

YFY INC. 2019 Annual Report



15F, No. 51, Sec. 2, Chongqing S. Rd., Taipei / +886-2-2396-8020

This annual report can be downloaded from the following websites

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

Company Website : <http://www.yfy.com>

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3F, No. 17, Boai Road, Zhongzheng District, Taipei, Taiwan | TEL : (02)2381-6288  
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**4. Auditor:**

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**5. Overseas Securities Exchange : None**

**6. Company Website :** <http://www.yfy.com>

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# Letter to Shareholders

Dear Shareholders,

For every participant in global commerce, 2019 was a year of endless shock and surprises. Multilateral trade that everyone had grown accustomed to over the last 3 decades collapsed amid the rise of unilateralism - resulting in escalating trade barriers among regions. Companies were forced to re-examine strategies and practices around long-established global supply chain. Uncertainty brought on by the shift of supply chain produced aggravating influence on global business confidence and economic activities. Consequently, the year 2019 closed out with the slowest global economic growth since the 2007 financial crisis.

At the same time, extreme climate continues to exacerbate, triggering massive fires in the Amazons, Australia, and California. Displacing hundreds of thousands, these fires also caused immeasurable and irreparable losses to the environment and economy. Outside of natural calamities, geopolitical conflicts added further to global turmoil: conflicts in the Middle East reignited to a new level, and recurrent flames in other regions also intensified. While many were hopeful for peaceful resolution to these bi-lateral and multi-lateral conflicts, few reached agreement after fervent and often tense diplomatic negotiations.

Just when people worldwide were ready to say farewell to the hustle and bustle of 2019, the epidemic of COVID-19 ignited from Wuhan - the profound impact to mankind has yet to subside.

Global economic growth declined from 3.6% (2018) to 3.0% (2019), while growth rate for Mainland China dipped from 6.6% to 6.1%, with the Taiwan dropping slightly from 2.75% to 2.71%. United States, the sole growth engine for global expansion in the last several years, also slid from 2.9% to 2.4%.

While 2019 was a challenging year for everyone, YFY's portfolio still made gains in 2019. With portfolio investments' mid-term and long-term plans coming to fruition after multi-year efforts, YFY consolidated revenue for 2019 reached 74.76 billion NTD, with net operating income of 2.99 billion NTD, of which 2.29 billion NTD is attributed to YFY shareholders. Earnings per share rose from 0.87 NTD/share in 2018 to 1.38 NTD/share in 2019, as a result, net value per share grew 10.7%, from 21.36 NTD/share to 23.64 NTD/share.

Brief highlights from our investment portfolio:

- **Forest, Pulp, and Paper Business Group** : Global pulp prices collapsed amid the US-China trade war and the resulting economic structural adjustment in Mainland China. However, wood chip price had not fallen at the same pace. As a result, business group achievement was less than satisfactory. While 2019 results were disappointing, because our paper capacity is far greater than our pulp capacity, we believe business group performance will improve once higher cost raw materials are exhausted. Hualien mill's plan to use lignin for power generation will further the business group's

aspiration in renewable energy and circular economy.

- **Containerboard and Packaging Business Group** : Yangzhou mill continued to face daunting operating challenges in Mainland. Nevertheless, Yangzhou continued to adjust product portfolio to focus on high-performance, higher-margin products, and made gradual progress in business performance. In the meantime, our Vietnam facilities benefitted from the supply chain shift, reporting robust sales and profits. Xinwu mills' renewable energy endeavor turned a new page as Phase 1 methane power generation facility, the largest methane power generation facility in Taiwan, came on-line 3Q19. Overall, contribution margin for the business group rose substantially as infrastructure investment and portfolio optimization over the last 3 years started to pay off.

- **Consumer Products Business Group** : Years of commitments to quality and brand investment culminated in the launch of Mayflower's multi-ply interfold toilet paper "Thick," an instant hit embraced by Taiwanese consumers. Similarly, Orange House and Tender cleaning products continued to win recognition from our consumers. Earnings in Mainland added icing on the cake as earning improved with new channel strategy implemented in 2018. Altogether, business group closed out the year with remarkable performance.

- **Financial Services** : Steady growth in dividends is our primary objective for our investments portfolio in financial services. SinoPac Financial Holdings reported substantial growth in 2019, with profits returning to a 5 year high. In aggregate, cash dividend from our financial services investments totaled 680 million NTD for the fiscal year.

- **Technology** : Electronic Shelf Label applications continues to grow for E Ink, as IoT applications become its prime driver for growth. More importantly, long awaited color ePaper products finally started to gain traction after years of R&D investments. Operating margin also continued to grow. Japan has been a key Arizon RFID market for year, and in 2019, efforts in cultivating the European market began to show rewards. Focusing on costs and expenses, Arizon RFID Technology was able to maintain sales and profitability despite market uncertainty and turbulence in.

- **Biotechnology** : TaiGen's new oral antibiotic, Taigexyn® received approval for Chinese medical insurance reimbursement. NEMO (NF-kappaB Essential Modulator) intravenous submitted new drug application in both Taiwan and Mainland; approval are expected in the near future. Furaprevir, targeted for chronic hepatitis C, completed Phase II clinical trial. As a result, TaiGen received 5 million USD milestone payments, and will proceed to Phase III. Highly anticipated antiviral influenza medicine TG-1000 submitted IND (Investigational New Drug) in Taiwan, Mainland, and the United States, with hopes to begin Phase I clinical trial shortly.

YFY-led "Taiwan Global Biofund," the first biotech venture fund in Taiwan, matured in 2019. The fund performed quite well during its life, netting good yield to YFY.

- **Specialty Materials** : Shin Foong Specialty and Applied Materials added 6 new synthetic latex production lines in 2019. Despite weaker than expected demand due to China-US trade war, Shin Foong reported improved gross margin and better earning through process optimization.

In 2012, YFY transformed from a manufacturing company into an investment holding company. Aside from three paper-related groups: Forest, Pulp and Paper Business Group; Containerboard and Packaging Business Group; and Consumer Product Business Group, YFY also holds investments in Financial Services, Technology, Biotechnology, and Specialty Material. YFY will continue to optimize and rationalize our investment portfolio based on each investment's sustainable competitiveness, growth trajectory, and future prospects. Our strategic initiatives are as follows.

- YFY continues to urge three business groups — namely Forest, Pulp and Paper Business Group; Containerboard and Packaging Business Group; Consumer Product Business Group — to deepen investment in innovation and to develop high-value products. Following the concepts of circular economy, we also urge each business group to invest in turning manufacturing by-products into products and renewable energy. We are also urging Forest, Pulp and Paper Business Group to invest in R&D to develop plastic-free products for food safety, and well nano-based specialty functional products.

- As portfolio investments grow, we will assist invested companies to access public capital markets. Capital access will allow these investments to accelerate their growth trajectories, and for YFY to receive liquidity to further invest in new businesses. Arzion RFID, already approved by YFY shareholders for listing in Mainland, is continuing its application process with hopes to strength its market leading position.

- Taiwan Global Biofund matured in 2019. However, YFY will continue watching the biomedical space, focusing new drugs, precision medicine, biochips, and bio-materials. The COVID-19 outbreak has already affected every global citizen in unprecedented ways. This pandemic and global crisis will undoubtedly have far-reaching impacts on the global economy and on future lifestyle, work, and supply chain design. YFY will focus on rigorous control of operating risks, supporting our investments to uphold our core value of solidity, and face every test with utmost mobility and tenacity.

Ever since our founding, YFY has focused on innovation. In early 20th century, YFY brought the innovation of synthetic fertilizer to Taiwan. After World War II,

we invested in the complex science of paper making. Over time, our investments evolved from vertical integration in the paper-making value chain to a diversified portfolio of industries and technology. For 95 years, generations of fellow YFYers dedicated their lives to the unceasing quest to advance with the times, seeking innovations to expand our horizons. These worst of times may prove to be the best of times if we overcome the challenges and on focus on the opportunities.

We are hopeful that everyone in the extended YFY family, together with the group and the entire humankind, will unite in a concerted effort to face the extraordinary challenges brought on by the pandemic. More than ever, we will follow the principles of our three pillars — employees, community, and environment — to develop in proportional harmony, continuing to generate constant return to our shareholders.

Wishing you all great health and prosperity,

Chairman of the Board

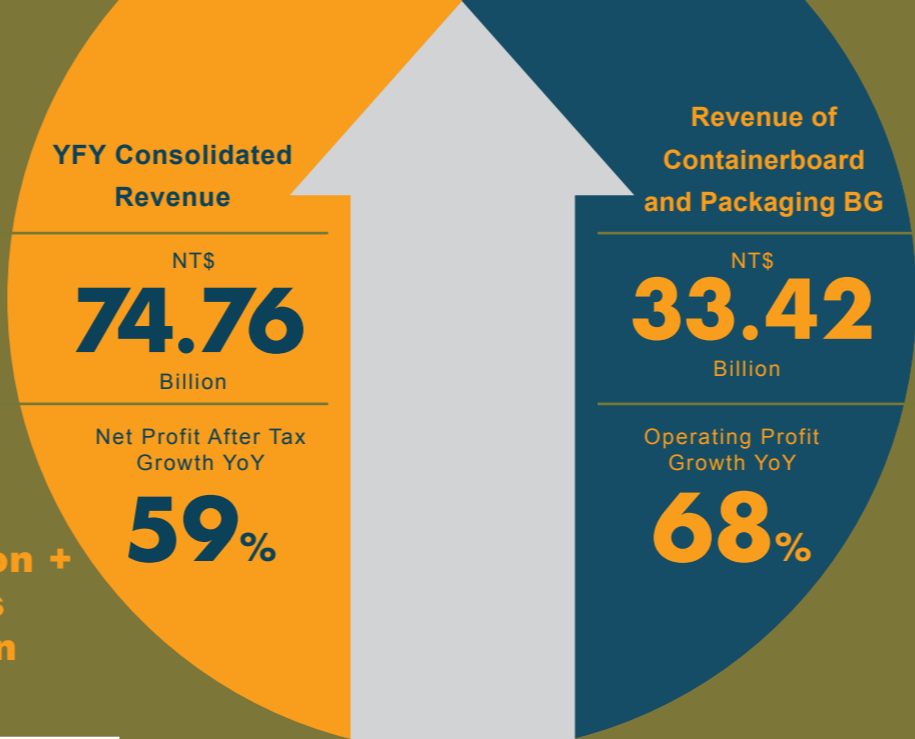


# 2019 • Recap

## YFY Resource Recycling Created the Renewable New Generation

**Biogas Taiwan #1**

**Stage 2 Construction + 2 Power Generators Will be completed in 2021 Q1**



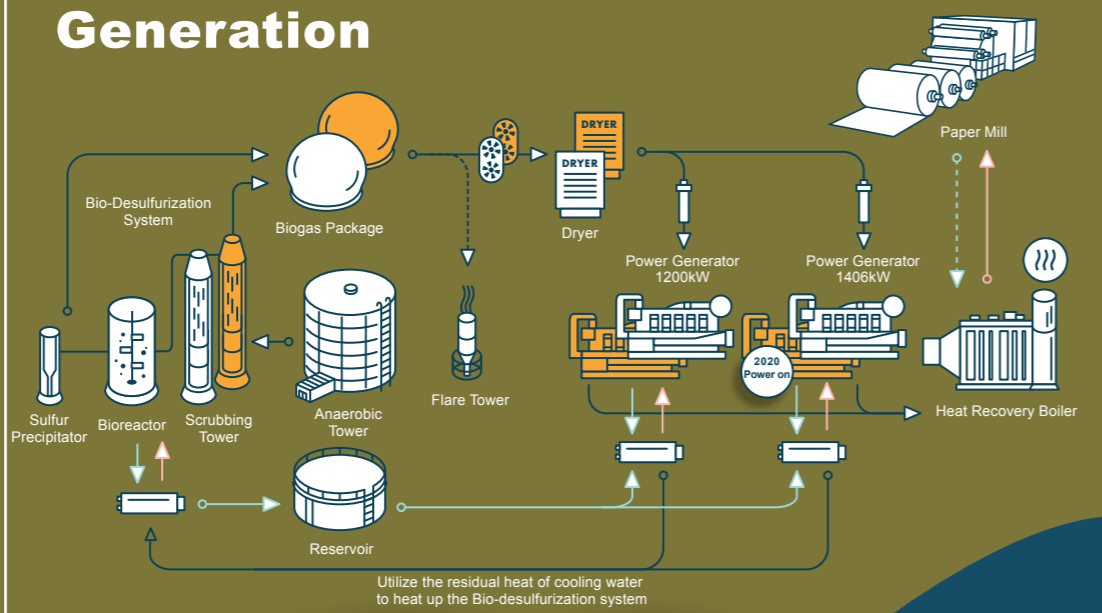
## Cellulose Biomass Power Generation **The Only Model in Taiwan**

