-	100.00	-	-	-	Notes 1 and 3
YFY Capital Co., Ltd.	Chung Hwa Pulp Corporation	Hualien, Taiwan	Pulp and paper production, trading and forestry business	16,809	16,809	1,181,633	0.10	16,731	445,663	478	Note 3
	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	15,672	15,672	267,000	-	16,813	2,613,673	620	-
YFY Venture Capital Investment Co., Ltd.	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	412,244	412,244	23,059,296	2.00	615,488	2,613,673	53,468	-
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	53,130	53,130	5,313,000	3.90	97,606	88,103	3,467	-
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	7,000	7,000	700,000	1.00	6,878	13,959	140	Note 3
	Taiwan Genome Sciences, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing.	1,660	1,660	165,972	2.60	2,681	29,798	781	-
YFY Paradigm Investment Co., Ltd.	Union Paper Co., Ltd.	Yunlin, Taiwan	Manufacture and sale of paper	46,447	46,447	4,283,232	4.10	49,860	(10,670)	(441)	Note 3
	YFY Biotech Management Company	Taipei, Taiwan	Consulting	10,000	10,000	3,570,000	100.00	47,663	3,285	3,285	Notes 1 and 3

	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	296,300	296,300	6,094,000	0.50	305,891	2,613,673	14,130	-
	Chung Hwa Pulp Corporation	Hualien, Taiwan	Pulp and paper production, trading and forestry business	77,666	77,666	7,635,485	0.70	108,165	445,663	3,086	Note 3
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	Sale of paper	25,000	25,000	2,500,000	50.00	19,777	27,673	13,836	Note 3
	Livebricks Inc.	Taipei, Taiwan	Information processing services	77,000	77,000	7,700,002	100.00	1,836	2,020	2,020	Notes 1 and 3
Lotus Ecoscings & Engineering Co., Ltd.	Taiwan Genome Sciences, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing.	450	450	43,408	0.70	701	29,798	204	-
	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	73,961	73,961	1,778,000	0.20	78,945	2,613,673	4,122	-
	Yuen Yan Paper Container Co., Ltd.	Miaoli, Taiwan	Sale and manufacture of corrugated paper and materials	107	107	9,000	0.07	104	6,410	5	Note 3
	Pek Crown Paper Co., Ltd.	Taichung, Taiwan	Manufacture and sale of containers	141	141	10,000	0.03	144	37,974	13	Note 3
	Chung Hwa Pulp Corporation	Hualien, Taiwan	Pulp and paper production, trading and forestry business	1,226	1,226	117,247	0.01	1,656	445,663	47	Note 3
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	5,374,748	124,619	123,569	Notes 1 and 3
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.00	337,007	13,959	6,840	Note 3
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	60,000	60,000	6,000,000	4.40	119,674	88,103	3,916	-
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	3,600,000	100.00	44,431	891	891	Notes 1 and 3
	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	329,000	329,000	20,000,000	1.80	400,116	2,613,673	46,374	-
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	6,878	13,959	140	Note 3
	Kuang Hwa Fertilizer Limited Company	Hualien, Taiwan	Production of fertilizer	5,000	5,000	-	100.00	6,976	(340)	(340)	Notes 1 and 3
Effion Enertech Co., Ltd.	YFY Capital Holdings Corp.	British Virgin Islands	Investment and holding	243,625	243,625	8,060	100.00	304,578	9,663	9,663	Notes 1 and 3
	YFY Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of seeds, oil and agricultural products	36,000	36,000	3,600,000	36.00	-	(54,693)	-	-

Note 1: Subsidiary.

Note 2: The amount was reclassified from investments accounted for using the equity method to other liabilities.

Note 3: 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, 2018
(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, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 153,575 (US\$ 5,000 thousand)	a.(a)	\$ 46,073 (US\$ 1,500 thousand)	\$ -	\$ -	\$ 46,073 (US\$ 1,500 thousand)	\$ (7,803)	100.0	\$ (7,803) (Note 2)	\$ -	\$ -
YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and cardboard	337,865 (US\$ 11,000 thousand)	a.(a)	215,005 (US\$ 7,000 thousand)	-	-	215,005 (US\$ 7,000 thousand)	74,177	100.0	74,177 (Note 2)	516,242	-
YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	215,005 (US\$ 7,000 thousand)	a.(a)	215,005 (US\$ 7,000 thousand)	-	-	215,005 (US\$ 7,000 thousand)	26,279	100.0	26,279 (Note 2)	182,978	-
YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and cardboard	245,720 (US\$ 8,000 thousand)	a.(a)	245,720 (US\$ 8,000 thousand)	-	-	245,720 (US\$ 8,000 thousand)	72,109	100.0	72,109 (Note 2)	736,564	-
YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and cardboard	184,290 (US\$ 6,000 thousand)	a.(a)	61,430 (US\$ 2,000 thousand)	-	-	61,430 (US\$ 2,000 thousand)	62,083	100.0	62,083 (Note 2)	422,739	-

YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and cardboard	245,720 (US\$ 8,000 thousand)	a.(a)	249,191 (US\$ 8,113 thousand)	-	-	249,191 (US\$ 8,113 thousand)	81,717	100.0	81,717 (Note 2)	283,762	-
YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and cardboard	245,720 (US\$ 8,000 thousand)	a.(a)	245,720 (US\$ 8,000 thousand)	-	-	245,720 (US\$ 8,000 thousand)	70,514	100.0	70,514 (Note 2)	887,587	-
YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and cardboard	305,891 (US\$ 9,959 thousand)	a.(q)	276,435 (US\$ 9,000 thousand)	-	-	276,435 (US\$ 9,000 thousand)	81,730	100.0	73,557 (Note 2)	370,585	-
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	291,793 (US\$ 9,500 thousand)	a.(a)	230,363 (US\$ 7,500 thousand)	-	-	230,363 (US\$ 7,500 thousand)	108,476	93.8	101,696 (Note 2)	427,301	-
YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and cardboard	199,648 (US\$ 6,500 thousand)	a.(a)	199,648 (US\$ 6,500 thousand)	-	-	199,648 (US\$ 6,500 thousand)	7,829	100.0	7,829 (Note 2)	-	-
YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and cardboard	184,290 (US\$ 6,000 thousand)	a.(a)	147,432 (US\$ 4,800 thousand)	-	-	147,432 (US\$ 4,800 thousand)	104,539	100.0	104,539 (Note 2)	896,705	-

(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, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 153,575 (US\$ 5,000 thousand)	a.(a)	\$ 153,575 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 153,575 (US\$ 5,000 thousand)	\$ 5,450	100.0	\$ 5,450 (Note 2)	\$ 152,120	\$ -
YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding	2,663,206 (US\$ 86,707 thousand)	a.(a)	2,057,905 (US\$ 67,000 thousand)	614,300 (US\$ 20,000 thousand)	-	2,672,205 (US\$ 87,000 thousand)	(511,670)	100.0	(511,670) (Note 2)	560,248	-
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	7,515,807 (US\$ 244,695 thousand)	a.(b)	6,910,875 (US\$ 225,000 thousand)	614,300 (US\$ 20,000 thousand)	-	7,525,175 (US\$ 245,000 thousand)	(1,091,967)	100.0	(1,091,967) (Note 2)	2,290,952	-
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and paper	457,654 (US\$ 14,900 thousand)	a.(c)	430,194 (US\$ 14,006 thousand)	-	-	430,194 (US\$ 14,006 thousand)	(77,562)	94.0	(72,909) (Note 2)	-	-
YFY Firstpak Packaging (Yangzhou) Co., Ltd.	Manufacture and sale of product packaging; design, manufacture and sale of packaging equipment and molding equipment	125,309 (RMB 28,000 thousand)	a.(d)	-	-	-	-	(3,741)	70.0	(2,619) (Note 2)	-	-
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Technological development of agricultural resource recycling	245,720 (US\$ 8,000 thousand)	a.(c)	245,720 (US\$ 8,000 thousand)	-	-	245,720 (US\$ 8,000 thousand)	(6,532)	100.0	(6,532) (Note 2)	113,914	-
YFY Bio Technology (Yangzhou) Co., Ltd.	Manufacture, sale and print of cardboard	13,426 (RMB 3,000 thousand)	a.(d)	-	-	-	-	(2,077)	-	(1,028) (Note 8)	-	-
Shenzhen Jing Lun Paper Co., Ltd.	Sale of paper merchandise and import/export business	14,321 (RMB 3,200 thousand)	a.(e)	-	-	-	-	20,460	100.0	20,460 (Note 2)	104,653	-

Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisement	92,145 (US\$ 3,000 thousand)	a.(f)	-	-	-	-	(13,690)	100.0	(13,690) (Note 2)	-	-
Shanghai YFY Advertising and Printing Co., Ltd.	Printing of publications	8,951 (RMB 2,000 thousand)	a.(g)	-	-	-	-	(55)	51.0	(28) (Note 2)	107	-
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	869,510 (RMB 194,290 thousand)	a.(h)	779,915 (US\$ 25,392 thousand)	-	-	779,915 (US\$ 25,392 thousand)	443,609	86.5	421,425 (Note 2)	2,391,659	-
Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	35,803 (RMB 8,000 thousand)	a.(i)	-	-	-	-	3,600	86.5	3,420 (Note 2)	46,366	-
YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	4,300 (US\$ 140 thousand)	a.(j)	-	-	-	-	109,734	77.8	85,362 (Note 2)	214,789	-
Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	8,951 (RMB 2,000 thousand)	a.(k)	-	-	-	-	62,571	77.8	48,674 (Note 2)	109,895	-

(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, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	\$ -	a.(k)	\$ -	\$ -	\$ -	\$ -	\$ 6,186	77.8	\$ 4,812 (Note 2)	\$ 33,054	\$ -
Chengdu JieLianDa Warehousing Co., Ltd.	General trade	6,713 (RMB 1,500 thousand)	a.(k)	-	-	-	-	420	27.2	114 (Note 6)	2,141	-
Chengdu JieLianDa Supply Chain Co., Ltd.	Management of supply chain	-	a.(k)	-	-	-	-	(463)	27.2	(77) (Note 6)	-	-
Chengdu YongJunYu Environmental Protection packing Co., Ltd.	General trade	8,951 (RMB 2,000 thousand)	a.(k)	-	-	-	-	(4,194)	27.2	(1,142) (Note 6)	991	-
YFY Investment Co., Ltd.	Investment and holding and sale of paper	3,532,225 (US\$ 115,000 thousand)	a.(l)	3,532,225 (US\$ 115,000 thousand)	-	-	3,532,225 (US\$ 115,000 thousand)	(59,666)	100.0	(59,666) (Note 2)	1,508,886	-
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,450 (US\$ 30,000 thousand)	a.(m)	921,450 (US\$ 30,000 thousand)	-	-	921,450 (US\$ 30,000 thousand)	5,318	100.0	5,318 (Note 2)	454,213	-
YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	1,075,025 (US\$ 35,000 thousand)	a.(m)	1,075,025 (35,000 thousand)	-	-	1,075,025 (US\$ 35,000 thousand)	(10,734)	100.0	(10,734) (Note 2)	467,624	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,450 (US\$ 30,000 thousand)	a.(m)	921,450 (US\$ 30,000 thousand)	-	-	921,450 (US\$ 30,000 thousand)	13,765	100.0	13,765 (Note 2)	998,254	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,475 (RMB 1,000)	b.(a)	4,475 (RMB 1,000)	-	-	4,475 (RMB 1,000)	(215)	100.0	(215) (Note 2)	-	-

		thousand)		thousand)			thousand)					
Guangdong Ding Fung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	2,630,125 (US\$ 85,630 thousand)	a.(n)	675,730 (US\$ 22,000 thousand)	-	-	675,730 (US\$ 22,000 thousand)	161,284	74.6	120,387 (Note 2)	3,790,483	-
Zhaoqing Ding Fung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	672,044 (US\$ 21,880 thousand)	a.(o)	226,677 (US\$ 7,380 thousand)	-	-	226,677 (US\$ 7,380 thousand)	515	74.6	384 (Note 2)	2,200,289	-
YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, development of credit risk management platform	223,766 (RMB 50,000 thousand)	a.(p)	223,766 (RMB 50,000 thousand)	-	-	223,766 (RMB 50,000 thousand)	9,662	78.9	7,621 (Note 2)	240,010	-
Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	38,701 (US\$ 1,260 thousand)	b.(b)	25,678 (US\$ 836 thousand)	-	-	25,678 (US\$ 836 thousand)	4,343	66.4	2,882 (Note 2)	31,367	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Notes 1 and 5)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$17,798,113	\$20,637,235	\$36,718,802

Note 1: Except for investment gain or loss which use exchange rates of US\$1=NT\$30.14925 or RMB1=NT\$4.559921 or EUR1=NT\$36.605, the exchange rates are US\$1=NT\$30.715 or RMB1=NT\$4.475318 or EUR1=NT\$35.2 as of December 31, 2018.

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 Fung 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) Guangdong Ding Fung Pulp & Paper Co., Ltd. (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. (r) YFY Mauritius Corp. and YFY Paper Enterprise (Kunshan) Co., Ltd.

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 \$3,747,169 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 JieLianDa Supply Chain 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 2018. The share of profit or loss and other comprehensive income of the investee were recognized until October 2018.

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.

YFY INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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.	Subsidiary	Sales	\$ 752,176	By market price	1.0
				Accounts receivable	130,852	3 months after transaction month	0.1
		Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	1,889,510	By market price	2.5
				Accounts receivable	346,869	2 months after transaction month	0.3
		Yuen Foong Yu Consumer Products Co., Ltd.	The same ultimate parent company	Sales	138,756	By market price	0.2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	The same ultimate parent company	Sales	320,276	By market price	0.4
				Accounts receivable	105,910	In agreed terms	0.1
2	Chung Hwa Pulp Corporation	YFY Packaging Inc.	The same ultimate parent company	Sales	383,884	By market price	0.5
				Accounts receivable	114,679	2 months after transaction month	0.1
		YFY Capital Co., Ltd.	The same ultimate parent company	Sales	1,016,608	By market price	1.3
		Shenzhen Jing Lun Paper Co., Ltd.	The same ultimate parent company	Sales	977,100	By market price	1.3
				Accounts receivable	610,542	5 months after transaction month	0.5
		Yuen Foong Yu Consumer Products Co., Ltd.	The same ultimate parent company	Sales	869,939	By market price	1.1
				Accounts receivable	261,088	2 months after transaction month	0.2
		Union Paper Co., Ltd.	The same ultimate parent company	Sales	1,208,652	By market price	1.6
				Accounts receivable	112,940	1 month after transaction month	0.2
		China Color Printing Co., Ltd.	The same ultimate parent company	Sales	114,853	By market price	0.2
3	Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	290,198	By market price	0.4
				Accounts receivable	132,512	4 months after transaction month	0.1
4	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	1,246,915	By market price	1.6

5	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Subsidiary	Sales	538,089	By market price	0.7
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales	1,976,035	By market price	2.6
		Guangdong Ding Fung Pulp & Paper Co., Ltd.	The same ultimate parent company	Accounts receivable	236,640	In agreed terms	0.2
		YFY Family Paper (Beijing) Co., Ltd.	Subsidiary	Sales	224,839	By market price	0.3
6	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.	Subsidiary	Sales	170,961	By market price	0.2
6	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	2,490,137	By market price	3.3
				Accounts receivable	226,250	In agreed terms	0.2
		YFY Family Care (Kunshan) Co., Ltd.	The same ultimate parent company	Sales	202,289	By market price	0.3
7	YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Enterprise (Kunshan) Co., Ltd.	The same ultimate parent company	Sales	445,857	By market price	0.6

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details (Note)			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
8	YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	\$ 692,976	By market price	0.9
9	YFY (Shanghai) Financial Services Co., Ltd.	YFY Firstpak Packaging (Yangzhou) Co., Ltd.	The same ultimate parent company	Accounts receivable	120,327	In agreed terms	0.1
10	YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	The same ultimate parent company	Sales	3,666,845	By market price	4.8
				Accounts receivable	1,539,858	In agreed terms	1.3
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	The same ultimate parent company	Sales	644,884	By market price	0.8
		YFY Paper Enterprise (Tianjin) Co., Ltd.	The same ultimate parent company	Sales	605,127	By market price	0.8
		YFY Paper Enterprise (Xiamen) Co., Ltd.	The same ultimate parent company	Sales	426,968	By market price	0.6
		YFY Paper Enterprise (Dongguan) Co., Ltd.	The same ultimate parent company	Sales	373,233	By market price	0.5
		YFY Paper Enterprise (Qingdao) Co., Ltd.	The same ultimate parent company	Sales	308,778	By market price	0.4
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	The same ultimate parent company	Sales	350,425	By market price	0.5
		YFY Paper Enterprise (Suzhou) Co., Ltd.	The same ultimate parent company	Sales	200,583	By market price	0.3
		YFY Paper Enterprise (Shanghai) Co., Ltd.	The same ultimate parent company	Sales	160,646	By market price	0.2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	The same ultimate parent company	Sales	134,332	By market price	0.2
		YFY Paper Enterprise (Fuzhou) Co., Ltd.	The same ultimate parent company	Sales	123,923	By market price	0.2
11	YFY International BVI Corp.	YFY Investment Co., Ltd.	The same ultimate parent company	Accounts receivable	856,150	In agreed terms	0.7
12	Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	Sales	1,114,534	By market price	1.5
				Accounts receivable	261,498	In agreed terms	0.2
13	Guangdong Ding Fung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	The same ultimate parent company	Sales	1,213,140	By market price	1.6
				Accounts receivable	106,240	2 months after transaction month	0.1
		YFY Family Paper (Beijing) Co., Ltd.	The same ultimate parent company	Sales	146,021	By market price	0.2
14	Zhaoqing Ding Fung Forestry Co., Ltd.	Guangdong Ding Fung Pulp & Paper Co., Ltd.	Parent company	Sales	255,061	By market price	0.3
				Accounts receivable	215,981	In agreed terms	0.2
15	YFY Japan Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	485,250	By market price	0.6
16	YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Enterprise (Nanjing) Co., Ltd.	The same ultimate parent company	Sales	540,850	By market price	0.7
		YFY Paper Enterprise (Shanghai) Co., Ltd.	The same ultimate parent company	Sales	509,029	By market price	0.7
		YFY Paper Enterprise (Suzhou) Co., Ltd.	The same ultimate parent company	Sales	595,138	By market price	0.8

		YFY Paper Enterprise (Guangzhou) Co., Ltd.	The same ultimate parent company	Sales	554,867	By market price	0.7
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	The same ultimate parent company	Sales	353,093	By market price	0.5
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	The same ultimate parent company	Sales	222,534	By market price	0.3
		YFY Paper Enterprise (Dongguan) Co., Ltd.	The same ultimate parent company	Sales	235,965	By market price	0.3
		YFY Paper Enterprise (Tianjin) Co., Ltd.	The same ultimate parent company	Sales	124,983	By market price	0.2
		YFY Paper Enterprise (Xiamen) Co., Ltd.	The same ultimate parent company	Sales	116,322	By market price	0.2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	The same ultimate parent company	Sales	150,834	By market price	0.2
17	Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	Sales	316,965	By market price	0.4
				Accounts receivable	123,992	In agreed terms	0.1
18	Arizon RFID Technologies (Yangzhou) Co., Ltd.	Yeon Technologies (Yangzhou) Co., Ltd.	Subsidiary	Sales	137,093	By market price	0.2

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details (Note)			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
19	Union Paper Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	\$ 208,775	By market price	0.3
20	San Ying Enterprise Co., Ltd.	Union Paper Co., Ltd.	The same ultimate parent company	Sales	101,527	By market price	0.1
21	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Parent company	Sales	113,893	By market price	0.1
22	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Subsidiary	Sales	156,003	By market price	0.2
23	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Willpower Industries Ltd.	Parent company	Sales	157,252	By market price	0.2

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

YFY INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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 was originally principally engaged in the manufacture and sale of paper and paper-related products and the design, manufacture and sale of equipment. To increase its sales and competitiveness, the Company carried out a restructuring of the organization and spin-off of its specialized divisions. 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 as its main business.

The financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 22, 2019.

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 Financial Supervisory Commission (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 Company’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category			Carrying Amount		Remark
	IAS 39		IFRS 9	IAS 39	IFRS 9	
Equity securities	Available-for-sale (accounted for as financial assets carried at cost)		Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	\$ 557,429	\$ 2,052,779	a)
	Available-for-sale		FVTOCI - equity instruments	7,620,776	7,620,776	a)
Mutual funds	Held-for-trading		Mandatorily at fair value through profit or loss (i.e. Mandatorily at FVTPL)	6,021	6,021	
Subordinated bank debentures	Loans and receivables		Mandatorily at FVTPL	160,964	160,964	
	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	\$ 6,021	\$ -	\$ -	\$ 6,021	\$ -	
Add: Reclassification from loans and receivables	-	160,964	-	160,964	-	
	<u>6,021</u>	<u>160,964</u>	<u>-</u>	<u>166,985</u>	<u>-</u>	
FVTOCI - equity instruments	-	-	-	-	-	
Add: Reclassification from available-for-sale	-	8,178,205	1,495,350	9,673,555	1,490,911	a)
	<u>-</u>	<u>8,178,205</u>	<u>1,495,350</u>	<u>9,673,555</u>	<u>1,490,911</u>	
	<u>\$ 6,021</u>	<u>\$ 8,339,169</u>	<u>\$ 1,495,350</u>	<u>\$ -</u>	<u>\$ 1,490,911</u>	
	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
The investments accounted for using equity method	\$ 46,453,373	\$ 157,261	\$ 46,610,634	\$ 67,107	\$ 90,154	b)

- a) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at fair value through other comprehensive income (i.e. FVTOCI) under IFRS 9. The related other equity - unrealized gain (loss) on available-for-sale financial assets of \$1,964,407 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously carried at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and remeasured at fair value. Consequently, there was an increase of \$1,495,350 thousand on financial assets at FVTOCI, an increase of \$1,490,911 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI.

- b) The Company recognized investments in unlisted shares, previously classified as financial assets carried at cost under IAS 39, by subsidiaries and associates accounted for using equity method were designated as at FVTOCI and be remeasured at fair value under IFRS 9. An adjustment was made that resulted in an increase of \$157,261 in investments accounted for using equity method and other equity - unrealized gain (loss) on financial assets at FVTOCI. Additionally, the impairment loss that the Company recognized under IAS 39 was accumulated in retained earnings. Since those investments were designated as at FVTOCI and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$67,107 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI, and an increase of \$67,107 thousand in retained earnings on January 1, 2018.

Hedge accounting

When the Company applies IFRS 9 for the first time for hedge accounting, it will be subject to deferral.

Furthermore, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented retrospectively as financial assets and financial liabilities held for hedging starting from January 1, 2018.