In the production process of pulp, the black liquor generated by the woodchip contains lignin, essential oil, volatile materials, pectin, glucose, hemicelluloses etc. After concentration process of the black liquor, the remainder materials could be used in the recovery boiler as fuel to generate steam and electricity. The generated electricity is so called Bioenergy. The cogeneration facility provide the heat and power for pulp production and became the model of sustainable circular economy.

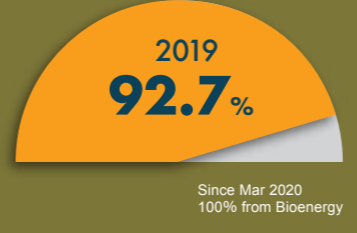
Renewable Energy × Low-Carbon × Innovated

### Continual Eco-Innovation Renewable Biogas Power Generation

- Methane Concentration Up-grading **80%+**
- Power generation efficiency Up-grading **40%+**
- Daily Biogas Production to be Rise **30,000m<sup>3</sup>/Day**
- Stage 1 & 2 Power Generation to be Rise **4,200+ kW**

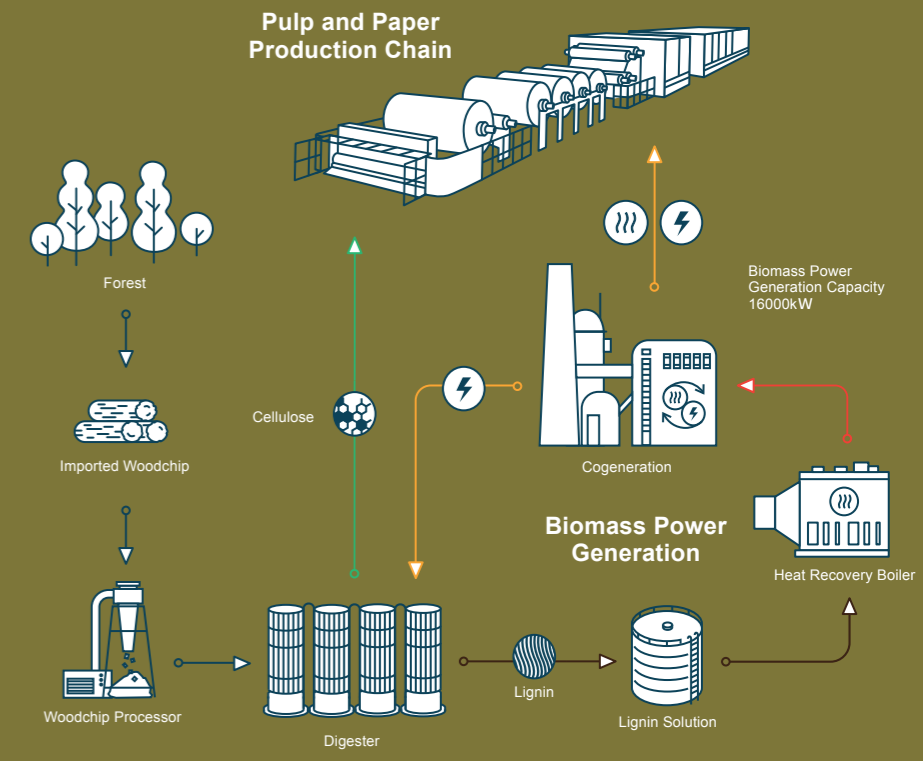


A. The ratio of energy sourcing from renewable energy in Hualien pulp and paper mill plant.



B. Total carbon reduction for 66 thousand tons of CO<sub>2</sub>e during 2010-2019

Equivalent to the carbon-assimilation of **171 Daan Forest Park.**

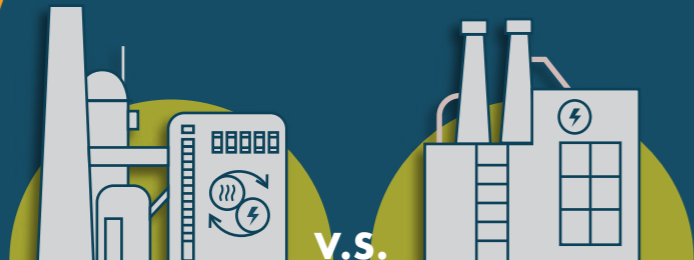


# Cogeneration | Strength of YFY Utilizes Cogeneration

## A. High Energy Efficiency

### Cogeneration

- Win Total Heat Efficiency Reached 52%
- Win Supply Energy and Steam
- Win Recycle Steam into Manufacturing Process



### Common Power Plant

Total Heat Efficiency 35% - 40%  
Supply Energy Only  
Steam is not Recyclable

V.S.

### Containerboard Xinwu Plant

### 35% Mixed-Fuel-Fired Boiler

Pioneer of Using Mixed-Fuel Assist Government Solving Problems

Utilize Production Residue to be 43.17% Fuel of the Plant in 2019



Fueled Old Clothes 95 tons in 2019

Auxiliary Fuel	How to Process	Substitute Coal (Thermal Conversion)
Sludge + Plastic Film	100% Self-Process	181.4 Tons/Day
Sludge		20 Tons/Day

### CHP

Taitung Plant

Jiutang Plant



Auxiliary Fuel	Substitute Coal (Thermal Conversion)
Sludge	5.1 Tons/Day
Paper Reject	21 Tons/Day
Pallet (Mixed with Sludge)	1.1 Tons/Day
Sludge	4.5 Tons/Day

Starting from 2016/01/01, YFY changed internal communication terms of Waste and Wastewater to Production Residue and Production Drain Water. To change YFY employees from mind to behaviors to redefine waste to resources.

SRF Boiler Construction Will be Completed in Q3 2020

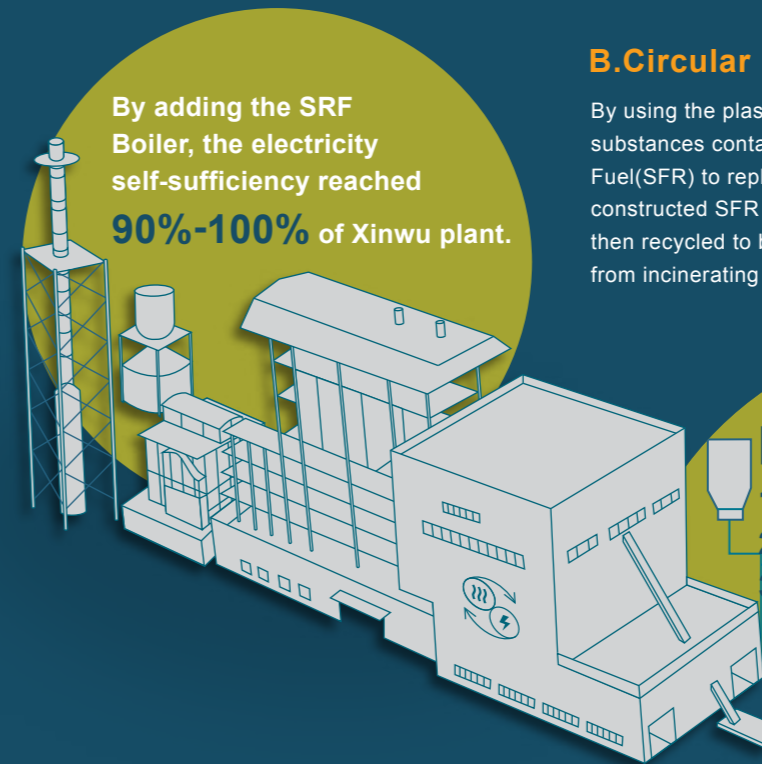
The First Zero-Coal Industrial Boiler

100% of the Paper Reject of the Plant Will be Processed Internally

## B. Circular Economy Up-Grading

By using the plastic, unrecyclable fibers and other flammable substances contained in the recycle paper to form Solid Recovered Fuel(SFR) to replace and reduce Coal consumption. The new constructed SFR boiler can transfer heat to be electricity and steam then recycled to be used in the production process and prevent from incinerating or land filling the wastes.

By adding the SRF Boiler, the electricity self-sufficiency reached 90%-100% of Xinwu plant.



### Fluidized Bed

1. Wide Range of Fuel Types
2. Low Pollution Emission
3. Stable Operation

## Persist To Do The Things Right National Recognition Awarded

## The National Brand Yushan Award

- Excellent management of Taiwan market by adjustment of product mix and new product launch timely to improve the overall shipments in Taiwan.
- Mayflower multi-ply Thick toilet paper, Orange House Laundry Detergent Series and Orange House Dish Wash Foam Spray won three awards from The National Brand Yushan Award. Realize the mission of enhance consumer's life experiences by providing innovated high quality products.



Revenue of Consumer Product BG  
NT\$

11.26  
Billion

Operating Profit Growth YoY

202%



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.

• 1934

Yuen Foong Corporation was established and the business went corporatization.

1950

### Established Yuen Foong Yu Paper Manufacturing Co., Ltd.

The pioneer of privately owned paper manufacturing plant, located in Jioutang Village, Dashu District in Kaohsiung, which produced Kraft paper and one-side coated paper.

• 1960

### Developed the First Domestic Coated Paper

Developed the most advanced paper-coating technology and successfully produced 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 government's investment policy in the east of Taiwan, YFY invested CHP in Hualien city. In the same year, the company established Taitung plant to manufacture coated white paper board.

• 1972

### Merged with Guo Guang Paper Co., Ltd.

Manufactured the first embossed tissue paper in Taiwan.

1977

### YFY listed on the Taiwan Stock Exchange

• 1980

### Established Taiwan's First Paper Manufacturer R&D Center

Established Taiwan's first and the only paper manufacturer R&D center, focus on the paper manufacturing technology innovation and development.

1986

### Launched "10 Billion Grand Vision Investment Plan"

Established the company's paper industry foundation.

Incubate talents for the company.

Launch conglomerate diversification strategy.

### 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.

Issued the First Convertible Preferred Stock in Taiwan.

Merged Yuen Foong Yuan Paper Manufacturing Co., Ltd.

• 1989

Issued the First 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

### Stepped into 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.

• 1993~2000

### Extended Footprint in China.

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

• 2000

### Step into Organic Food Industry

Set up Yuen Foong Yu Biotech Co., Ltd. to develop organic food in Taiwan and China. Through the various channel such as retail shops, door to door delivery, organic restaurant to promote organic diet to consumers.

• 2001



### Invested in TaiGen Biotechnology Co., Ltd.

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

2003

### Expand Investment Portfolio into Biomedical Business

Established 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.

• 2004

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

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 Technology Launched in the Market and E-ink Supplied the Key Component -- E-paper.

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

• 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).

2008

### Further Expand Technology Business

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.

• 2009

### Acquired 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, the USA packaging and brand design company, to be the global leading graphic design and packaging services company.

• 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.

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 paper operation.

• 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 was awarded 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.

• 2019

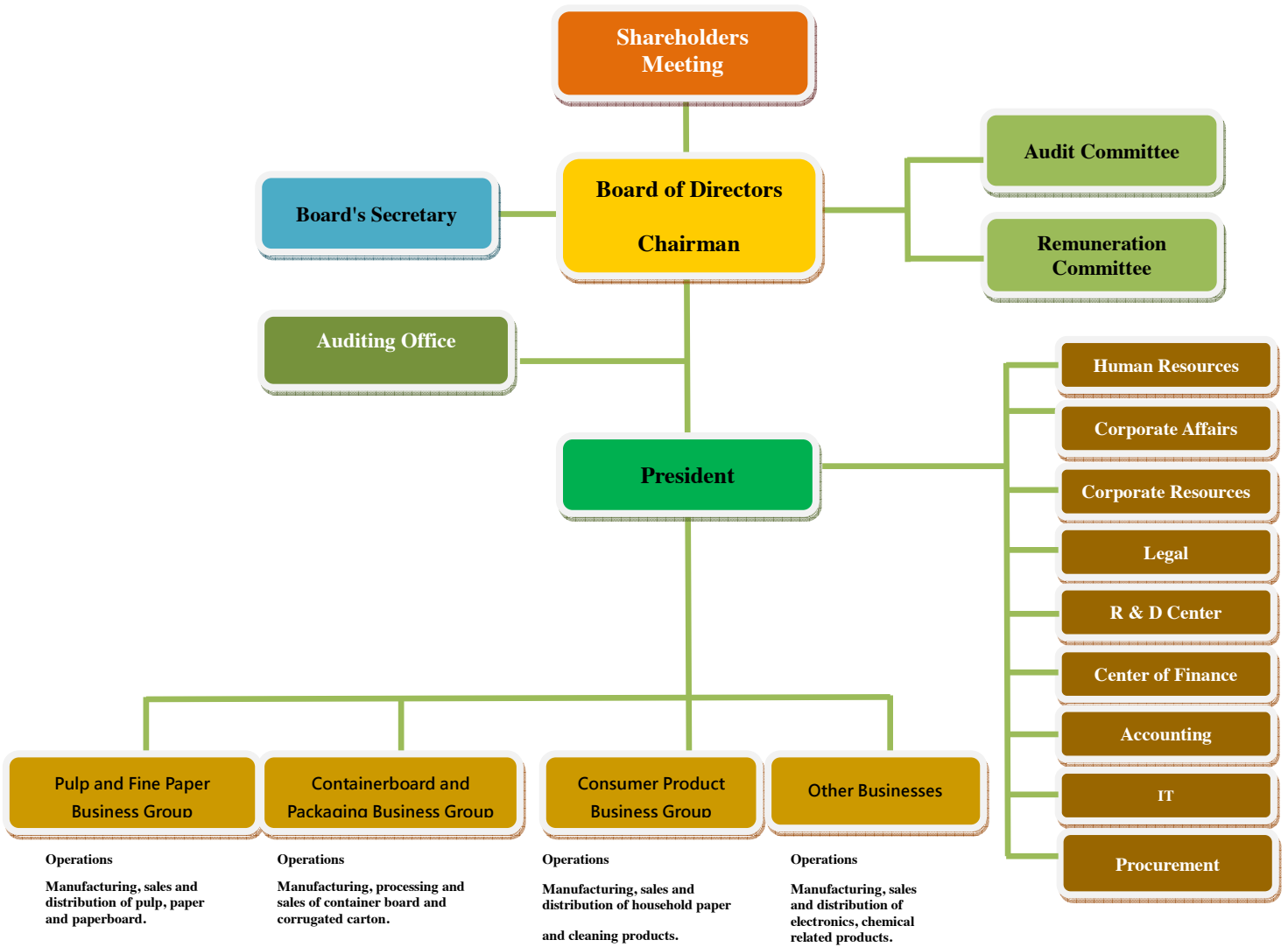
Xinwu factory commenced the largest scale of biogas power generation system. YFY demonstrates the model of Circular Economy.



## **Chapter 3. Corporate Governance Report**

- I. Organizational Chart
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- X. Numbers of Shares Held in Invested Enterprises by the Company, the Company's Directors, Independent Directors, and Managers, and Enterprises Directly or Indirectly Controlled by the Company and the Consolidated Shareholding Ratio

## I. Organization



## II. Profiles of Directors, Independent Directors, President, Executive VP, VPs, and Managers

### (I) Profiles of Directors and Independent Directors

December 31, 2019

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 experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads		
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation
Chairman	Republic of China	Shin-Yi Enterprise Co., Ltd. representative Felix Ho	Male	2018/6/21	3	2003/05/05	77,794,610	4.69	77,794,610	4.69	0	0	0	0	MBA, MIT Sloan School of Management	Note 1	Director	S. C. Ho	Father and son
							*35,529,953	2.14	*35,529,953	2.14									
Director	Republic of China	Shin-Yi Enterprise Co., Ltd. representative S. C. Ho	Male	2018/6/21	3	1972/2/10	77,794,610	4.69	77,794,610	4.69	0	0	0	0	M.S. in Mechanical Engineering, Univ. of Wisconsin	Note 2	Director	Felix Ho	Father and son
							*168,615,028	10.16	*168,615,028	10.16									
Director	Republic of China	Shin-Yi Enterprise Co., Ltd. representative Richard Ho	Male	2018/6/21	3	1994/3/23	77,794,610	4.69	77,794,610	4.69	88,024	0.01	0	0	B.Econ., University of Washington	Assistant Vice President, YFY Inc. Director, Shin-Yi Enterprise Co., Ltd. Director, Taitung Enterprise Corp. Director, Yuenfoong Ind. Co., Ltd..	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 Kirk Hwang	Male	2018/6/21	3	2016/3/16	18,268,073	1.10	18,268,073	1.10	0	0	0	0	Ph.D. in Materials Chemistry, University of Wisconsin	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	2018/6/21	18,268,073	1.10	18,268,073	1.10	0	0	0	0	EMBA, Accounting and Management Strategy, National Taiwan University	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 (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 experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads		
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation
Director	Republic of China	Yuen Foong Paper Co., Ltd. representative Wei-Li Tsai	Male	2018/06/21	3	2019/02/19	18,268,073	1.10	18,268,073	1.10	0	0	0	0	Master of Finance, University of Iowa	President, YFY Inc. Chairman and President, YFY Holding Management Co., Ltd. Director, YFY Global Investment BVI Corp. Director, YFY International BVI Corp.	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	2012/6/27	0	0.00	0	0.00	0	0	0	0	MBA, National Chengchi University	Note 5	N/A	N/A	N/A
Independent Director	Republic of China	Hsi-Peng Lu	Male	2018/6/21	3	2015/6/30	0	0.00	0	0.00	0	0	0	0	Ph.D. in Industrial Engineering, University of Wisconsin - Madison	Distinguished Professor, Department of Information Management, National Taiwan University of Science and Technology Independent Director, SHUI-MU International Co., Ltd. Independent Director, Taiwan Mobile Co., Ltd. Independent Director, 91APP Inc. Director, Joint Credit Information Center	N/A	N/A	N/A
Independent Director	Republic of China	Thomas Chen	Male	2018/6/21	3	2012/6/27	0	0.00	0	0.00	0	0	0	0	MBA, Indiana University	Independent Director, E Ink Holdings Inc.	N/A	N/A	N/A

\*personal holdings

Note 1.

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

Note 2.

Director, E Ink Corporation; Director, YFY Jupiter (BVI), Inc.; Director, Chung Hwa Pulp Corp.; Director, YFY Packaging Inc.; Director, YFY Consumer Products Co., Ltd.; Director, E Ink Holdings Inc.; Director, TaiGen Biotechnology Co., Ltd.; Director, San Ying Enterprise Co., Ltd.; Director, China Color Printing Co., Ltd.; Director, Fidelis IT Solutions Co., Ltd.; Director, Effion Eneritech Co., Ltd.; Director, Yuen Foong Yu Biotech Co., Ltd.; Director, YFY Paradigm Investment Co., Ltd.; Director, YFY Venture Capital Investment Co., Ltd.; Director, Lotus Ecosings & Engineering Co., Ltd.; Director, Shen's Art Printing Co., Ltd.; Director, Sustainable Carbohydrate Innovation Co., Ltd.; Director, YFY Biotech Management Co., Ltd.; Executive Director, China Investment and Development Co., Ltd.; Director, Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.; Director, YFY Consumer Products Co., Ltd.; Director, Yuen Foong International (Samoa) Ltd.; Director, YFY Japan Co., Ltd.; Director, Taigen Biopharmaceuticals Holdings Limited; Director, Artone Investment (H.K.) Ltd.; Director, Artone Specialties Company Limited; Director, Hsinex International Corp.; Director, Taitung

Enterprise Corp.; Director, Shin-Yi Enterprise Co., Ltd.; Chairman, Shin-Yi Investment Co., Ltd.; Director, Shin-Yi Recreation Co., Ltd.; Director, Ru Yi Enterprise Co., Ltd.; Director, Xing Yuan Investment Co., Ltd.; Chairman, Yuen Foong Paper Co., Ltd.; Chairman, Yuen Shin Yi Enterprise Co., Ltd.; Director, Yong-An Leasing Co., Ltd.; Director, Y F Chemical Corp.; Director, SinoCell Technologies Co., Ltd; Chairman, Fu Hwa Enterprise Co., Ltd.; Director, HuaDong Industrial Co., Ltd.; Director, Synmax Biochemical Co., Ltd; Director, Ho Jei Lai Kosan Unlimited Company; Director, Hsin Yi Holding Company; Director, Hsin Yi Foundation; 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, The Eisenhower Fellows Association in the Republic of China; Executive Director, Yuan T. Lee Foundation Science Education for All; Director, Foundation for the Advancement of Outstanding Scholarship; Director, Chinese International Economic Cooperation Association.

Note 3  
Chief Technology Officer, YFY Inc.; 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, N.T.U. Innovation Incubation Co., Ltd.; Director, Taiwan Corporate Governance Association; Chairman, Industry Committee, Taiwan Institute of Chemical Engineers.