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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables and deferred revenue were recognized when revenue was recognized for the contract under IAS 18.

As a result of the retrospective application of IFRS 15 by associates, there was an increase of \$44,928 thousand in investments accounted for using the equity method and an increase of \$44,928 thousand in retained earnings on January 1, 2018. There is no significant impact on assets and liabilities on January 1, 2018 and the comprehensive income and cash flows items as of January 1 to December 31, 2018.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: The Company 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, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the notes of the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the financial statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 3,217	\$ 3,217
Lease liabilities - current	\$ -	\$ 1,258	\$ 1,258
Lease liabilities - non-current	-	1,959	1,959
Total effect on liabilities	\$ -	\$ 3,217	\$ 3,217

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assesses that the application of other standards and interpretations will have no material impact on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, investments accounted for using the equity method.

The fair value measurements, which 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income (loss) for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income (loss) of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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, 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 financial statements are authorized for issue; and

- 3) Liabilities for which the Company 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. Foreign currencies

In preparing the Company's financial statements, 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 that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Company and the Company 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; and 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.

On the disposal of a foreign operation or a disposal involving the loss of control over a subsidiary that includes a foreign operation, 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 included in the calculation of equity transactions but 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.

e. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized net of amortization or depreciation. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, all amounts previously recognized in other comprehensive income in relation to that subsidiary are reclassified to profit and loss on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

f. Investment in associates

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

The Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company'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 Company'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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company'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 Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an 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 Company 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 Company 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 the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

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

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.

h. 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.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 Company 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.

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.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 (i.e. FVTPL) 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI or the amortized cost.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured 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 incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 21.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL 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 and does not incorporate any dividends earned on such a financial asset. Fair value is determined in the manner described in Note 21.

Investments in equity instruments under financial assets at FVTPL 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 presented as 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 non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

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 (loss) and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company'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 presented as 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 other comprehensive income. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash, receivables from related parties 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.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as receivables, such 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 Company's past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

For a financial asset 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 those financial assets 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 is 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, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are 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 accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Company 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.

Before 2018, 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 (loss) is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, 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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

3) Financial liabilities

i. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

ii. Derecognition of financial liabilities

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

k. 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.

l. Revenue recognition

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

m. 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.

n. 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 remeasurement) 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. Remeasurement, 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. Remeasurement 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 Company'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.

o. 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 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 Company 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 Company 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 Company's accounting policies, management is required to make judgments, estimations 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.

The fair value measurement of equity investment in unlisted shares is determined by the estimated fair value under appropriate valuation methods primarily based on investees' financial positions, operation results and recent financing activities, the market transaction prices of similar investments, market conditions and the required discount factors. As such, the estimated fair value may be different from the actual disposal price in the future. The Company assesses the fair value quarterly based on market conditions to ensure the appropriateness of fair value.

6. CASH

	December 31	
	2018	2017
Cash on hand	\$ 300	\$ 349
Checking accounts and demand deposits	<u>5,627</u>	<u>10,431</u>
	<u>\$ 5,927</u>	<u>\$ 10,780</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	\$ -	\$ 6,021
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>20,104</u>	<u>-</u>
	<u>\$ 20,104</u>	<u>\$ 6,021</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Subordinated bank debentures	<u>\$ 160,964</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
<u>Non-current</u>	
Domestic investments	
Listed shares	\$ 7,445,201
Unlisted shares	<u>2,323,551</u>
	<u>\$ 9,768,752</u>

The Company invested in listed and unlisted domestic equity securities, and elected to designate these investments in equity instruments as at FVTOCI. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 9 and 10 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Listed shares	<u>\$ 7,620,776</u>

10. FINANCIAL ASSETS CARRIED AT COST - 2017

	December 31, 2017
Domestic unlisted shares	<u>\$ 557,429</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 557,429</u>

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

The Company recognized impairment losses on financial assets carried at cost of \$4,251 thousand in 2017.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 43,699,557	\$ 42,603,723
Investments in associates	<u>3,895,057</u>	<u>3,849,650</u>
	<u>\$ 47,594,614</u>	<u>\$ 46,453,373</u>

a. Investment in subsidiaries

	December 31	
	2018	2017
Listed company		
Chung Hwa Pulp Corporation	\$ 8,946,875	\$ 8,984,769
Shin Foong Specialty and Applied Materials Co., Ltd.	1,628,076	1,555,126
Unlisted company		
YFY International BVI Corp.	20,659,509	20,321,740
YFY Global Investment BVI Corp.	5,545,985	5,125,838
Yuen Foong Yu Consumer Products Co., Ltd.	2,514,260	2,399,019

(Continued)

	December 31	
	2018	2017
YFY Paradigm Investment Co., Ltd.	\$ 1,252,690	\$ 1,152,799
YFY Venture Capital Investment Co., Ltd.	1,020,101	830,210
China Color Printing Co., Ltd.	452,350	462,787
YFY Capital Co., Ltd.	382,197	341,560
Lotus Ecoscings & Engineering Co., Ltd.	339,620	312,213
Effion Enertech Co., Ltd.	323,089	316,882
Union Paper Co., Ltd.	227,969	229,612
San Ying Enterprise Co., Ltd.	148,128	126,781
YFY Japan Co., Ltd.	97,161	81,799
Yuen Yan Paper Container Co., Ltd.	71,258	71,026
Fidelis IT Solutions Co., Ltd.	48,761	42,185
YFY Holding Management Co., Ltd.	<u>41,528</u>	<u>249,377</u>
	<u>\$ 43,699,557</u>	<u>\$ 42,603,723</u>
		(Concluded)

The percentage of ownership and voting rights held by the Company are as follows:

	December 31	
Name of Corporation	2018	2017
Chung Hwa Pulp Corporation	56.9%	56.9%
Shin Foong Specialty and Applied Materials Co., Ltd.	49.6%	49.8%
YFY International BVI Corp.	100.0%	100.0%
YFY Global Investment BVI Corp.	100.0%	100.0%
Yuen Foong Yu Consumer Products Co., Ltd.	100.0%	100.0%
YFY Paradigm Investment Co., Ltd.	100.0%	100.0%
YFY Venture Capital Investment Co., Ltd.	100.0%	100.0%
China Color Printing Co., Ltd.	49.7%	49.7%
YFY Capital Co., Ltd.	100.0%	100.0%
Lotus Ecoscings & Engineering Co., Ltd.	100.0%	100.0%
Effion Enertech Co., Ltd.	49.0%	49.0%
Union Paper Co., Ltd.	18.9%	18.9%
San Ying Enterprise Co., Ltd.	100.0%	100.0%
YFY Japan Co., Ltd.	100.0%	100.0%
Yuen Yan Paper Container Co., Ltd.	50.9%	50.9%
Fidelis IT Solutions Co., Ltd.	100.0%	100.0%
YFY Holding Management Co., Ltd.	100.0%	100.0%

The Company 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 in 2017 and Shin Foong Specialty and Applied Materials Co., Ltd. had equity changes such as employee stock options conversion in 2018, which reduced its shareholding ratio to 49.6% on December 31, 2018. The above transactions were accounted for as equity transactions, since the Company did not cease to have control over this subsidiary; China Color Printing Co., Ltd., Effion Enertech Co., Ltd. and Union Paper Co., Ltd. were deemed subsidiaries because the Company had actual control over them even though the Company held less than 50% equity interests in each of the subsidiaries' voting shares.

Except for YFY Japan 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 audited financial statements. Management believes there will not be a material differences even if the financial statements were audited.

b. Investments in associates

	December 31	
	2018	2017
Material associates		
E Ink Holdings Inc.	\$ 3,305,527	\$ 3,207,250
Associates that are not individually material	<u>589,530</u>	<u>642,400</u>
	<u>\$ 3,895,057</u>	<u>\$ 3,849,650</u>
	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2018	2017
E Ink Holdings Inc.	11.8%	11.9%

1) Material associates

Refer to Table 4 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

The investments in Taiwan Genome Science, Inc. was accounted for using the equity method since the Company and its subsidiaries held more than 20% of the investee’s voting shares even though the Company held less than 20% of the investee’s voting shares. The investments in E Ink Holdings Inc. was accounted for using the equity method since the Company had significant influence over E Ink Holdings Inc. even though the Company held less than 20% of the investee’s voting shares.

The 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 associates’ audited financial statements.

In 2013, the Company increased its investment in E Ink Holdings Inc. by buying 20,000 thousand shares of the investee’s privately placed ordinary shares for \$329,000 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, 2019, 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):

	December 31	
	2018	2017
	<u>\$ 3,421,208</u>	<u>\$ 5,446,699</u>

All the associates are accounted for using the equity method.

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

	December 31	
	2018	2017
Current assets	\$ 18,870,925	\$ 17,747,740
Non-current assets	18,043,183	18,128,180
Current liabilities	(6,569,117)	(6,871,552)
Non-current liabilities	<u>(2,030,547)</u>	<u>(1,777,473)</u>
Equity	28,314,444	27,226,895
Non-controlling interests	<u>(385,799)</u>	<u>(294,397)</u>
	<u>\$ 27,928,645</u>	<u>\$ 26,932,498</u>
Proportion of the Company's ownership	11.8%	11.9%
Equity attributable to the Company	\$ 3,298,262	\$ 3,199,985
Goodwill	<u>7,265</u>	<u>7,265</u>
Carrying amount	<u>\$ 3,305,527</u>	<u>\$ 3,207,250</u>
Operating revenue	<u>\$ 14,208,661</u>	<u>\$ 15,203,334</u>
Profit from continuing operations	\$ 2,692,076	\$ 2,932,298
Loss from discontinued operations	-	(849,968)
Net profit for the year	2,692,076	2,082,330
Other comprehensive income (loss)	<u>(380,558)</u>	<u>(368,115)</u>
Total comprehensive income (loss) for the year	<u>\$ 2,311,518</u>	<u>\$ 1,714,215</u>

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Net profit (loss) for the year	\$ 26,006	\$ (62,476)
Other comprehensive income (loss)	<u>(78,255)</u>	<u>(132,327)</u>
Total comprehensive income (loss) for the year	<u>\$ (52,249)</u>	<u>\$ (194,803)</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 591,951	\$ 173,418	\$ 147,647	\$ 206,476	\$ 1,119,492
Additions	-	6,787	-	1,387	8,174
Disposals	<u>-</u>	<u>-</u>	<u>(5,970)</u>	<u>(118,242)</u>	<u>(124,212)</u>
Balance at December 31, 2018	<u>\$ 591,951</u>	<u>\$ 180,205</u>	<u>\$ 141,677</u>	<u>\$ 89,621</u>	<u>\$ 1,003,454</u>

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation</u>					
Balance at January 1, 2018	\$ -	\$ 153,219	\$ 146,915	\$ 200,897	\$ 501,031
Depreciation expense	-	1,858	86	955	2,899
Disposals	-	-	(5,585)	(115,211)	(120,796)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 155,077</u>	<u>\$ 141,416</u>	<u>\$ 86,641</u>	<u>\$ 383,134</u>
Carrying amounts at December 31, 2018	<u>\$ 591,951</u>	<u>\$ 25,128</u>	<u>\$ 261</u>	<u>\$ 2,980</u>	<u>\$ 620,320</u>
<u>Cost</u>					
Balance at January 1, 2017	\$ 593,847	\$ 173,418	\$ 147,647	\$ 205,382	\$ 1,120,294
Additions	-	-	-	3,397	3,397
Disposals	(1,896)	-	-	(2,303)	(4,199)
Balance at December 31, 2017	<u>\$ 591,951</u>	<u>\$ 173,418</u>	<u>\$ 147,647</u>	<u>\$ 206,476</u>	<u>\$ 1,119,492</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2017	\$ -	\$ 151,753	\$ 146,602	\$ 200,410	\$ 498,765
Depreciation expense	-	1,466	313	2,649	4,428
Disposals	-	-	-	(2,162)	(2,162)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 153,219</u>	<u>\$ 146,915</u>	<u>\$ 200,897</u>	<u>\$ 501,031</u>
Carrying amounts at December 31, 2017	<u>\$ 591,951</u>	<u>\$ 20,199</u>	<u>\$ 732</u>	<u>\$ 5,579</u>	<u>\$ 618,461</u>
					(Concluded)