Note 4.  
Independent Director, Taiwan Cement Corp.; 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, Chilisin Electronics Corp.; Supervisor, DIVA Laboratories. Ltd.; Supervisor, Papivax Biotech Inc.; Director, T N Soong Foundation.

Note 5  
Chairman, Hung Ching International Investment Co., Ltd.; Chairman, Guo Fu Management Consulting Co.; Chairman, Huazhan Venture Capital; Independent Director, Chenbro Micom; Director, TungThih Electronic Co., Ltd.; Director, Aces Electronic Co., Ltd.; Independent Director, EntereX International Limited; Independent Director, E-CMOS Corporation; Supervisor, ez Travel; Supervisor, EZ Travel Travel Agency; Director, eLand Information Co. Ltd., Director, Guo Fu Investment Co. Ltd.

Requirement	At least five years of work experience and the following professional qualifications			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 the Company's operations	Specialized professional or technician certified as a judge, prosecutor, lawyer, accountant, or another designation relevant to the Company's operations and subject to national examinations	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Felix Ho			✓						✓					✓		
S. C. Ho			✓	✓										✓		
Richard Ho			✓		✓	✓			✓	✓		✓	✓	✓		
Kirk Hwang			✓			✓		✓	✓	✓	✓	✓	✓	✓		
Chin-San Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		4
Wei-Li Tsai			✓			✓		✓	✓		✓	✓	✓	✓		
Wen-Cheng Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsi-Peng Lu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
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, subsidiaries, or subsidiaries of the same parent company in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (3) Not a shareholding natural person who holds at least 1% of the Company's total outstanding shares in combination with his/her spouse, underage children, and in the name of third parties or is one of the ten top shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (excluding Independent Directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company who have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a Director (member of the governing board), Supervisor (member of the supervising board), or employee of a company or institution with the same Chairman of the board, president, or equivalent position, or a spouse thereof (excluding Independent Directors set up by the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (8) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of the shares of a specific company or institution that has a financial or business relationship with the Company (excluding specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or Independent Directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (9) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliate enterprise for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or family member within second degree of kinship of another director.
- (11) No record of any of the incidents described in Article 30 of the Company Act.
- (12) 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, 2019

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

### (2) Major Indirect Institutional Shareholders

December 31, 2019

Name of Institutional Shareholder	Major Indirect Institutional Shareholders
Jucheng Investment & Management Co., Ltd.	RAINBOW TIME LIMITED (Samoa) (100.0%)
BRILLIANT PRIDE LIMITED	LEE SWEE HIONG (100.0%)
Gao Da Global Ltd.	Jin-Xing Lin (100.0%)
Guang Yu Investment Co., Ltd.	Hui-Shin Ho Tsai (57.49%), Jie-Ru Ho (7.5%), Wen-Hua Ho (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%), Richard Ho (0.01%)
Jin Jie Investment Ltd.	Guan Yu Investment Co., Ltd. (100.0%)
Hoss Foundation	Founded in 2001 with Hui-Mei Chen as the main donor at the time of founding (100%)
Hoss Cultural Foundation	Founded in 2004 with Chen-Kuan Sun (95%) and Hui-Mei Chen (5%) as the main donor at the time of founding
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 Ho Tsai (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%)
Ru Hai Investment Corp.	Hoss Cultural Foundation (49.07%), Hoss Foundation (40.03%), Yu-Hui Ho (6.81%), Ho Shi Investment Corp. (3.04%), Ho Shi International Corp. (0.37%), Hui-Mei Chen (0.26%), Shiou-Chuan Ho (0.19%), De Yong Chen (0.15%), Yo Tian Chuang (0.04%), Hui-Zhu Chen (0.04%)

## (II) Profiles of President, Executive VP, VPs, and Management

December 31, 2019

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 and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
President (Dismissed)	Republic of China	Felix Ho	Male	2014/06/17	35,529,953	2.14	0	0	0	0	Master of Finance, MIT Sloan School of Management	Note 1	N/A	N/A	N/A	
President (Appointed on 2/19/2019)	Republic of China	Wei-Li Tsai	Male	2019/02/19	0	0	0	0	0	0	Master of Finance, University of Iowa	Chairman and President, YFY Holding Management Co., Ltd. Director, YFY Global Investment BVI Corp. Director, YFY International BVI Corp.	N/A	N/A	N/A	
CSO	Republic of China	Hsianmin Chen	Male	2016/09/01	0	0	0	0	0	0	PhD in Law, Syracuse University	Note 2	N/A	N/A	N/A	
CTO	Republic of China	Kirk Hwang	Male	2016/01/01	51,909	0	0	0	0	0	Ph.D. in Materials Chemistry, University of Wisconsin	Note 3	N/A	N/A	N/A	
Center of Finance Vice President	Republic of China	K. T. Yin	Male	2007/05/01	0	0	0	0	0	0	Master of Business Administration, National Cheng Kung University	Note 4	N/A	N/A	N/A	
Assistant Vice President	Republic of China	Richard Ho	Male	1992/10/01	1,000,000	0.06	88,024	0.01	0	0	Bachelor in Economics, University of Washington	Director, Shin-Yi Enterprise Co., Ltd. Director, Taitung Enterprise Corp. Director, Yuenfoong Ind. Co., Ltd.	N/A	N/A	N/A	
Assistant Vice President, Procurement Department (Retired on 6/17/2019)	Republic of China	S. R. Leu	Male	2002/04/01	4,355	0.00	820	0.00	0	0	B.S. in Industrial Engineering, Tunghai University	N/A	N/A	N/A	N/A	
Assistant Vice President, Procurement Department (Appointed on 6/17/2019)	Republic of China	Rui-Yun Gong	Female	2019/06/17	0	0	0	0	0	0	Master of Management Science, National Chiao Tung University	Director, YFY Holding Management Co., Ltd.	N/A	N/A	N/A	
Assistant Vice President, Accounting Department	Republic of China	C. F. Wu	Male	2011/07/01	0	0	3,162	0.00	0	0	B.Acc., Feng Chia University	Note 5	N/A	N/A	N/A	
Assistant Vice President, Information Technology Department	Republic of China	Ray Chien	Male	2013/06/03	0	0	0	0	0	0	M.S. in Industrial Management, National Taiwan University of Science and Technology	Director and President, Fidelis IT Solutions Co., Ltd.	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 and work experience	Concurrent position(s) at YFY	Manager who is a spouse or relative within second degree of kinship			Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Assistant Vice President, Legal Department and Corporate Governance Officer	Republic of China	Vincent Zhan	Male	2015/07/01	5,470	0.00	2,109	0.00	0	0	LL.B., National Chung Hsing University	Note 6	N/A	N/A	N/A	
Assistant Vice President, Human Resources Department	Republic of China	Aubrey Tsai	Male	2017/10/16	0	0	0	0	0	0	M.S. in Industrial Technology Education, National Taiwan Normal University and EMBA, National Chengchi University	Remuneration Committee member, Apex Medical Corp.	N/A	N/A	N/A	
Assistant Vice President, President's Office (Appointed on 9/16/2019)	Republic of China	Te-Jen Chang	Male	2019/09/16	0	0	36,826	0.00	0	0	Master for Eminent Public Administrators, Social Economics Section, National Chengchi University	N/A	N/A	N/A	N/A	
Manager, Auditing and Compliance Office	Republic of China	Irene Cheng	Female	2012/11/01	0	0	0	0	0	0	M.Sc. in Accounting and Information Technology, National Chung Cheng University	N/A	N/A	N/A	N/A	

Note 1.

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

Note 2

Chairman, Fidelis IT Solutions 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

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, N.T.U. Innovation Incubation Co., Ltd.; Director, Taiwan Corporate Governance Association; Chairman, Industry Committee, Taiwan Institute of Chemical Engineers.

Note 4

Director, YFY Packaging Inc.; Director, YFY Capital Co., Ltd.; Supervisor, YFY Consumer Products Co., Ltd.; Chairman, YFY Venture Capital Investment Co., Ltd.; Chairman, YFY Paradigm Investment Co., Ltd.; Chairman, Lotus Ecoscings & Engineering Co., Ltd.; Director, San Ying Enterprises Co., Ltd.; Director, Effion Eneritech 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 Services Co., Ltd.; Director, Guangdong Dingfung Pulp & Paper Co., Ltd.; Supervisor, Zhaoqing Dingfung Forestry Co., Ltd.; Supervisor, Arizon RFID Technology Co., Ltd.; Representative, Supervisory Committee of Workers' Pension Reserve Funds, YFY Inc.

Note 5

Supervisor, YFY Packaging Inc.; 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, Lotus Ecoscings & Engineering Co., Ltd.; Supervisor, San Ying Enterprises Co., Ltd.; Supervisor, Fidelis IT Solutions Co., Ltd.; Supervisor, EFFION Eneritech Co., Ltd.; Supervisor, YFY Holding Management Co., Ltd.; Supervisor, China Investment and Development Co., Ltd.; Supervisor, Sustainable Carbohydrate Innovation Company Limited.

Note 6

Director, China Color Printing Co., Ltd.; Director, YFY Holding Management Co., Ltd.; Supervisor, Yuen Foong Yu Paper (Guangzhou) Co., Ltd.; Director, Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.; Supervisor, Shenzhen Jinglun Paper Co., Ltd.; Supervisor, YFY Blue Economy Natural Resources (Yangzhou) Co., Ltd.; Supervisor, YFY (Shanghai) Commercial Services Co., Ltd.; Supervisor, Shin-Yi Enterprise Co., Ltd.; Supervisor, Fu Hwa Enterprise Co., Ltd.

### III. Remuneration to Directors, Independent Directors, President, and Executive VP in the Past Year

#### (I) Director remuneration December 31, 2019 Unit: NT\$1,000

Title	Name	Director remuneration								Ratio of total compensation (A+B+C+D) to after-tax income (%)		Concurrent employee remuneration							Ratio of total compensation (A+B+C+D+E+F+G) to after-tax income (%)		Compensation from invested enterprises that are not subsidiaries		
		Remuneration (A)		Severance pay and pension (B)		Director's remuneration (C)		Performance compensation (D)				Salaries, incentives and allowances (E) (Note)		Severance pay and pension (F)		Employee's remuneration (G)							
		YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY		All companies in the financial statements		YFY		All companies in the financial statements	
																Amount in cash	Amount in stocks	Amount in cash	Amount in stocks				
Chairman	Shin-Yi Enterprise Co., Ltd. Representative: Felix Ho																						
Director	Shin-Yi Enterprise Co., Ltd. Representative: S. C. Ho																						
Director	Shin-Yi Enterprise Co., Ltd. Representative: Richard Ho																						
Director	Yuen Foong Paper Co., Ltd. Representative: Kirk Hwang	0	0	0	0	8,000	8,000	480	1,381	0.37%	0.41%	35,149	45,464	200	200	0	0	0	0	1.92%	2.41%	N/A	
Director	Yuen Foong Paper Co., Ltd. Representative: Chin-San Wang																						
Director	Yuen Foong Paper Co., Ltd. Representative: Jung-Tsung Chien																						
Director	Yuen Foong Paper Co., Ltd. Representative: Wei-Li Tsai																						
	Shin-Yi Enterprise Co., Ltd.																						
	Yuen Foong Paper Co., Ltd.																						
Independent Director	Wen-Cheng Huang																						
Independent Director	Thomas Chen	0	0	0	0	4,500	4,500	216	216	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	N/A	
Independent Director	Hsi-Peng Lu																						

1. The remuneration for the Company's Independent Directors is determined based on the education, experience, and social status of the Independent Director, salary market surveys, and prevailing standards in the industry. As a principle, the Company provides remuneration that meets general standards in the industry and decides the remuneration based on the Company's business results and the contributions of Independent Directors in their duties. The remuneration is reviewed by the Remuneration Committee and reported to the Board of Directors for approval. The Company shall continue to review the remuneration policy for Independent Directors based on the business status and regulations to ensure the reasonableness of remuneration and the Company's sustainability.

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

Note 1: Including car rental expenses of approx. NT\$1,721 thousand.

Range of remuneration to all directors	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	All companies in the financial statements	YFY	All companies in the financial statements
Below NT\$1,000,000	S. C. Ho Felix Ho Richard Ho Kirk Hwang Chin-San Wang Jung-Tsung Chien Wei-Li Tsai	S. C. Ho Felix Ho Kirk Hwang Kirk Hwang Chin-San Wang Jung-Tsung Chien Wei-Li Tsai	S. C. Ho Chin-San Wang Jung-Tsung Chien	S. C. Ho Chin-San Wang Jung-Tsung Chien
NT\$1,000,000 (incl.) ~ NT\$2,000,000	Wen-Cheng Huang Thomas Chen Hsi-Peng Lu Yuen Foong Paper Co., Ltd.	Wen-Cheng Huang Thomas Chen Hsi-Peng Lu Yuen Foong Paper Co., Ltd.	Wen-Cheng Huang Thomas Chen Hsi-Peng Lu Yuen Foong Paper Co., Ltd.	Wen-Cheng Huang Thomas Chen Hsi-Peng Lu Yuen Foong Paper Co., Ltd.
NT\$2,000,000 (incl.) ~ NT\$3,500,000	Shin-Yi Enterprise Co., Ltd.	Shin-Yi Enterprise Co., Ltd.	Richard Ho Kirk Hwang Shin-Yi Enterprise Co., Ltd.	Richard Ho Shin-Yi Enterprise Co., Ltd.
NT\$3,500,000 (incl.) ~ NT\$5,000,000				
NT\$5,000,000 (incl.) ~ NT\$10,000,000				
NT\$10,000,000 (incl.) ~ NT\$15,000,000			Felix Ho	Felix Ho Kirk Hwang
NT\$15,000,000 (incl.) ~ NT\$30,000,000			Wei-Li Tsai	Wei-Li Tsai
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	12	12	12	12

## (II) Remuneration to supervisors

Starting in 2015, supervisors were replaced by the newly established Audit Committee.

**(III) Remuneration to the President and VP**

Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C) (Note)		Employee's remuneration (D)				Ratio of total compensation (A+B+C+D) to after-tax income (%)		Compensation from invested enterprises that are not subsidiaries
		YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY		All companies in the financial statements		YFY	All companies in the financial statements	
								Amount in cash	Amount in stocks	Amount in cash	Amount in stocks			
Chairman (Dismissed on 2/19/2019)	Felix Ho	22,030	22,030	310	310	21,874	26,801	0	0	0	0	1.93%	2.15%	N/A
President (Appointed on 2/19/2019)	Wei-Li Tsai													
Senior Consultant	Melody Chiu													
Vice President	K. T. Yin													
CSO	Hsianmin Chen													

Note: Including car rental expenses of approx. NT\$1,552 thousand.

Range of remuneration to president and executive VP	Name of president and executive VP	
	YFY	All companies in the financial statements
Less than NT\$1,000,000	Felix Ho	
NT\$1,000,000 (incl.) ~ NT\$2,000,000		Felix Ho
NT\$2,000,000 (incl.) ~ NT\$3,500,000		
NT\$3,500,000 (incl.) ~ NT\$5,000,000		
NT\$5,000,000 (incl.) ~ NT\$10,000,000	Melody Chiu K. T. Yin	K. T. Yin
NT\$10,000,000 (incl.) ~ NT\$15,000,000	Hsianmin Chen	Melody Chiu Hsianmin Chen
NT\$15,000,000 (incl.) ~ NT\$30,000,000	Wei-Li Tsai	Wei-Li Tsai
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	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 executive vice presidents to after-tax profit with respect to the individual and consolidated financial statements in the past two years, and description of the remuneration policy, standards and combinations, determination of remuneration, and connection to business performance and future risks**

Recipient	Ratio of total remuneration to after-tax profit					
	2019		2018		Difference	
	YFY	All companies in the financial statements	YFY	All companies in the financial statements	YFY	All companies in the financial statements
Director	1.92%	2.41%	1.92%	2.89%	-	(0.48%)
Independent Director	0.21%	0.21%	0.21%	0.21%	-	-
President and VPs	1.93%	2.15%	2.27%	2.75%	(0.34%)	(0.60%)

1. Director remuneration is determined by the Board of Directors and reported to the shareholders' meeting according to regulations.
2. The remuneration of the president and vice presidents is paid on a monthly basis, including a monthly salary, allowances (e.g., additional duty payments and 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 additional duty payments are 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 5 meetings of the 27th Board of Directors were held in 2019. Directors' attendance information is described below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Chairman	Shin-Yi Enterprise Co., Ltd. Representative: Felix Ho	5	0	100%	27th
Director	Shin-Yi Enterprise Co., Ltd. Representative: S. C. Ho	5	0	100%	27th
Director	Shin-Yi Enterprise Co., Ltd. Representative: Richard Ho	3	0	60%	27th
Director	Yuen Foong Paper Co., Ltd. Representative: Kirk Hwang	5	0	100%	27th
Director	Yuen Foong Paper Co., Ltd. Representative: Chin-San Wang	4	1	80%	27th
Director	Yuen Foong Paper Co., Ltd. Representative: Jung-Tsung Chien	0	1	0%	27th Wei-Li Tsai was assigned as replacement on February 19, 2019
Director	Yuen Foong Paper Co., Ltd. Representative: Wei-Li Tsai	4	0	100%	27th Took over as Director on February 19, 2019
Independent Director	Wen-Cheng Huang	5	0	100%	27th
Independent Director	Thomas Chen	5	0	100%	27th
Independent Director	Hsi-Peng Lu	5	0	100%	27th

#### Other statutory information:

- I. If any of the following circumstances have occurred amid operations of the Board of Directors, the date, period, agenda content, the opinions of all independent directors, and the handling of the opinions of the independent directors by the Company shall be specified:
- (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 with regard to which an independent director had 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 dissenting or qualified opinions from independent directors that are on record or stated in a written statement.
- II. Any directors who had to recuse from a proposal to prevent conflicts of interest:
- (I) In the Board meeting held on March 22, 2019, the Board discussed the remuneration for independent directors and the distribution method. A conflict of interest existed for independent directors Wen-Cheng Huang, Thomas Chen, and Hsi-Peng Lu on this matter; therefore, they recused themselves from discussing and voting on this proposal.
  - (II) In the Board meeting held on March 22, 2019, the Board discussed the remuneration for directors and the distribution method. A conflict of interest existed for independent directors Felix Ho, S.C. Ho, Richard Ho, Kirk Hwang, and Chin-San Wang on this matter; therefore, they recused themselves from discussing and voting on this proposal.
- III. The evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self-evaluation of the Board of Directors:
- (I) The Company has discussed and established the Company's "Board of Directors Performance Evaluation Guidelines" in the meeting of the Board of Directors on November 13, 2019.
  - (II) The Company's Board of Directors and functional committees conduct internal performance evaluations each year and the Company appoints an external independent professional institution or a panel of external experts and scholars to conduct the evaluation at least once every three years.
  - (III) The scope of the evaluation covers the performance evaluation of the board as a whole, individual directors, and functional committees.
  - (IV) The performance evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the directors, appointment of external professional institutions or experts, or other appropriate methods.
  - (V) The criteria for evaluating the performance of the Company's Board of Directors shall cover, at a minimum, the following five aspects:
    1. Understanding and recommendations for the operation of the company;
    2. Improvement of the quality of the Board of Directors' decision making;
    3. Composition and structure of the Board of Directors;
    4. Election and continuing education of the directors;
    5. Internal control.

The criteria for evaluating the performance of the Company's directors shall cover, at a minimum, the following six aspects:

    1. Familiarity with the goals and missions of the Company;
    2. Awareness of the duties of a director;
    3. Understanding and recommendations for the operation of the company;
    4. Management of internal relationship and communication;
    5. The director's professionalism and continuing education;
    6. Internal control.

The criteria for evaluating the performance of the Company's functional committees shall cover, at a minimum, the following five aspects:

    1. Understanding and recommendations for the operation of the company;
    2. Awareness of the duties of the functional committee;

3. Improvement of the quality of the functional committee's decision making;
  4. Functional committee composition and election of members;
  5. Internal control.
- IV. Evaluation of targets and performance of the Board's functions for current year and past year:
- (I) Three independent directors form the Company's Audit Committee in substitution of 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 discloses information regarding attendance to Board/shareholders' meetings, director continuing education, and important resolutions passed during Board meetings and shareholders' meetings.
  - (III) In order to increase information transparency, the Company posts all important resolutions passed during Board/shareholders' meetings on the Company website immediately following such meetings.
  - (IV) In consideration of legal risks faced by directors, the Company and its subsidiaries have purchased director liability insurance for all directors.
  - (V) The Secretary General of the Company's Board of Directors regularly provides information on corporate governance courses organized by external training institutions to Directors to encourage them to continue to acquire new knowledge and select corporate governance courses based on their personal needs. The Secretary General also helps Directors who wish to participate in training organize registration procedures for the Company to provide subsidies for the expenses of Directors' participation in continuing education courses.
- V. Board of Directors evaluation status:  
The Company shall complete the performance evaluation of the board as a whole, individual directors, and functional committees in 2020 before March 31, 2021.

## (II) Operating status of the Audit Committee

The Company's Audit Committee is composed of three independent directors. The Committee's purpose is to verify the fair presentation of the Company's financial statements; hiring or dismissal of CPAs, their independence and performance; effectiveness regarding implementation of the Company's internal control system; compliance with relevant regulations and rules; and the Company's control of existing or latent risks.

4 meetings of the 2nd terms of Audit Committee were held in 2019. Key focuses for the year are described below:

### 1. Review financial reports

The Board of Directors prepared and submitted the 2018 business report, financial statements, and earnings distribution proposal. The financial statements were audited by Deloitte & Touche, and an audit report was submitted. The Company's Audit Committee reviewed the said 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 assessed the effectiveness of policies and procedures of the Company's internal control system (including finance, operations, risk management, information security, legal compliance, and other control measures) and audited the Company's Auditing Department and CPA, as well as regular reports by managers, including risk management and compliance.

### 3. Evaluate the independence and competence of CPAs

The Company's Audit Committee evaluated and found that the CPAs Hui-Ming Huang and Cheng-Hong Kuo of Deloitte and Touche Taiwan have not served as the Company's CPA for more than seven years; did not have direct or indirect interest in the Company that would compromise their independence; established a suitable method to communicate with the Company and its Audit Committee; and fulfill the independence and competence requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

### 4. Redomicile of material subsidiaries of the Company

The Company's Audit Committee approved to redomicile the subsidiaries, YFY International BVI Corp. and YFY Global Investment BVI Corp., from the British Virgin Islands to the Netherlands.