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	5-15 years
Miscellaneous equipment	3-20 years

13. INVESTMENT PROPERTIES

	Amount
<u>Cost</u>	
Balance at January 1, 2018	\$ 1,960,969
Disposals	<u>(2,643)</u>
Balance at December 31, 2018	<u>\$ 1,958,326</u>
	(Continued)

	Amount
<u>Accumulated depreciation</u>	
Balance at January 1, 2018	\$ 97,708
Depreciation expense	1,261
Disposals	<u>(458)</u>
Balance at December 31, 2018	<u>\$ 98,511</u>
Carrying amounts at December 31, 2018	<u>\$ 1,859,815</u>
<u>Cost</u>	
Balance at January 1, 2017 and December 31, 2017	<u>\$ 1,960,969</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2017	\$ 96,445
Depreciation expense	<u>1,263</u>
Balance at December 31, 2017	<u>\$ 97,708</u>
Carrying amounts at December 31, 2017	<u>\$ 1,863,261</u> (Concluded)

The fair values of the investment properties owned by the Company were \$6,003,411 thousand and \$5,995,191 thousand as of December 31, 2018 and 2017, respectively. The valuation was made by the Company using market transaction prices for similar properties and not by independent qualified professional valuers. The rental incomes were \$38,191 thousand for 2018 and \$33,099 thousand for 2017, respectively.

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

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

14. BORROWINGS

a. Short-term borrowings

Short-term borrowings are bank credit loans. As of December 31, 2018 and 2017, the interest rate intervals of bank credit loans were 0.98%-1.06% per annum and 0.95%-1.00% per annum, respectively.

b. Short-term bills payable

Short-term bills payable are commercial paper due within one year. Interest rate intervals on these bills payable were 0.96%-1.03% per annum and 1.01%-1.10% per annum as of December 31, 2018 and 2017, respectively.

c. Long-term borrowings

	December 31	
	2018	2017
Syndicated loans	\$ 18,496,679	\$ 17,564,228
Long-term bank credit loans	<u>1,700,000</u>	<u>2,500,000</u>
	20,196,679	20,064,228
Less: Current portion	<u>-</u>	<u>(67,300)</u>
	<u>\$ 20,196,679</u>	<u>\$ 19,996,928</u>

Long-term bank loans included credit and syndicated loans. Credit loans expire on maturity date and have interest rate intervals of 0.99%-1.33% per annum and 1.08%-1.50% per annum as of December 31, 2018 and 2017, respectively; syndicated loans expire in December 2023 and have interest rate intervals of 1.79% per annum and 1.79%-1.93% per annum as of December 31, 2018 and 2017, respectively.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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 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 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 1,817,828	\$ 1,851,171
Fair value of plan assets	<u>(927,279)</u>	<u>(1,094,533)</u>
Net defined benefit liabilities	<u>\$ 890,549</u>	<u>\$ 756,638</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 1,851,171</u>	<u>\$ (1,094,533)</u>	<u>\$ 756,638</u>
Service cost			
Current service cost	414	-	414
Net interest expense (income)	<u>30,747</u>	<u>(18,684)</u>	<u>12,063</u>
Recognized in profit or loss	<u>31,161</u>	<u>(18,684)</u>	<u>12,477</u>
Remeasurement			
Return on plan assets	-	94,394	94,394
Actuarial loss - experience adjustments	42,137	-	42,137
Actuarial loss - changes in actuarial assumptions	<u>33,380</u>	<u>-</u>	<u>33,380</u>
Recognized in other comprehensive loss (income)	<u>75,517</u>	<u>94,394</u>	<u>169,911</u>
Contributions from the employer	-	(48,477)	(48,477)
Benefits paid	<u>(140,021)</u>	<u>140,021</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 1,817,828</u>	<u>\$ (927,279)</u>	<u>\$ 890,549</u>
Balance at January 1, 2017	<u>\$ 2,075,140</u>	<u>\$ (1,036,185)</u>	<u>\$ 1,038,955</u>
Service cost			
Current service cost	363	-	363
Net interest expense (income)	<u>35,089</u>	<u>(17,472)</u>	<u>17,617</u>
Recognized in profit or loss	<u>35,452</u>	<u>(17,472)</u>	<u>17,980</u>
Remeasurement			
Return on plan assets	-	(190,200)	(190,200)
Actuarial gain - experience adjustments	<u>(45,967)</u>	<u>-</u>	<u>(45,967)</u>
Recognized in other comprehensive loss (income)	<u>(45,967)</u>	<u>(190,200)</u>	<u>(236,167)</u>
Contributions from the employer	-	(64,130)	(64,130)
Benefits paid	<u>(213,454)</u>	<u>213,454</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 1,851,171</u>	<u>\$ (1,094,533)</u>	<u>\$ 756,638</u>

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

	For the Year Ended December 31	
	2018	2017
Operating costs	<u>\$ 12,477</u>	<u>\$ 17,980</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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:

	December 31	
	2018	2017
Discount rates	1.50%	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:

	December 31	
	2018	2017
Discount rates		
0.125% increase	<u>\$ (14,938)</u>	<u>\$ (17,577)</u>
0.125% decrease	<u>\$ 15,152</u>	<u>\$ 17,852</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 15,211</u>	<u>\$ 17,966</u>
0.125% decrease	<u>\$ (15,032)</u>	<u>\$ (17,731)</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.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 48,962</u>	<u>\$ 64,771</u>
The average duration of the defined benefit obligation	7.7 years	8.8 years

16. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousand)	<u>2,200,000</u>	<u>2,200,000</u>
Value of 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>
Value of 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

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 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 the distribution of dividends and bonuses 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) The remainder after the distribution of cash dividends as share dividends. If there is a requirement for capital expenditures, the Company may distribute only share dividends.

An appropriation of earnings to a 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 in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.

The appropriations of earnings for 2017 and 2016 which were approved in the shareholders' meetings in June 21, 2018 and June 7, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended December 31		For the Year Ended	
	2017	2016	2017	2016
Legal reserve	\$ 160,651	\$ 12,612		
Cash dividends	996,223	-	<u>\$ 0.6</u>	<u>\$ -</u>

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 22, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 144,000	
Cash and share dividends	996,223	<u>\$ 0.6</u>

The appropriations of earnings are subject to the resolution of the shareholders' meeting to be held on June 25, 2019.

d. Special reserves

	For the Year Ended December 31	
	2018	2017
Beginning at January 1	\$ 4,030,039	\$ 4,031,432
Reversal:		
Disposal of property, plant and equipment	<u>(1,455)</u>	<u>(1,393)</u>
Balance at December 31	<u>\$ 4,028,584</u>	<u>\$ 4,030,039</u>

e. Other equity items

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Total
2018						
Balance at January 1 (IAS 39)	\$ (263,411)	\$ 1,964,407	\$ -	\$ (14,871)	\$ -	\$ 1,686,125
Effect of retroactive application	<u>-</u>	<u>(1,964,407)</u>	<u>3,545,472</u>	<u>14,871</u>	<u>(14,871)</u>	<u>1,581,065</u>
Balance at January 1, 2018 as restated	(263,411)	-	3,545,472	-	(14,871)	3,267,190
Unrealized gain on financial assets at FVTOCI	-	-	77,210	-	-	77,210
Share of subsidiaries and associates accounted for using the equity method	223,046	-	14,909	-	7,861	245,816
Changes in associates accounted for using the equity method	-	-	(339)	-	-	(339)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>-</u>	<u>37,596</u>	<u>-</u>	<u>-</u>	<u>37,596</u>
Balance at December 31 (IFRS 9)	<u>\$ (40,365)</u>	<u>\$ -</u>	<u>\$ 3,674,848</u>	<u>\$ -</u>	<u>\$ (7,010)</u>	<u>\$ 3,627,473</u>
2017						
Balance at January 1 (IAS 39)	\$ 798,656	\$ 1,744,884	\$ -	\$ (11,183)	\$ -	\$ 2,532,357
Unrealized gain on available-for-sale financial assets	-	139,427	-	-	-	139,427
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>(1,062,067)</u>	<u>80,096</u>	<u>-</u>	<u>(3,688)</u>	<u>-</u>	<u>(985,659)</u>
Balance at December 31 (IAS 39)	<u>\$ (263,411)</u>	<u>\$ 1,964,407</u>	<u>\$ -</u>	<u>\$ (14,871)</u>	<u>\$ -</u>	<u>\$ 1,686,125</u>

17. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ <u>355,192</u>	\$ <u>357,622</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 2,899	\$ 4,428
Investment properties	1,261	1,263
Long-term prepayments (accounted for as other non-current assets)	<u>6,690</u>	<u>4,662</u>
	<u>\$ 10,850</u>	<u>\$ 10,353</u>
An analysis of deprecation by function		
Operating expenses	<u>\$ 4,160</u>	<u>\$ 5,691</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,690</u>	<u>\$ 4,662</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Salaries expense	\$ 120,277	\$ 145,648
Labor insurance expense	5,832	9,827
Post-employment benefits		
Defined contribution plans	2,579	4,851
Defined benefit plans	<u>12,477</u>	<u>17,980</u>
	141,165	178,306
Remuneration of directors	7,000	7,000
Other employee benefits	<u>1,157</u>	<u>2,823</u>
Total employee benefits expense	<u>\$ 149,322</u>	<u>\$ 188,129</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 149,322</u>	<u>\$ 188,129</u>

For the years ended December 31, 2018 and 2017, the number of employees were 47 and 100, respectively, and the number of directors who have not served as employees were 7 and 6, respectively, the basis of calculation is consistent with employee benefit expense.