Independent directors' attendance to the Audit Committee meetings in 2019 is described below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Independent Director	Wen-Cheng Huang	4	0	100%	2nd term
Independent Director	Thomas Chen	3	1	80%	2nd term
Independent Director	Hsi-Peng Lu	4	0	100%	2nd term

Other statutory information:

I. The date of the 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 specified under any of the following circumstances in the operations of the Audit Committee:

(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
2019.3.22	6th meeting of the 27th Board of Directors	The Company's 2018 consolidated financial statements, CPA's audit report and 2018 business report.	Passed as proposed.	Approved in the Board meeting on March 22, 2019 and ratified in the 2019 shareholders' meeting
2019.3.22	6th meeting of the 27th Board of Directors	The Company's 2018 earnings distribution proposal	Passed as proposed.	Approved in the Board meeting on March 22, 2019 and ratified in the 2019 shareholders' meeting
2019.3.22	6th meeting of the 27th Board of Directors	Proposal to issue the Company's 2018 Statement of Internal Control System	Passed as proposed.	Approved in the Board meeting on March 22, 2019
2019.3.22	6th meeting of the 27th Board of Directors	Amendment to the Company's internal control system	Passed as proposed.	Approved in the Board meeting on March 22, 2019
2019.3.22	6th meeting of the 27th Board of Directors	Partial amendment to YFY's <i>Asset Acquisition and Disposal Procedures</i>	Passed as proposed.	Approved in the Board meeting on March 22, 2019 and in the 2019 shareholders' meeting
2019.8.13	8th meeting of the 27th Board of Directors	Relocation of the place of registration for important subsidiaries of the Company	Passed as proposed.	Approved in the Board meeting on August 13, 2019
2019.8.13	8th meeting of the 27th Board of Directors	YFY's 2019 and 2020 remuneration for CPA certification.	Passed as proposed.	Approved in the Board meeting on August 13, 2019
2019.11.13	9th meeting of the 27th Board of Directors	YFY's 2020 audit plan	Passed as proposed.	Approved in the Board meeting on November 13, 2019

(II) In addition to matters above, other resolutions which did not receive the approval of the Audit Committee but were approved by more than two thirds of the entire Board of Directors.

Audit Committee operations which did not receive the approval of the Audit Committee but were approved by more than two thirds of the entire Board of Directors.

II. Any independent directors who had to recuse themselves to avoid conflicts of interest:

No independent directors had to recuse themselves to avoid conflicts of interest.

III. Communication between independent directors and internal auditing officer and accountants:

1. On a regular basis

Each month, completed *audit reports* are sent via emails to each independent director. If there are questions or instructions, independent directors 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 abnormalities which might require improvement for the Company as well as its subsidiaries.

The CPA attends meetings of the Audit Committee to explain the audit methodology, CPA report type, key audit items, and financial report analysis for semi-annual and annual financial reports.

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, independent directors must be notified according to regulations. There are many open channels of communication for the Company's internal auditing officers to communicate with the independent directors.

In the event of a material or special incident or special requirements in related regulations, the CPA attends meetings of the Audit Committee on a non-regular basis to provide explanation.

**Recent communication between independent directors, internal audit managers, and accountants:**

Date	Communication Method	Participating Members	Key Points of Communication
2019/03/20	Audit Committee	<ol style="list-style-type: none"> <li>1. Auditing, accounting, finance, business management, investment and legal affairs managers</li> <li>2. Certified Public Accountant</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit Progress Report for 2018 Q4, Internal Control System Statement Report for 2018, and amendments of the internal control system in 2018.</li> <li>2. Related audits in the 2018 financial statements.</li> <li>3. Independent directors proposed no dissenting opinions in this meeting.</li> </ol>
2019/05/10	Audit Committee	Auditing, accounting, finance, business management, investment and legal affairs managers	<ol style="list-style-type: none"> <li>1. Audit Progress Report for 2019 Q1.</li> <li>2. 2019 Q1 financial statements.</li> <li>3. Independent directors proposed no dissenting opinions in this meeting.</li> </ol>
2019/08/08	Audit Committee	<ol style="list-style-type: none"> <li>1. Auditing, accounting, finance, business management, investment and legal affairs managers</li> <li>2. Certified Public Accountant</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit Progress Report for 2019 Q2.</li> <li>2. Review of 2019 Q2 financial statements.</li> <li>3. Independent directors proposed no dissenting opinions in this meeting.</li> </ol>
2019/11/11	Audit Committee	Auditing, accounting, finance, investment and legal affairs managers	<ol style="list-style-type: none"> <li>1. Audit Progress Report for 2019 Q3 and 2020 audit plan.</li> <li>2. 2019 Q3 financial statements.</li> <li>3. Independence and competence of CPAs.</li> <li>3. Independent directors proposed no dissenting opinions in this meeting.</li> </ol>
2020/03/20	Audit Committee	<ol style="list-style-type: none"> <li>1. Auditing, accounting, finance, business management, investment and legal affairs managers</li> <li>2. Certified Public Accountant</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit Progress Report for 2019 Q4 and Internal Control System Statement Report for 2019.</li> <li>2. Related audits in the 2019 financial statements.</li> <li>3. Academic experience and competence of replacement CPAs.</li> <li>4. Changes in important regulations</li> <li>3. Independent directors proposed no dissenting opinions in this meeting.</li> </ol>

### (III) Corporate governance practice and compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX 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/TPEX Listed Companies in establishing and disclosing its corporate governance best practice principles?	V		<ul style="list-style-type: none"> <li>The Company has established the <i>Corporate Governance Best Practice Principles</i>, which were approved in the 3rd meeting of the 27th Board of Directors on November 13, 2018 and disclosed them on the Company's official website.</li> </ul>	<ul style="list-style-type: none"> <li>Compliant</li> </ul>
II. The Company's shareholding structure and shareholders' rights and interests				
(I) Does the Company have in place an internal operating procedure for handling shareholders' suggestions, questions, disputes, or litigation and abide by it?	V		<ul style="list-style-type: none"> <li>A Stock Affairs Office has been established to handle related matters.</li> </ul>	<ul style="list-style-type: none"> <li>Compliant</li> </ul>
(II) Does the Company possess a list of major shareholders and a list of ultimate owners of those major shareholders?	V		<ul style="list-style-type: none"> <li>Information can be obtained through shareholder service agents at any time.</li> <li>The companies stay financially independent from each other, and business performance is evaluated on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Compliant</li> </ul>
(III) Does the Company have in place a risk management mechanism and firewall against its affiliates or implement it?	V		<ul style="list-style-type: none"> <li>Signed letters of undertaking related to the confidentiality clause.</li> </ul>	<ul style="list-style-type: none"> <li>Compliant</li> </ul>
(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"> <li>Compliant</li> </ul>
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors establish and implement a diversification policy for its composition?	V		<ul style="list-style-type: none"> <li>The adoption of the Company's Corporate Governance Best Practice Principles was approved at the Board meeting on November 13, 2018. The Principles stipulate the diversification policy for the composition of the board in Article 19 under Chapter 3 titled "Composition and Responsibilities of the Board of Directors".</li> </ul> <p>The nomination and election of Board members are pursuant to the regulations prescribed in the Company's Articles of Incorporation. A candidate nomination system is adopted in accordance with the <i>Regulations Governing the Election of Directors</i> and <i>Corporate Governance Best Practice Principles</i> to ensure the diversity and independence of board members.</p> <p>The professional backgrounds of the Company's Board members include expertise in industry, law, and accounting. According to the list of members of the 27th Board of Directors, those with the ability of leadership management administration, and crisis management, as well as industry knowledge, and an</p>	<ul style="list-style-type: none"> <li>Compliant</li> <li>Changes are made gradually</li> </ul>

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 established according to law, has the Company actively established other types of functional committees?	V		<p>international market perspective include directors Felix Ho, S. C. Ho, and Kirk Hwang; 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 university professor, and Thomas Chen who is also an independent director and supervisor of other public listed companies.</p> <p>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; two are 50–60 years of age and above; and one is 40–50 years of age and above.</p> <ul style="list-style-type: none"> <li>• The Remuneration Committee and Audit Committee have been established and are both composed of independent directors.</li> <li>• The Company's Board of Directors established the "Board of Directors Performance Evaluation Guidelines" in the board meeting on November 13, 2019. The Company shall complete the performance evaluation of the board as a whole, individual directors, and functional committees in 2020 and report to the Board of Directors before March 31, 2021.</li> </ul>	<ul style="list-style-type: none"> <li>• Changes are made gradually</li> <li>• Compliant</li> <li>• Compliant</li> </ul>
(III) Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	V			<ul style="list-style-type: none"> <li>• Compliant</li> </ul>
(IV) Does the Company periodically evaluate independence of the CPA?	V		Each year, the Audit Committee evaluates CPAs' independence and competence, and respective results	<ul style="list-style-type: none"> <li>• Compliant</li> </ul>

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies																																																																												
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(Evaluate at least the relations such as the spouse, underage children, and close relatives)</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>7</td> <td>Has YFY ensured that the CPA and the Company do not have close business relations? (e.g., joint investments in businesses, strategic alliances for profit, or product co-marketing or promotion)</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>8</td> <td>Has YFY ensured that no members of the audit service team currently serve or had served as the Company's director, supervisor, managerial officer, or positions that may have significant impact on the audit in the most recent two years?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>9</td> <td>Has YFY ensured that the CPA has not accepted valuable (with value beyond regular social norms) gifts or presents from the Company, directors, or managerial officers?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>10</td> <td>Has YFY ensured that the CPA is not appointed by the Company to perform routine tasks, receive fixed salary, or serve as a director?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>11</td> <td>Has YFY ensured that the CPA is not involved in the decision-making process of the Company?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>12</td> <td>Has YFY ensured that the CPA does not provide the Company with appraisal services with material impact on the financial statements or highly subjective appraisals?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <th colspan="4">Evaluation indicator 2: Competence Assessment</th> </tr> <tr> <td>1.</td> <td>Has the CPA not been subject to any other disciplinary action or any other circumstance prejudicial to his professionalism or independence in the last two years.?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>2.</td> <td>Whether the CPA provides the updated taxation, regulation of SEC, and IFRS related information periodically?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>3</td> <td>Whether the CPA help the company to communicate and negotiate with the regulation authorities?</td> <td>Yes</td> <td>✓</td> </tr> <tr> <td>4</td> <td>Whether all financial reports will be completed within the deadlines`?</td> <td>Yes</td> <td>✓</td> </tr> </tbody> </table>	Evaluation indicator 1: Independence				Item No.	Evaluation item	Evaluation results	Independence qualification	1	Has the CPA submitted an independence declaration?	Yes	✓	2	Does the CPA firm have a system for rotating CPAs?	Yes	✓	3	Has YFY replaced CPAs so that no CPA has certified the Company's financial reports for more than 7 consecutive years?	Yes	✓	4	Has YFY ensured that there are no direct or indirect material financial interests between the CPA and the Company?	Yes	✓	5	Has YFY ensured that there are no financing or endorsements between the CPA and the Company or directors?	Yes	✓	6	Has YFY ensured that the CPA is not a relative of the Company's directors, managerial officers, or other individuals in positions that may have significant impact on the audit? (Evaluate at least the relations such as the spouse, underage children, and close relatives)	Yes	✓	7	Has YFY ensured that the CPA and the Company do not have close business relations? 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Evaluation indicator 2: Competence Assessment																																																																																
1.	Has the CPA not been subject to any other disciplinary action or any other circumstance prejudicial to his professionalism or independence in the last two years.?	Yes	✓																																																																													
2.	Whether the CPA provides the updated taxation, regulation of SEC, and IFRS related information periodically?	Yes	✓																																																																													
3	Whether the CPA help the company to communicate and negotiate with the regulation authorities?	Yes	✓																																																																													
4	Whether all financial reports will be completed within the deadlines`?	Yes	✓																																																																													