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, 2018 and 2017 which have been approved by the Company's board of directors on March 22, 2019 and 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	0.10%	0.11%
Remuneration of directors	0.48%	0.43%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	\$ 1,467	\$ 1,758
Remuneration of directors	7,000	7,000

If there is a change in the amounts after the annual 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 financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ (52,067)	\$ (11,633)
Income tax on unappropriated earnings	51,567	-
Adjustment for prior periods	-	268
Deferred tax		
In respect of the current year	28,785	15,365
Effect of tax rate changes	(13,285)	-
Income tax expense recognized in profit or loss	<u>\$ 15,000</u>	<u>\$ 4,000</u>

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

	For the Year Ended December 31	
	2018	2017
Income before tax	<u>\$ 1,455,003</u>	<u>\$ 1,610,510</u>
Income tax expense calculated at the statutory rate (20% and 17%, respectively, in 2018 and 2017)	\$ 291,001	\$ 273,787
Nondeductible expenses in determining taxable income	1,759	1,429
Tax-exempt income	(414,597)	(378,206)
Income tax on unappropriated earnings	51,567	-
Unrecognized loss carryforwards and deductible temporary differences	150,622	118,355
Tax receivables from subsidiary accounted for using the consolidated tax return system	(52,067)	(11,633)
Effect of tax rate changes	(13,285)	-
Adjustments for prior years' tax	<u>-</u>	<u>268</u>
Income tax expense recognized in profit or loss	<u>\$ 15,000</u>	<u>\$ 4,000</u>

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate		
Remeasurement on defined benefit plan	\$ (9,461)	\$ -
Share of other comprehensive income (loss) of subsidiaries and associates	(13,223)	-
In respect of the current year:		
Remeasurement on defined benefit plan	(33,982)	40,148
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(13,126)</u>	<u>(11,368)</u>
	<u>\$ (69,792)</u>	<u>\$ 28,780</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, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit plan	\$ 109,195	\$ (15,299)	\$ 43,443	\$ 137,339
Others	<u>130</u>	<u>(130)</u>	<u>-</u>	<u>-</u>
	<u>\$ 109,325</u>	<u>\$ (15,429)</u>	<u>\$ 43,443</u>	<u>\$ 137,339</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Reserve for land revaluation increment tax	\$ 350,116	\$ -	\$ -	\$ 350,116
Others	<u>483</u>	<u>71</u>	<u>-</u>	<u>554</u>
	<u>\$ 350,599</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 350,670</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 163,666	\$ (14,323)	\$ (40,148)	\$ 109,195
Others	<u>1,186</u>	<u>(1,056)</u>	<u>-</u>	<u>130</u>
	<u>\$ 164,852</u>	<u>\$ (15,379)</u>	<u>\$ (40,148)</u>	<u>\$ 109,325</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land revaluation increment tax	\$ 350,116	\$ -	\$ -	\$ 350,116
Others	<u>497</u>	<u>(14)</u>	<u>-</u>	<u>483</u>
	<u>\$ 350,613</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 350,599</u>

d. Income tax approved situation

The application case for the year end of 2013 has been approved by taxing authority.

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic earnings per share (NT\$)	<u>\$ 0.87</u>	<u>\$ 0.97</u>
Diluted earnings per share (NT\$)	<u>\$ 0.87</u>	<u>\$ 0.97</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

	For the Year Ended December 31	
	2018	2017
Profit for the year	<u>\$ 1,440,003</u>	<u>\$ 1,606,510</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,440,003</u>	<u>\$ 1,606,510</u>

Number of Share (In Thousands)

	For the Year Ended December 31	
	2018	2017
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>159</u>	<u>128</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,660,531</u>	<u>1,660,500</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company 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.

20. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

21. FINANCIAL INSTRUMENTS

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

The management of the Company considers that the carrying amounts of those financial assets and financial liabilities that are not measured at fair value recognized in the 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets	\$ 20,104	\$ 160,964	\$ -	\$ 181,068
Financial assets at FVTOCI				
Listed shares	\$ 7,445,201	\$ -	\$ -	\$ 7,445,201
Unlisted shares	-	-	2,323,551	2,323,551
	\$ 7,445,201	\$ -	\$ 2,323,551	\$ 9,768,752

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 6,021	\$ -	\$ -	\$ 6,021
Available-for-sale financial assets				
Listed shares	\$ 7,620,776	\$ -	\$ -	\$ 7,620,776

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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

For the year ended December 31, 2018

	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018 (IAS 39)	\$ -
Impact of retroactive application of IFRS 9	2,052,779
Balance at January 1, 2018 as restated	2,052,779
Recognized in other comprehensive income (accounted for as unrealized gain (loss) on investments in equity instruments designated as at FVTOCI)	252,785
Purchases	36,642
Return of capital upon investees' capital reduction	(18,655)
Balance at December 31, 2018	\$ 2,323,551

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Subordinated bank debentures	Discounted cash flow method: The future cash flow is estimated based on the discount rate that reflects the current borrowing rate of the bond issuer at the end of the period.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	<p>Asset-based approach: The fair value is determined based on the net asset value of the investment target. The significant unobservable inputs are discounted prices based on market liquidity and non-controlling interests.</p> <p>Market approach: The fair value is assessed according to the recent transaction price of the investment target or similar market transaction prices and market conditions. The significant unobservable inputs are discounted prices for the lack of marketability.</p> <p>Income approach: Discounted cash flows are determined based on the present value of the expected future economic benefits that will be derived from the investment. Unobservable inputs mainly include the long-term growth rate, discount rate and the discount of liquidity. The fair value will increase if the long-term growth rate increases, discount rate decreases or the discount for liquidity decreases.</p>

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 181,068	\$ -
Held for trading	-	6,021
FVTOCI	9,768,752	-
Loans and receivables (1)	-	398,410
Available-for-sale financial assets (2)	-	8,178,205
Amortized cost (3)	64,424	-
<u>Financial liabilities</u>		
Amortized cost (4)	23,485,701	23,310,414

1) The balances include cash, receivables from related parties, other account receivables and debt investments with no active market.

2) The balances include available-for-sale financial assets and financial assets carried at cost.

- 3) The balances include financial assets measured at amortized cost, which comprise cash, receivables from related parties and other receivables.
- 4) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, payables to related parties, other payables, current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

The Company'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 Company's financial performance, the Company was devoted to identify, analyze and estimate related financial risk factor which may lead to unfavorable effect on the financial performance of the Company, and conduct related program to lower and hedge financial risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in interest rates and equity prices.

a) Interest rate risk

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

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ -	\$ 160,000
Financial liabilities	1,399,570	1,838,769
Cash flow interest rate risk		
Financial assets	5,627	10,431
Financial liabilities	22,026,679	21,403,228

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 Company's post-tax profit for the years ended December 31, 2018 and 2017 would decreased/increased by \$44,042 thousand and \$44,390 thousand, respectively.

b) Other price risk

The Company was exposed to equity and commodity price risk through its investments in equity securities and mutual funds. The management of the Company manages risk by holding different risk portfolios.

Sensitivity analysis

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

If equity and commodity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$1,005 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$488,438 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity and commodity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2017 would have increased/decreased by \$301 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2017 would increase/decrease by \$408,910 thousand, as a result of the changes in fair value of available-for-sale investments.

The Company's sensitivity to price risk increased during the year, which was mainly due to the increase in the investments in equity securities measured by fair value.

2) Credit risk

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

The financial credit risk created by investing is evaluated and monitored by the Company'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, 2018 and 2017, the amount of unused financing facilities were \$6,025,000 thousand and \$6,060,280 thousand, respectively.

The following table details the Company'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 Company 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, 2018

	Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Floating interest rate liabilities	\$ 2,182,488	\$ 21,191,690
Fixed interest rate liabilities	<u>1,400,000</u>	<u>-</u>
	<u>\$ 3,582,488</u>	<u>\$ 21,191,690</u>

December 31, 2017

	Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Floating interest rate liabilities	\$ 1,412,108	\$ 21,307,886
Fixed interest rate liabilities	<u>1,838,865</u>	<u>-</u>
	<u>\$ 3,250,973</u>	<u>\$ 21,307,886</u>

22. TRANSACTIONS WITH RELATED PARTIES

Besides disclosed in other note, details of transactions between the Company and other related parties are disclosed below.

a. Names and categories of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Hsin-Yi Enterprise Co., Ltd.	Entities with key management personnel
Yuen Foong Paper Co., Ltd.	Entity with key management personnel (Note)
Chung Hwa Pulp Corporation	Subsidiary
YFY Packaging Inc.	Subsidiary
Shin Foong Specialty and Applied Materials Co., Ltd.	Subsidiary
YFY Jupiter (BVI) Inc.	Subsidiary
Fidelis IT Solutions Co., Ltd.	Subsidiary
Lotus Ecoscings & Engineering Co., Ltd.	Subsidiary
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary
YFY Biotech Management Company	Subsidiary
Yeon Technologies Co., Ltd.	Subsidiary
San Ying Enterprise Co., Ltd.	Subsidiary
Union Paper Co., Ltd.	Subsidiary
YFY Capital Co., Ltd.	Subsidiary
Effion Eneritech Co., Ltd.	Subsidiary
YFY Holding Management Co., Ltd.	Subsidiary
YFY Venture Capital Investment Co., Ltd.	Subsidiary
YFY Paradigm Investment Co., Ltd.	Subsidiary

(Continued)

Related Party	Relationship with the Company
Pek Crown Paper Co., Ltd.	Subsidiary
China Color Printing Co., Ltd.	Subsidiary
Kuang Hwa Fertilizer Limited Company	Subsidiary
YFY Biotech Co., Ltd.	Associate
SinoPac Securities Corporation	Substantive related party
Hsin-Yi Foundation	Substantive related party
Bank SinoPac	Substantive related party
SinoPac Leasing Corp. Company	Substantive related party
Hsin-Yi Foundation& Publishing Co., Ltd	Substantive related party
Ho Tien Co., Ltd.	Substantive related party
Hoi Toy&Play Corporation	Substantive related party
Lui Co., Ltd.	Substantive related party
Hsin Yuan Investment Co., Ltd.	Substantive related party
Hsinex International Corp.	Substantive related party
Fu Hwa Development Enterprise Co., Ltd.	Substantive related party
Huashan Creative Co., Ltd.	Substantive related party
YFY Co., Ltd.	Substantive related party
Beautone Co., Ltd.	Substantive related party

(Concluded)

Note: YFY Paper Co., Ltd was a substantive related party from January 1, 2017 to June 21, 2018. Since June 21, 2018, it has served as a director of the Company, and subsequently changed its identity from a substantive related party to an entity with key management personnel.

b. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Receivables from related parties	Associates		
	YFY Biotech Co., Ltd.	\$ 1,379	\$ 115
	Subsidiaries		
	Chung Hwa Pulp Corporation	260	3,675
	YFY Packaging Inc.	-	1,731
	Yuen Foong Yu Consumer Products Co., Ltd.	-	696
	Others	143	395
		403	6,497
	Others	-	126
		\$ 1,782	\$ 6,738

The outstanding accounts receivable from related parties are unsecured and no expected credit losses should be recognized after estimating.

c. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Payables to related parties	Entities with key management personnel		
	Hsin-Yi Enterprise Co., Ltd.	\$ 704	\$ 961
	Subsidiaries		
	Fidelis IT Solutions Co., Ltd.	263	110
	Chung Hwa Pulp Corporation	8	428
	Others	<u>274</u>	<u>260</u>
		545	798
	Substantive related party		
	SinoPac Securities Corporation	272	276
	Others	<u>5</u>	<u>115</u>
		277	391
	Associates		
	Others	<u>10</u>	<u>71</u>
		<u>\$ 1,536</u>	<u>\$ 2,221</u>

The outstanding accounts payable to related parties are unsecured.

d. Others

Rental income

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Substantive related party		
Yuen Foong Paper Co., Ltd.	\$ 3,953	\$ 7,906
Hsin-Yi Foundation	2,788	3,043
Other	<u>4,627</u>	<u>2,402</u>
	11,368	13,351
Subsidiaries		
Chung Hwa Pulp Corporation	10,885	6,623
Others	<u>709</u>	<u>-</u>
	11,594	6,623
Entities with key management personnel		
Yuen Foong Paper Co., Ltd.	3,953	-
Other	<u>159</u>	<u>159</u>
	4,112	159
Associate	<u>1,207</u>	<u>308</u>
	<u>\$ 28,281</u>	<u>\$ 20,441</u>

Rental expenses (accounted for as operating expenses)

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2018	2017
Entities with key management personnel	\$ 6,674	\$ 9,137
Subsidiary	114	115
Substantive related party	<u>31</u>	<u>1,565</u>
	<u>\$ 6,819</u>	<u>\$ 10,817</u>

Agency fee revenue (accounted for as other operating income)

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2018	2017
Subsidiary		
Chung Hwa Pulp Corporation	\$ -	\$ 39,035
YFY Packaging Inc.	-	18,997
Others	<u>-</u>	<u>23,932</u>
	-	81,964
Associate	-	1,080
Others	<u>-</u>	<u>144</u>
	<u>\$ -</u>	<u>\$ 83,188</u>

Agency fee expense (accounted for as operating expenses)

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2018	2017
Subsidiary		
YFY Holding Management Co., Ltd.	<u>\$ 46,699</u>	<u>\$ 3,600</u>

Information service fee expense (accounted for as operating expenses)

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2018	2017
Subsidiary	<u>\$ 4,940</u>	<u>\$ 4,800</u>

Service agency fee expenses (accounted for as operating expenses)

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2018	2017
Subsidiaries	<u>\$ 3,761</u>	<u>\$ 3,447</u>

Depending on the agreements, rental income and expenses, agency fee income and expense, as well as information service fee were received or paid by per month or per half-year.