Evaluation item	Practice						Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary				
			5	Does the CPAs maintain a good line of communication with the Company's management, audit committee and directors?	Yes	✓	
V. Does the Company have in place a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders section on its website to properly address stakeholders' concerns regarding important corporate social responsibilities?	V		<p>The Company set a Secretary of the Board, who is also the Assistant Vice President of the Legal Department, Mr. Vincent Zhan, who is responsible for Corporate governance related function, including: Conducting meetings of the board of directors and shareholders in accordance with the law. It also assists the Company in complying with the relevant laws and regulations of the Board and the Shareholders' Meeting, and prepare the Board's Report and the AGM meeting handbook. To provide directors and independent directors meeting minutes of the Board and AGM of the Company and information as may be necessary for the performance of their duties. The Company's management of the Company's business is based on the latest regulatory developments in relation to the Company's operations:</p> <p>The operation execution situation of 2019 as followings:</p> <ol style="list-style-type: none"> <li>1.To convene an interim and annual general shareholders' meeting once during the year and to prepare the minutes of the shareholders' meeting.</li> <li>2. To convene five board meetings and extraordinary board meetings during the year and prepare minutes of the board meetings.</li> <li>3.To convene a total of five Audit Committee meetings during the year and to prepare the minutes of the Audit Committee meetings.</li> <li>4. Inform each directors of the Company in January and July 2019 respectively to confirm the information of their concurrent positions to ensure that each of the directors is aware of their respective positions.</li> <li>5. In response to letters from the Stock Exchange, the Company may from time to time send letters to each director and other insiders of the Company to remind them of the Company's insider shareholdings and the importance of their interests. The Company shall pay attention to the transfer and declaration issues.</li> <li>6. Regularly disseminate to all departments the procedures and requirements for reporting material information.</li> <li>7. Cooperate with the human resources department in inviting external lecturers to conduct training courses for directors and supervisors of the Company and its subsidiaries.</li> <li>8. To provide the Company's directors with information on external training institutions that hold training courses for directors and supervisors, and to assist directors in applying for and paying for such courses.</li> </ol> <p>In 2019, the Company's Head of Corporate Governance participated in the "Trends and Prevention of Major Corporate Fraud" and "Head of Corporate Governance's Roles and Responsibilities," "2019 Prevention of Insider Trading Advocacy Conference," "Trends and Challenges of Information Security Governance," "Economic In addition, we will continue to strengthen our professional knowledge and skills through courses such as "The Impact of the New Southbound Policy on the Group's Investment, the Return of Capital to Taiwan and the Impact of the New Southbound Policy on the Group and the</p>				Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
			Measures to Deal with it".	
VI. Does the Company hire professional stock agencies to take care of affairs related to shareholders' meetings?	V		The Company appointed SinoPac Securities as the stock affairs agency to process the related affairs.	· Compliant
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	V		We regularly disclose information on the Company website regarding the Company's financial, business, and corporate governance status	· Compliant
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing dedicated personnel to collect and disclose corporate information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	V		We have created an official Company website in both Chinese and English, and appoint the Corporate Affairs Department to compile and organize information for publication. Each unit has set up a dedicated contact channel, and information is disclosed through investor or press conferences.	· Compliant
(III) Does the Company publish and report its annual financial statements within two months after the end of a fiscal year, and publish and report its financial statements for the first, second and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?		V	The Company uploads information in accordance with the deadline specified in regulations and has not published information ahead of schedule.	· Changes are made gradually
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 stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)?	V		We have already presented related regulations to each director. Directors are notified immediately when there are regulation changes. Regulations relevant to insider trading among listed companies are also explained 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.	· Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
IX.			<p>Please mention any priority matters and measures that require improvement and improvements that have been made according to the Corporate Governance Evaluation results released by TWSE's Governance Center.</p> <p>The Company is committed to strengthening information disclosure in order to enhance corporate governance, and plans to disclose indices that failed to 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?  The Company has complied with the requirements of the Corporate Governance Evaluation in 2018 and established the <i>Corporate Governance Best Practice Principles</i>, which stipulate the Board diversification policy.</p> <p>Index 2.22: Have the Regulations Governing the Evaluation of the Performance of the Board of Directors established by the company been approved by the Board of Directors?  Has the Company performed self-evaluations once every year and disclosed the evaluation results on the Company's website and annual reports?  The Company has discussed and established the Company's "Board of Directors Performance Evaluation Guidelines" in the meeting of the Board of Directors on November 13, 2019. The regulation requires the Company to perform self-evaluations at least once every year, and disclose the evaluation results on the Company's website and annual reports.</p> <p>Index 2.26: Has the Company purchased liability insurance for all directors and supervisors and reported to the Board of Directors?  The Company has purchased liability insurance for all directors and supervisors since 2015 and reported the insured amount, coverage, premium rate, and other major contents of the liability insurance it has purchased or renewed for directors and supervisors at the next Board meeting (i.e., the Board meeting on August 13, 2019) after the renewal.</p>	

Director/Supervisor continuing education in 2019:

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Representative of Institutional Director	Felix Ho	2019/11/08	2019/11/08	Taiwan Corporate Governance Association	The Impact of the Economic Substance, Repatriation of Capital to Taiwan, and New Southbound Policies on the Group and Response Strategies	3 hours
		2019/11/08	2019/11/08	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Management	3 hours
Representative of Institutional Director	S. C. Ho	2019/11/08	2019/11/08	Taiwan Corporate Governance Association	The Impact of the Economic Substance, Repatriation of Capital to Taiwan, and New Southbound Policies on the Group and Response Strategies	3 hours
		2019/11/08	2019/11/08	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Management	3 hours
Representative of Institutional Director	Richard Ho	2019/12/03	2019/12/03	Securities and Futures Institute	Functions of the Board of Directors from the Perspective of Corporate Fraud Prevention	3 hours
		2019/12/03	2019/12/03	Securities and Futures Institute	Impact of the Latest Tax Law Reforms on Business Operation and Response Measures	3 hours
Representative of Institutional Director	Kirk Hwang	2019/01/23	2019/01/23	Taiwan Institute of Directors	2019 Foreign Investor Forum: Attract Good Foreign Capital and Invest in Good Companies in Taiwan	3 hours
		2019/04/26	2019/04/26	Securities and Futures Institute	2019 Insider Trading Prevention Seminar	3 hours
		2019/08/02	2019/08/02	Taiwan Corporate Governance Association	The Reforms and Prospects for Corporations under the Amendments of the Company Act.	3 hours
Representative of Institutional Director	Wei-Li Tsai	2019/11/08	2019/11/08	Taiwan Corporate Governance Association	The Impact of the Economic Substance, Repatriation of Capital to Taiwan, and New Southbound Policies on the Group and Response Strategies	3 hours
		2019/11/08	2019/11/08	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Management	3 hours

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Representative of Institutional Director	Chin-San Wang	2019/10/04	2019/10/04	Taiwan Corporate Governance Association	Impact of the Global Trade War, CRS, and Anti-Tax Evasion and Matters to be Considered by the Board of Directors (Part 1)	3 hours
		2019/10/04	2019/10/04	Taiwan Corporate Governance Association	Impact of the Global Trade War, CRS, and Anti-Tax Evasion and Matters to be Considered by the Board of Directors (Part 2)	3 hours
		2019/10/04	2019/10/04	Taiwan Corporate Governance Association	Impact of the Development of Blockchain Technology and Applications on Companies	3 hours
		2019/10/04	2019/10/04	Taiwan Corporate Governance Association	Corporate Governance and Director Responsibilities under the New Company Act	3 hours
Independent Director	Wen-Cheng Huang	2019/01/25	2019/01/25	Taiwan Corporate Governance Association	Corporate Sustainable Development and Governance	3 hours
		2019/11/12	2019/11/12	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Management	3 hours
Independent Director	Hsi-Peng Lu	2019/03/19	2019/03/19	Taiwan Corporate Governance Association	Global Economic Trends and Technological Developments Key Issues for Companies	3 hours
		2019/08/06	2019/08/06	Taiwan Corporate Governance Association	Corporate Governance and Development	3 hours
		2019/08/27	2019/08/27	Taiwan Corporate Governance Association	Artificial Intelligence in Taiwan: Opportunities and Challenges in the Transformation of the Industry	3 hours
Independent Director	Thomas Chen	2019/08/23	2019/08/23	Taiwan Corporate Governance Association	Analysis of the Global Top 10 Risks in 2019	3 hours
		2019/09/06	2019/09/06	Taiwan Corporate Governance Association	Digital Technology and Artificial Intelligence Trends and Risk Management	3 hours

(IV) Companies that have established a Remuneration Committee shall disclose the names and responsibilities of its members and committee operations

(1) Information on members of the Remuneration Committee

Position	Requirement	Having more than 5 years of work experience and professional qualifications listed below			Fulfillment of independence criteria (Note)								Number of other public companies in which the committee member also serves as a remuneration committee member	Notes of document
		Lecturer or a higher post at a public/private university/college in the field of commerce, law, finance, accounting, or another subject relevant to the Company's operations	Specialized professional or technician certified as a judge, prosecutor, lawyer, accountant, or another designation relevant to the Company's operations and subject to national examinations	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	1	2	3	4	5	6	7	8		
Independent Director	Wen-Cheng Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent Director	Thomas Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director	Hsi-Peng Lu	✓			✓	✓	✓	✓	✓	✓	✓	✓	2	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 or local regulations.
- (3) Not a shareholding natural person who holds at least 1% of the Company'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 an institutional shareholder who directly holds at least 5% of the Company's total outstanding shares or is one of the top five institutional shareholders.
- (6) Not a director, supervisor, manager, or shareholder holding at least 5% of the shares of one of the companies/organizations with whom the Company has financial or business dealings.
- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates.
- (8) No record of any of the incidents described in Article 30 of the Company Act.