Other

In November 2015, the Company bought Bank SinoPac's 3rd unsecured perpetual non-cumulative subordinated financial debentures issued in 2015, which amounted to \$160,000 thousand (accounted for as financial assets at FVTPL - non-current under IFRS 9 and accounted for as debt investments with no active market - non-current under IAS 39) and had an interest rate of 3.9%. As of December 31, 2018 and 2017, the interest receivables were both \$964 thousand.

In August 2018, the Company purchased \$36,642 thousand worth of common shares of iXensor Co., Ltd. from Taiwan Global BioFund Co., Ltd. (accounted for as financial assets at FVTOCI - non-current).

e. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Salaries and benefits	\$ 42,925	\$ 38,394
Executive fees	<u>696</u>	<u>696</u>
	<u>\$ 43,621</u>	<u>\$ 39,090</u>

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

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

The Company's 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:

December 31, 2018			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Investments in subsidiaries			
Monetary items			
USD	\$ 853,316	30.715 (USD:NTD)	\$ 26,205,494
December 31, 2017			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Investments in subsidiaries			
Monetary items			
USD	\$ 854,969	29.76 (USD:NTD)	\$ 25,447,578

24. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 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. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Information on investees. (Table 4)
- 10) Trading in derivative instruments. (None)

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 5)
- 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. (None)
 - 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 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

- 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)

25. SEGMENT INFORMATION

The Company has disclosed related segment information in accordance with IFRS 8 in consolidated financial statement.

TABLE 1

YFY INC.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)	Note
													Item	Value			
1	YFY Inc.	YFY Cayman Co., Ltd	Other receivables from related parties	Yes	\$ 539,100	\$ -	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 13,292,470	\$ 13,292,470	

Note: 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.

TABLE 2

YFY INC.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	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 Subsidiary	Endorsement/ Guarantee Given by Subsidiary on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Company in Mainland China
		Name	Relationship										
1	<u>Endorsement guarantee</u> YFY Inc.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3 a.	\$ 49,846,761	\$ 3,077,598	\$ 2,197,855	\$ 645,980	\$ -	6.20	\$ 66,462,348	Yes	No	Yes
	<u>Credit line (Note 4)</u> YFY Inc.	Yeon Technologies Co., Ltd.	Note 3 a.	49,846,761	40,000	-	-	-	-	66,462,348	No	No	No
		San Ying Enterprise Co., Ltd.	Note 3 a.	49,846,761	50,000	-	-	-	-	66,462,348	No	No	No
		YFY Japan Co., Ltd.	Note 3 a.	49,846,761	84,000	-	-	-	-	66,462,348	No	No	No
		Lotus Ecoscings & Engineering Co., Ltd.	Note 3 a.	49,846,761	230,000	230,000	83,000	-	0.65	66,462,348	No	No	No
		YFY (Shanghai) Financial Services Co., Ltd.	Note 3 a.	49,846,761	553,235	408,056	147,685	-	1.15	66,462,348	No	No	No
		YFY Global Investment BVI Corp.	Note 3 a.	49,846,761	773,875	460,725	208,862	-	1.30	66,462,348	No	No	No
		YFY Paradigm Investment Co., Ltd.	Note 3 a.	49,846,761	1,670,000	1,670,000	970,000	-	4.71	66,462,348	No	No	No
		YFY Venture Capital Investment Co., Ltd.	Note 3 a.	49,846,761	1,920,000	1,920,000	796,000	-	5.41	66,462,348	No	No	No
		YFY Capital Co., Ltd.	Note 3 a.	49,846,761	2,700,000	2,600,000	1,730,000	-	7.33	66,462,348	No	No	No
		YFY International BVI Corp.	Note 3 a.	49,846,761	4,203,078	2,959,919	129,003	-	8.35	66,462,348	No	No	No
		YFY Jupiter Limited	Note 3 a.	49,846,761	329,990	285,610	226,005	-	0.81	66,462,348	No	No	No
		YFY Jupiter (BVI) Inc.	Note 3 a.	49,846,761	308,300	307,150	92,145	-	0.87	66,462,348	No	No	No

Note 1: Represents 150% of the prior year’s net equity of YFY Inc.

Note 2: Represents 200% of the prior year’s net equity of YFY Inc.

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

a. Subsidiary.

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

TABLE 3

YFY INC.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

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

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company (Note)	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
YFY Inc.	<u>Shares</u> SinoPac Holdings Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	468,485,150	\$ 4,825,397	4.2	\$ 4,825,397	
	Boardtek Electronics Corporation	-	Financial assets measured at fair value through other comprehensive profit or loss - non-current	37,323,087	1,183,142	16.7	1,183,142	
	TaiGen Biopharmaceuticals Holdings Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	84,509,502	1,436,662	11.8	1,436,662	
	Canada Investment and Development Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	20,826,000	167,785	12.9	167,785	
	Synmax Biochemical Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	5,999,371	63,877	13.9	63,877	
	Universal Investment Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	5,562,000	31,436	2.9	31,436	
	Fu Hwa Development Enterprise Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	4,200,000	56,950	14.0	56,950	
	Taiwan Cultural-Creative Development Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	1,600,000	22,593	8.0	22,593	
	Shin Taiwan Agricultural Machinery Co., Ltd.	Note 1	Financial assets measured at fair value through other comprehensive profit or loss - non-current	5,612	32,064	5.5	32,064	
	China Trade and Development Corp.	-	Financial assets measured at fair value through other comprehensive profit or loss - non-current	377,634	1,726	0.6	1,726	
	Taiwan Stock Exchange Corporation	-	Financial assets measured at fair value through other comprehensive profit or loss - non-current	20,817,024	1,590,763	3.0	1,590,763	
	Sino Cell Technologies Ltd.	-	Financial assets measured at fair value through other comprehensive profit or loss - non-current	995,313	7,193	10.0	7,193	
	Yuen Foong Paper Co., Ltd.	Note 3	Financial assets measured at fair value through other comprehensive profit or loss - non-current	544,067	12,399	0.7	12,399	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive profit or loss - non-current	20,884,500	300,123	14.9	300,123	
	iXensor Inc.	-	Financial assets measured at fair value through other comprehensive profit or loss - non-current	1,970,000	36,642	4.1	36,642	

(Continued)

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company (Note)	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	<u>Subordinated bank debentures</u> Bank SinoPac's 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	Note 2	Financial assets measured at fair value through profit or loss - non-current	-	\$ 160,964	-	\$ 160,964	
	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	1,445,996	20,104	-	20,104	

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

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

Note 3: The investee is the member of the board of directors.

(Concluded)

TABLE 4

YFY INC.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
YFY INC.	Chung Hwa Pulp Corporation	Hualien, Taiwan	Pulp and paper production, trading and forestry business	\$ 5,715,988	\$ 5,715,988	627,827,088	56.9	\$ 8,946,875	\$ 445,663	\$ 254,105	1.
	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	1,361,555	1,361,555	133,472,904	11.8	3,305,527	2,613,673	309,483	2.
	YFY International BVI Corp.	British Virgin Islands	Investment and holding	18,124,434	18,124,434	580,098,758	100.0	20,659,509	184,122	176,305	1.
	YFY Global Investment BVI Corp.	British Virgin Islands	Investment and holding	2,153,335	2,153,335	79,000,000	100.0	5,545,985	345,018	345,018	1.
	Yuen Foong Yu Consumer Products Co., Ltd.	Taipei, Taiwan	Production and sale of high quality paper and paper - related merchandise	1,600,000	1,600,000	227,299,406	100.0	2,514,260	160,339	160,339	1.
	Shin Foong Specialty and Applied Materials Co., Ltd.	Pingtung, Taiwan	Production and sale of SBR (styrene butadiene rubber) latex	73,020	73,020	51,914,248	49.6	1,628,076	426,961	212,186	1.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	310,125	310,125	31,012,500	23.0	569,730	88,103	20,239	-
	China Color Printing Co., Ltd.	Taipei, Taiwan	Design and printing of magazines, posters and books	190,068	190,068	32,896,330	49.7	452,350	17,592	8,736	1.
	YFY Venture Capital Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	200,000	200,000	59,496,600	100.0	1,020,101	106,545	106,545	1.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	323,089	13,959	8,852	1.
	YFY Capital Co., Ltd.	Taipei, Taiwan	Sale of paper and paper-related merchandise	189,759	189,759	26,840,000	100.0	382,197	32,253	32,253	1.
	YFY Holding Management Co., Ltd.	Taipei, Taiwan	Consulting	30,000	250,000	3,000,000	100.0	41,528	16,170	16,170	1.
	Union Paper Co., Ltd.	Yunlin, Taiwan	Manufacture and sale of paper	200,700	200,700	19,584,000	18.9	227,969	(10,670)	(2,018)	1.
	YFY Paradigm Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	231,357	231,357	80,012,500	100.0	1,252,690	68,652	68,652	1.
	San Ying Enterprise Co., Ltd.	Taipei, Taiwan	Design and construction of water processing and environmental facilities	100,003	100,003	12,600,000	100.0	148,128	22,013	22,013	1.
	Lotus Ecoscings & Engineering Co., Ltd.	Taipei, Taiwan	Construction of sewage treatment plants and incinerators	152,944	152,944	26,914,000	100.0	339,620	18,093	18,093	1.
	YFY Japan Co., Ltd.	Japan	Trade of paper, chemical material and machinery	2,099	2,099	200	100.0	97,161	7,295	7,295	1.
	Yuen Yan Paper Container Co., Ltd.	Miaoli, Taiwan	Sale and manufacture of corrugated paper and materials	62,462	62,462	6,178,500	50.9	71,258	6,410	3,266	1.
	Fidelis IT Solutions Co., Ltd.	Taipei, Taiwan	1. Provides services in information software and information processing. 2. Wholesale of information software and electric appliances.	10,000	10,000	2,857,000	100.0	48,761	465	465	1.
	Taiwan Genome Science, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing.	12,260	12,260	1,225,956	19.4	19,800	29,798	5,767	2.

Note: 1. Subsidiary
2. Associate

TABLE 5

YFY INC.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**
(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, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 153,575 (US\$ 5,000 thousand)	a.(a)	\$ 46,073 (US\$ 1,500 thousand)	\$ -	\$ -	\$ 46,073 (US\$ 1,500 thousand)	\$ (7,803)	100.0	\$ (7,803) (Note 2)	\$ -	\$ -
YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and cardboard	337,865 (US\$ 11,000 thousand)	a.(a)	215,005 (US\$ 7,000 thousand)	-	-	215,005 (US\$ 7,000 thousand)	74,177	100.0	74,177 (Note 2)	516,242	-
YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	215,005 (US\$ 7,000 thousand)	a.(a)	215,005 (US\$ 7,000 thousand)	-	-	215,005 (US\$ 7,000 thousand)	26,279	100.0	26,279 (Note 2)	182,978	-
YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and cardboard	245,720 (US\$ 8,000 thousand)	a.(a)	245,720 (US\$ 8,000 thousand)	-	-	245,720 (US\$ 8,000 thousand)	72,109	100.0	72,109 (Note 2)	736,564	-
YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and cardboard	184,290 (US\$ 6,000 thousand)	a.(a)	61,430 (US\$ 2,000 thousand)	-	-	61,430 (US\$ 2,000 thousand)	62,083	100.0	62,083 (Note 2)	422,739	-
YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and cardboard	245,720 (US\$ 8,000 thousand)	a.(a)	249,191 (US\$ 8,113 thousand)	-	-	249,191 (US\$ 8,113 thousand)	81,717	100.0	81,717 (Note 2)	283,762	-
YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and cardboard	245,720 (US\$ 8,000 thousand)	a.(a)	245,720 (US\$ 8,000 thousand)	-	-	245,720 (US\$ 8,000 thousand)	70,514	100.0	70,514 (Note 2)	887,587	-
YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and cardboard	305,891 (US\$ 9,959 thousand)	a.(q)	276,435 (US\$ 9,000 thousand)	-	-	276,435 (US\$ 9,000 thousand)	81,730	100.0	73,557 (Note 2)	370,585	-
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	291,793 (US\$ 9,500 thousand)	a.(a)	230,363 (US\$ 7,500 thousand)	-	-	230,363 (US\$ 7,500 thousand)	108,476	93.8	101,696 (Note 2)	427,301	-
YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and cardboard	199,648 (US\$ 6,500 thousand)	a.(a)	199,648 (US\$ 6,500 thousand)	-	-	199,648 (US\$ 6,500 thousand)	7,829	100.0	7,829 (Note 2)	-	-
YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and cardboard	184,290 (US\$ 6,000 thousand)	a.(a)	147,432 (US\$ 4,800 thousand)	-	-	147,432 (US\$ 4,800 thousand)	104,539	100.0	104,539 (Note 2)	896,705	-

(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, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 153,575 (US\$ 5,000 thousand)	a.(a)	\$ 153,575 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 153,575 (US\$ 5,000 thousand)	\$ 5,450	100.0	\$ 5,450 (Note 2)	\$ 152,120	\$ -
YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding.	2,663,206 (US\$ 86,707 thousand)	a.(a)	2,057,905 (US\$ 67,000 thousand)	614,300 (US\$ 20,000 thousand)	-	2,672,205 (US\$ 87,000 thousand)	(511,670)	100.0	(511,670) (Note 2)	560,248	-
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	7,515,807 (US\$ 244,695 thousand)	a.(b)	6,910,875 (US\$ 225,000 thousand)	614,300 (US\$ 20,000 thousand)	-	7,525,175 (US\$ 245,000 thousand)	(1,091,967)	100.0	(1,091,967) (Note 2)	2,290,952	-
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and paper	457,654 (US\$ 14,900 thousand)	a.(c)	430,194 (US\$ 14,006 thousand)	-	-	430,194 (US\$ 14,006 thousand)	(77,562)	94.0	(72,909) (Note 2)	-	-
YFY Firstpak Packaging (Yangzhou) Co., Ltd.	Manufacture and sale of product packaging; design, manufacture and sale of packaging equipment and molding equipment	125,309 (RMB 28,000 thousand)	a.(d)	-	-	-	-	(3,741)	70.0	(2,619) (Note 2)	-	-
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Technological development of agricultural resource recycling	245,720 (US\$ 8,000 thousand)	a.(c)	245,720 (US\$ 8,000 thousand)	-	-	245,720 (US\$ 8,000 thousand)	(6,532)	100.0	(6,532) (Note 2)	113,914	-
YFY Bio Technology (Yangzhou) Co., Ltd.	Manufacture, sale and print of cardboard	13,426 (RMB 3,000 thousand)	a.(d)	-	-	-	-	(2,077)	-	(1,028) (Note 7)	-	-
Shenzhen Jing Lun Paper Co., Ltd.	Sale of paper merchandise and import/export business	14,321 (RMB 3,200 thousand)	a.(e)	-	-	-	-	20,460	100.0	20,460 (Note 2)	104,653	-
Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	92,145 (US\$ 3,000 thousand)	a.(f)	-	-	-	-	(13,690)	100.0	(13,690) (Note 2)	-	-
Shanghai YFY Advertising and Printing Co., Ltd.	Printing of publications	8,951 (RMB 2,000 thousand)	a.(g)	-	-	-	-	(55)	51.0	(28) (Note 2)	107	-
Arizon RFID Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	869,510 (RMB 194,290 thousand)	a.(h)	779,915 (US\$ 25,392 thousand)	-	-	779,915 (US\$ 25,392 thousand)	443,609	86.5	421,425 (Note 2)	2,391,659	-
Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	\$ 35,803 (RMB 8,000 thousand)	a.(i)	-	-	-	-	3,600	86.5	3,420 (Note 2)	46,366	-

(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, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	4,300 (US\$ 140 thousand)	a.(j)	\$ -	\$ -	\$ -	\$ -	\$ 109,734	77.8	\$ 85,362 (Note 2)	\$ 214,789	\$ -
Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	8,951 (RMB 2,000 thousand)	a.(k)	-	-	-	-	62,571	77.8	48,674 (Note 2)	109,895	-
YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	-	a.(k)	-	-	-	-	6,186	77.8	4,812 (Note 2)	33,054	-
Chengdu JieLianDa Warehousing Co., Ltd.	General trade	6,713 (RMB 1,500 thousand)	a.(k)	-	-	-	-	420	27.2	114 (Note 6)	2,141	-
Chengdu JieLianDa Supply Chain Co., Ltd.	Management of supply chain	-	a.(k)	-	-	-	-	(463)	27.2	(77) (Note 6)	-	-
Chengdu YongJunYu Environmental Protection packing Co., Ltd.	General trade	8,951 (RMB 2,000 thousand)	a.(k)	-	-	-	-	(4,194)	27.2	(1,142) (Note 6)	991	-
YFY Investment Co., Ltd.	Investment and holding and sale of paper	3,532,225 (US\$ 115,000 thousand)	a.(l)	3,532,225 (US\$ 115,000 thousand)	-	-	3,532,225 (US\$ 115,000 thousand)	(59,666)	100.0	(59,666) (Note 2)	1,508,886	-
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,450 (US\$ 30,000 thousand)	a.(m)	921,450 (US\$ 30,000 thousand)	-	-	921,450 (US\$ 30,000 thousand)	5,318	100.0	5,318 (Note 2)	454,213	-
YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	1,075,025 (US\$ 35,000 thousand)	a.(m)	1,075,025 (US\$ 35,000 thousand)	-	-	1,075,025 (US\$ 35,000 thousand)	(10,734)	100.0	(10,734) (Note 2)	467,624	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,450 (US\$ 30,000 thousand)	a.(m)	921,450 (US\$ 30,000 thousand)	-	-	921,450 (US\$ 30,000 thousand)	13,765	100.0	13,765 (Note 2)	998,254	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,475 (RMB 1,000 thousand)	b.(a)	4,475 (RMB 1,000 thousand)	-	-	4,475 (RMB 1,000 thousand)	(215)	100.0	(215) (Note 2)	-	-
Guangdong Ding Fung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	2,630,125 (US\$ 85,630 thousand)	a.(n)	675,730 (US\$ 22,000 thousand)	-	-	675,730 (US\$ 22,000 thousand)	161,284	74.6	120,387 (Note 2)	3,790,483	-
Zhaoqing Ding Fung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	672,044 (US\$ 21,880 thousand)	a.(o)	226,677 (US\$ 7,380 thousand)	-	-	226,677 (US\$ 7,380 thousand)	515	74.6	384 (Note 2)	2,200,289	-

(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, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, development of credit risk management platform.	\$ 223,766 (RMB 50,000 thousand)	a.(p)	\$ 223,766 (RMB 50,000 thousand)	\$ -	\$ -	\$ 223,766 (RMB 50,000 thousand)	\$ 9,662	78.9	\$ 7,621 (Note 2)	\$ 240,010	\$ -
Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	38,701 (US\$ 1,260 thousand)	b.(b)	25,678 (US\$ 836 thousand)	-	-	25,678 (US\$ 836 thousand)	4,343	66.4	2,882 (Note 2)	31,367	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Notes 1 and 5)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$17,798,113	\$20,637,235	\$36,718,802

- Note 1: Except for investment gain or loss which use exchange rates of US\$1=NT\$30.14925 or RMB1=NT\$4.559921 or EUR1=NT\$36.605, the exchange rates are US\$1=NT\$30.715 or RMB1=NT\$4.475318 or EUR1=NT\$35.2 as of December 31, 2018.
- 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 Fung 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 Marutius 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) Mobius 105 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 \$3,747,169 thousand made by investor of mainland China has been deducted.
- Note 6: Recognized from financial statements that have not been audited.
- Note 7: The Company lost control due to reduced ownership interest and excluded the investee starting in October 2018. The share of profit or loss and other comprehensive income of the investee were recognized until October 2018.
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 1 and 2.

(Concluded)

YFY INC.

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**STATEMENT OF FINANCIAL ASSETS AT FVTOCI
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Except Unit Price)**

Securities Name	Balance, December 31, 2017		Effect of Retrospective Application	Balance at January 1, 2018 as Restated	Increase in 2018		Decrease in 2018		The Amount of This Year's Evaluation (Note 1)	Fair Value at the End of the Year			
	Shares	Amount			Shares (Note 3)	Amount	Shares (Note 4)	Amount		Shares	Percentage of Ownership (%)	Amount	Note
Shares - listed company													
SinoPac Financial Holdings Company	459,299,167	\$ 4,441,423	\$ -	\$ 4,441,423	9,185,983	\$ -	-	\$ -	\$ 383,974	468,485,150	4.2	\$ 4,825,397	(Note 2)
TaiGen Biopharmaceuticals Holdings Ltd.	84,509,502	1,833,856	-	1,833,856	-	-	-	-	(397,194)	84,509,502	11.8	1,436,662	(Note 2)
Boardtek Electronics Corporation	37,323,087	<u>1,345,497</u>	<u>-</u>	<u>1,345,497</u>	-	<u>-</u>	-	<u>-</u>	<u>(162,355)</u>	37,323,087	16.7	<u>1,183,142</u>	(Note 2)
		<u>7,620,776</u>	<u>-</u>	<u>7,620,776</u>		<u>-</u>		<u>-</u>	<u>(175,575)</u>			<u>7,445,201</u>	
Shares - unlisted company													
KHL IB Venture Capital Co., Ltd.	22,750,000	227,500	41,326	268,826	-	-	(1,865,500)	(18,655)	49,952	20,884,500	14.9	300,123	
Canada Investment and Development Co., Ltd.	20,826,000	133,500	35,949	169,449	-	-	-	-	(1,664)	20,826,000	12.9	167,785	
Synmax Biochemical Co., Ltd.	5,999,371	61,611	5,739	67,350	-	-	-	-	(3,473)	5,999,371	13.9	63,877	
Universal Investment Co., Ltd.	5,562,000	50,000	(17,726)	32,274	-	-	-	-	(838)	5,562,000	2.9	31,436	
Fu Hwa Development Enterprise Co., Ltd.	4,200,000	42,000	15,067	57,067	-	-	-	-	(117)	4,200,000	14.0	56,950	
Taiwan Cultural-Creative Development Co., Ltd.	1,600,000	19,200	1,616	20,816	-	-	-	-	1,777	1,600,000	8.0	22,593	
Sino Cell Technologies Ltd.	995,313	9,962	(3,876)	6,086	-	-	-	-	1,107	995,313	10.0	7,193	
Shin Taiwan Agricultural Machinery Co., Ltd.	5,612	5,612	33,677	39,289	-	-	-	-	(7,225)	5,612	5.5	32,064	
China Trade and Development Corp.	377,634	3,776	(988)	2,788	-	-	-	-	(1,062)	377,634	0.6	1,726	
Taiwan Stock Exchange Corporation	20,817,024	3,458	1,370,947	1,374,405	-	-	-	-	216,358	20,817,024	3.0	1,590,763	
Yuen Foong Paper Co., Ltd.	544,067	810	13,619	14,429	-	-	-	-	(2,030)	544,067	0.7	12,399	
iXensor Inc.	-	<u>-</u>	<u>-</u>	<u>-</u>	1,970,000	<u>36,642</u>	-	<u>-</u>	<u>-</u>	1,970,000	4.1	<u>36,642</u>	
		<u>557,429</u>	<u>1,495,350</u>	<u>2,052,779</u>		<u>36,642</u>		<u>(18,655)</u>	<u>252,785</u>			<u>2,323,551</u>	
		<u>\$ 8,178,205</u>	<u>\$ 1,495,350</u>	<u>\$ 9,673,555</u>		<u>\$ 36,642</u>		<u>\$ (18,655)</u>	<u>\$ 77,210</u>			<u>\$ 9,768,752</u>	

Note 1: Accounted for unrealized gain (loss) on financial assets at FVTOCI.

Note 2: The unit price is calculated by the closing price as of December 31, 2018.

Note 3: SinoPac Holdings Co., Ltd. issued stock dividends.

Note 4: KHL IB Venture Capital Co., Ltd. executed cash capital reduction.

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**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Except Unit Price)**

Investee Company (Note 1)	Balance, December 31, 2017		Effect of Retrospective Application	Balance at January 1, 2018 as Restated	Increase in 2018 (Note 2)		Decrease in 2018 (Note 3)		Share of Profit or Loss of Subsidiaries and Associates	Equity Adjustments (Note 4)	Balance, December 31, 2018			Market Price (Note 5)	
	Shares	Amount			Shares	Amount	Shares	Amount			Shares	Percentage of Ownership (%)	Amount	Unit Price (NT\$)	Total Amount
Listed company															
Chung Hwa Pulp Corporation	627,827,088	\$ 8,984,769	\$ 21,217	\$ 9,005,986	-	\$ -	-	\$ (313,914)	\$ 254,105	\$ 698	627,827,088	56.9	\$ 8,946,875	\$ 9.7	\$ 6,064,810
Shin Foong Specialty and Applied Materials Co., Ltd.	51,914,248	<u>1,555,126</u> <u>10,539,895</u>	<u>26,117</u> <u>47,334</u>	<u>1,581,243</u> <u>10,587,229</u>	-	<u>-</u> <u>-</u>	-	<u>(180,999)</u> <u>(494,913)</u>	<u>212,186</u> <u>466,291</u>	<u>15,646</u> <u>16,344</u>	51,914,248	49.6	<u>1,628,076</u> <u>10,574,951</u>	48.4	2,512,650
OTC company															
E Ink Holdings Inc.	133,472,904	<u>3,207,250</u>	<u>41,450</u>	<u>3,248,700</u>	-	<u>-</u>	-	<u>(218,896)</u>	<u>309,483</u>	<u>(33,760)</u>	133,472,904	11.8	<u>3,305,527</u>	30.2	3,421,208
Unlisted company															
YFY International BVI Corp.	580,098,758	20,321,740	-	20,321,740	-	-	-	-	176,305	161,464	580,098,758	100.0	20,659,509		
YFY Global Investment BVI Corp.	79,000,000	5,125,838	57,508	5,183,346	-	-	-	-	345,018	17,621	79,000,000	100.0	5,545,985		
Yuen Foong Yu Consumer Products Co., Ltd.	222,491,767	2,399,019	-	2,399,019	4,807,639	-	-	-	160,339	(45,098)	227,299,406	100.0	2,514,260		
Taiwan Global BioFund Co., Ltd.	31,012,500	627,275	463	627,738	-	-	-	-	20,239	(78,247)	31,012,500	23.0	569,730		
China Color Printing Co., Ltd.	32,896,330	462,787	1,295	464,082	-	-	-	(18,751)	8,736	(1,717)	32,896,330	49.7	452,350		
YFY Venture Capital Investment Co., Ltd.	52,893,600	830,210	28,938	859,148	6,603,000	-	-	-	106,545	54,408	59,496,600	100.0	1,020,101		
Effion Enertech Co., Ltd.	34,300,000	316,882	-	316,882	-	-	-	-	8,852	(2,645)	34,300,000	49.0	323,089		
YFY Capital Co., Ltd.	26,840,000	341,560	2,171	343,731	-	-	-	(22,000)	32,253	28,213	26,840,000	100.0	382,197		
YFY Holding Management Co., Ltd.	25,000,000	249,377	-	249,377	-	-	(22,000,000)	(220,000)	16,170	(4,019)	3,000,000	100.0	41,528		
Union Paper Co., Ltd.	19,584,000	229,612	-	229,612	-	-	-	-	(2,018)	375	19,584,000	18.9	227,969		
YFY Paradigm Investment Co., Ltd.	77,750,000	1,152,799	21,004	1,173,803	2,262,500	-	-	-	68,652	10,235	80,012,500	100.0	1,252,690		
San Ying Enterprise Co., Ltd.	12,600,000	126,781	-	126,781	-	-	-	-	22,013	(666)	12,600,000	100.0	148,128		
Lotus Ecoscings & Engineering Co., Ltd.	25,704,000	312,213	(3,014)	309,199	1,210,000	-	-	-	18,093	12,328	26,914,000	100.0	339,620		
YFY Japan Co., Ltd.	200	81,799	5,040	86,839	-	-	-	-	7,295	3,027	200	100.0	97,161		
Yuen Yan Paper Container Co., Ltd.	6,178,500	71,026	-	71,026	-	-	-	(3,034)	3,266	-	6,178,500	50.9	71,258		
Fidelis IT Solutions Co., Ltd.	2,467,000	42,185	-	42,185	390,000	-	-	-	465	6,111	2,857,000	100.0	48,761		
Taiwan Genome Science, Inc.	1,225,956	<u>15,125</u>	<u>-</u>	<u>15,125</u>	-	<u>-</u>	-	<u>(1,226)</u>	<u>5,767</u>	<u>134</u>	1,225,956	19.4	<u>19,800</u>		
		<u>32,706,228</u>	<u>113,405</u>	<u>32,819,633</u>		<u>-</u>		<u>(265,011)</u>	<u>997,990</u>	<u>161,524</u>			<u>33,714,136</u>		
		<u>\$ 46,453,373</u>	<u>\$ 202,189</u>	<u>\$ 46,655,562</u>		<u>\$ -</u>		<u>\$ (978,820)</u>	<u>\$ 1,773,764</u>	<u>\$ 144,108</u>			<u>\$ 47,594,614</u>		

Note 1: Except for YFY Japan Co., Ltd., the rest are calculated according to the audited annual financial statements.

Note 2: Issued stock dividends.

Note 3: Except for YFY Holding Management Co., Ltd. which executed cash capital reduction, other company issued cash dividends.

Note 4: This includes recognition of adjustments not recognized by shareholding ratio, exchange differences calculated by foreign operating institutions' financial statements, remeasurement of defined benefit plans, and unrealized gain (loss) of financial instruments, etc.

Note 5: Calculated based on the closing price at the end of 2018.

YFY INC.**STATEMENT OF SHORT-TERM BORROWING****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Type of Loan and Creditor	Deadline of the Loan	Rate (%)	Balance, December 31, 2018	Amount of the Financing	Note
Credit loan of the bank					
Mega Bank	2018.12.20-2019.03.20	0.99	\$ 650,000	\$ 900,000	
First Bank	2018.12.04-2019.01.17	1.00	440,000	500,000	
Taishin Bank	2018.12.28-2019.01.04	1.06	300,000	600,000	
Sunny Bank	2018.12.18-2019.01.08	1.00	200,000	200,000	
Bangkok Bank	2018.12.26-2019.01.24	0.98	<u>240,000</u>	<u>240,000</u>	Note
			<u>\$ 1,830,000</u>	<u>\$ 2,440,000</u>	

Note: Amount of the financing is US\$7,814. At exchange rate on December 31, 2018, US\$1=NT\$30.715.

YFY INC.

STATEMENT OF SHORT-TERM BILLS PAYABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Guarantee Agency	Deadline of Issue	Discount Rate (%)	Amount of Issue	<u>Amount of Commercial Principal</u>		Mortgage or Guarantee
				Unamortized Short-term Bills Payable Discount	Book Value	
Mega Bills	2018.12.13-2019.01.17	1.03	\$ 600,000	\$ 270	\$ 599,730	-
International Bills	2018.12.07-2019.01.04	1.02	350,000	29	349,971	-
Dah Chung Bills	2018.11.16-2019.01.15	0.96	250,000	92	249,908	-
Taiwan Bills	2018.11.09-2019.01.08	1.01	<u>200,000</u>	<u>39</u>	<u>199,961</u>	-
			<u>\$ 1,400,000</u>	<u>\$ 430</u>	<u>\$ 1,399,570</u>	

YFY INC.

STATEMENT OF LONG-TERM BORROWING
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Bank of Loan	Period of the Contract	Repayment Method	Rate (%)	Balance, December 31, 2018			Guarantee and Guarantee Situation
				Due within One Year	Expires After One Year	Total	
Syndicated loans							
First Bank	2016.12.29-2021.12.29	Due repayment, monthly interest payment	1.79	\$ -	\$ 7,440,000	\$ 7,440,000	-
Mega Bank	2017.12.25-2022.12.25	Due repayment, monthly interest payment	1.79	-	4,895,000	4,895,000	-
Taiwan Bank	2018.12.24-2023.12.24	Due repayment, monthly interest payment	1.79	-	6,200,000	6,200,000	-
Less: Hosting fee of bank joint loan				-	(38,321)	(38,321)	
				-	18,496,679	18,496,679	
Bank credit loans							
O-Bank	2016.12.28-2021.12.28	Due repayment, monthly interest payment	1.33	-	700,000	700,000	-
Taiwan Bank	2018.05.17-2020.05.17	Due repayment, monthly interest payment	1.02-1.05	-	800,000	800,000	-
KGI Bank	2018.12.17-2020.12.17	Due repayment, monthly interest payment	0.99	-	200,000	200,000	-
				-	1,700,000	1,700,000	
				\$ -	\$ 20,196,679	\$ 20,196,679	

YFY INC.**STATEMENT OF OPERATING EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Payroll expense	\$ 149,322
Agency fee expenses	46,699
Tax	36,305
Professional service expenses	31,081
Others (Note)	<u>70,957</u>
	<u>\$ 334,364</u>

Note: The amount of each item does not exceed 5% of the account balance.