## (2) Operation of 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 held three meetings during the past 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	Wen-Cheng Huang	3	0	100%	Convener
Committee member	Thomas Chen	3	0	100%	Committee member
Committee member	Hsi-Peng Lu	3	0	100%	Committee member
Remuneration Committee	Agenda item and follow-up	Results of resolution	Actions taken by the Company in response to the opinion of the Remuneration Committee		
4th Committee 1st Meeting 2019/01/16	Reviewed the Company's 2018 year-end bonus proposal for executive managers	Approved by all committee members as proposed.	The Chairman of the Board was authorized to approve the 2018 year-end bonus proposal for executive managers within the amount approved by the Remuneration Committee according to individual performance evaluation results and compensation structure for 2018.		
4th Committee 1st Special Meeting 2019/02/01	Reviewed the Company's appointment of Mr. Tsai, Wei-Li as President and his compensation	Approved by all committee members as proposed.	The Board of Directors approved the personnel change.		
4th Committee 2nd Meeting 2019/03/20	<ol style="list-style-type: none"> <li>Reviewed the Company's 2018 employee remuneration proposal.</li> <li>Reviewed the Company's 2018 director remuneration proposal.</li> <li>Reviewed the application for retirement and compensation after reappointment of the President of the Company's Engineering Division.</li> </ol>	Approved by all committee members as proposed.	The Board of Directors approved YFY's 2018 employee and director remuneration proposals and submitted them to the shareholders' meeting.		
Other statutory information:					
<p>I. If the Board of Directors did not adopt or revise the recommendations of the Remuneration Committee, 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 Remuneration Committee shall be specified: N/A.</p> <p>II. If a member has an opposing or qualified opinion regarding a resolution the Remuneration Committee has adopted with a written record or statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be specified: N/A.</p>					

**(V) Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation**

	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
I. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?	V		The Company's Sustainability and Social Responsibility Office and professional employees of business groups assess the environmental, social, and corporate governance risks related to the Company's operations and include materiality issues into risk management. For instance, we use scenario analysis and system analysis to review related climate risks and opportunities faced by different plants. We also planned response measure for climate events, changes in energy resources, and compliance. We refurbished and strengthened related equipment to create plants that are more resilient to climate change.	Compliant
II. Does the Company have a dedicated (concurrent) unit responsible for CSR promotion? Is the CSR unit run by senior managerial officers, which are authorized by and report their progress to the Board of Directors?	V		<p>YFY established the "Sustainability and Social Responsibility Office" on April 1, 2013 to propose CSR- elated policies and management systems, and implement plans of action with regard 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 contact points among the Group's companies and 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:</p> <ol style="list-style-type: none"> <li>1. Target control: Manage YFY's corporate responsibility in terms of the environment, society, and employees.</li> <li>2. Sustainable actions: Control and guide all plants to achieve their short-, mid-, and long-term energy saving and emission reduction goals. Propose response measures with respect to climate change and obtain various environmental protection certifications.</li> <li>3. Employee training: Increase employee's awareness towards environmental protection and ecological issues; share the goals and vision of the Company with employees; and encourage them to propose ideas on social responsibility and sustainability.</li> <li>4. Social engagement: Strengthen YFY's eco-friendly image; solidify good relationships between plants and surrounding communities; and encourage employees to participate in local eco-friendly, cultural, and volunteering events.</li> <li>5. Corporate responsibility exchanges: Continue to hold discussions with stakeholders; and increase the transparency for enforcing corporate management and promoting social responsibility.</li> <li>6. Supply chain management: Monitor and control all personnel involved in the production line in order to provide a healthy and safe work environment for employees and contractors; Establish standards for all suppliers of YFY, including thresholds for health and safety, social responsibility, sustainable development, etc.</li> <li>7. Technological innovation: Integrate R&amp;D, production, and market demands to maximize efficiency and profit; ensuring all production processes meet international environmental standards; And combine internal and external R&amp;D results to obtain certifications and support from non-governmental organizations.</li> </ol> <p>The President is the highest-ranking officer of the Sustainability and Social Responsibility Office which reports to the Chairman's Office on a quarterly basis, and presents annual plans and implementation status to the Board of Directors regularly.</p>	Compliant

**(V) Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation**

	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
III. Environmental issues				
(I) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		All plants in China and Taiwan have obtained ISO 14001 Environmental Management certification, and dedicated personnel have been assigned to maintain each plant's environmental management systems and ensure their proper operation.	Compliant
(II) Is the Company committed to improving the efficiency of various resources and using recycled materials which have a low impact on the environment?	V		"Everything has a purpose according to its nature." This has always been the belief of YFY since its foundation. We continue to invest effort in production processes to increase output per unit, and constantly seek opportunities to reuse process fuels. Remaining process wastes are 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 into raw materials for paper making. In 2018, the Company started using wheat stalk and bamboo to make household paper "Mayflower Zhenmai Xianrou". Up to 97.6% 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 the corrugated fiberboard production center) reached 100%.	Compliant
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		YFY assigns the Sustainability and Social Responsibility Office and professional employees of business groups to conduct internal audits and assistance and include climate adaptation into risk management. We use scenario analysis and system analysis to review related climate risks and opportunities faced by different plants. We also planned response measure for climate events, changes in energy resources, and compliance. We refurbished and strengthened related equipment to create plants that are more resilient to climate change.	Compliant
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	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 obtaining ISO50001 certification for energy management systems, each plant must also implement GHG inventories\ and energy conservation measures. (1) Greenhouse gas (GHG) 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 international trends on the disclosure of carbon emissions as well as domestic regulations and requirements. At the same time, we request all corresponding units to complete GHG inventories voluntarily and register their results on the national greenhouse gas tracking platform. (2) Energy conservation and carbon reduction: The Company actively promotes the integration of energy resources and recycling in plants within the Group and continue the promotion of energy saving projects among plants/offices, which	Compliant

**(V) Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation**

	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			include shifting to LED lights, high-efficiency motors, etc. We also organize technological exchange meeting to introduce energy saving related technologies and improve each plant's energy efficiency. In 2015, YFY also established a five-year annual energy reduction goal of economizing 1% of energy each year, with 1.76% of energy saved on average between 2015 and 2019.	
IV. Social issues				
(I) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have 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.	Compliant
(II) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?	V		<p>The Company provides a comprehensive remuneration system, welfare measures, and performance management system while meeting requirements in the external business environment and building a fair and reasonable internal system. We provide a leave system that is more favorable than regulatory requirements and uphold the ideal of sharing profits with employees by attracting, retaining, developing, and encouraging talents.</p> <ul style="list-style-type: none"> <li>· Competitive salary</li> </ul> <p>(1) The Company participates in compensation surveys in the industry or on the market and determine the salaries of employees based on their academic records, work experience, skills, and position.</p> <p>(2) Salary is not determined by gender or age.</p> <ul style="list-style-type: none"> <li>· Bonus and compensation</li> </ul> <p>(1) Year-end bonus and other incentives: The Company has established regulations on the year-end bonus to include at least 30 days of salary. The Company also established related standards for the issuance of additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company.</p> <p>(2) Employee's remuneration: The Company's Articles of Incorporation specifies that 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.</p> <ul style="list-style-type: none"> <li>· Salary adjustment</li> </ul> <p>(1) The Company implemented two rounds of salary adjustments for all employees in the past three years (2017 to 2019) and the average salary increase was 2.75% in each round.</p> <p>(2) When employees are promoted, their salaries are adjusted immediately to prepare, incentivize, and retain outstanding talents.</p>	Compliant
(III) Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V		Units from all levels have dedicated safety and health management personnel responsible for the development of occupational safety and health management plans to promote in work environment and identify operational hazards, as well as to assess and control various safety and health	Compliant

**(V) Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation**

	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			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-inspection of all machinery and operations, as well as 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 accidents". We not only meet health and safety standards, all of our plants are also OHSAS 18001 certified. Our plants are also expected to obtain ISO 45001 certification by 2021.	
(IV) Does the Company offer its employees effective occupational empowerment training programs?	V		The Company organize professional training based on different positions and levels for employees	Compliant
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?	V		All specifications on the labels of YFY products meet national regulations and standards so that customers fully understand product information and can choose safe and high-quality products. In addition, the consumer service line also provides instantaneous consultation service and complaint channels. The operating procedures are in line with personal data protection regulations to ensure that consumer interests are protected and continue to provide customers with better products and experience.	Compliant
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V		Since 2013, the Company has requested all new suppliers and contractors to sign an <i>Honesty and Integrity Declaration</i> . It comprises the commitments and concrete actions with regard each supplier's corporate social responsibility, including compliance with the principles of honesty, trustworthiness and integrity, environmental and labor laws, as well as liabilities in case of a breach of contract. All suppliers have signed the <i>Honesty and Integrity Declaration</i> in 2019.	Compliant
V. Does the Company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Has the company received assurance or certification of the aforesaid reports from a third-party accreditation institution?	V		The Company has compiled the Corporate Social Responsibility Report in accordance with GRI Standards since 2015. We have also invited third-party certification institutions for certification since 2017. We received the SGS AA1000 Type 2 moderate-level assurance for the Corporate Social Responsibility Reports from 2016 to 2018.	Compliant
VI. If the Company has established corporate social responsibility guidelines by following the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX 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 YFY Inc. Sustainability and Social Responsibility Guidelines in 2018.				
VII. Other key information useful for explaining status of corporate social responsibility practices: (I) Corporate Social Responsibility Awards and Recognition 1. The Company promotes a healthy workplace and won the "2019 National Excellent Healthy Workplace Awards — Innovative Workplace Award", "2019 Taipei City Excellent Healthy Workplace Awards - Third Place", "National Health Insurance Administration's 'Health Passbook' Download Contest - First Place in Large-Scale Workplace Download Growth Rate in Business Group of Northern Taiwan", "2019 Sports Corporate Certification from the Sports Administration of the Ministry of Education and Global Views Magazine", "1111 Job Bank 'Manufacturing Industry and Real Estate Marketing Agencies' Industry Happiness Award", and related healthy workplace awards. 2. Product Quality and Environmental Protection Ideas Win National Prizes, including:The Company won three national level awards including the "16th National Brand Yushan Award - Best Product Award", "13th Taiwan Golden Print Awards - Packaging Box First Prize", and "2019 Outstanding Green Service and Environmental Protection Label Enterprise".				

**(V) Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation**

	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
<p>3. The Company participated in the Taiwan Corporate Sustainability Awards for the second consecutive year and won the "Taiwan Corporate Sustainability Award - Gold Award" again.</p> <p>(II) Circular economy                      Asia's Benchmark Biogas Electricity Generation System Opens New Path for Energy in Taiwan                      YFY has built the largest biogas power generation system in Taiwan in four years. The system generates nearly 20 million kW of electricity each year. We use unique anaerobes cultivation technologies to increase the methane concentration of biogas to 80%. The concentration is close to levels attained by natural gas, also known as the "cleanest energy". We compile the steps for microbe cultivation, selection, and reproduction plans into books and provide sample microbes to related units of governments for follow-up research and use with the aim of improving domestic biogas generation technologies and creating prosperity for industries.</p> <p>(III) Public welfare                      1. Deliver Warmth to Recyclers and Elderly Living Alone in Community Care Projects on Both Sides of the Strait. The Company launched community care projects in industrial paper production plants on both sides of the strait. Xinwu Plant delivers supplies and festival gift money to households of recyclers in the community. Yangzhou Plant routinely provides care to residents of senior citizens' homes in nearby villages in hopes of providing warmth and care when the elderly/disadvantaged families need them the most.                      2. Schoolchildren and Volunteers Became Close like Family in the 5th Year of the YFY Classroom in Taitung. In 2015, YFY kicked off its volunteer project and volunteers visited the <i>Taitung Family Support Kuanshan Service Center</i> every Wednesday afternoon to read books with 20 children. They have accompanied each other for more than five years and contributed nearly 2,000 hours of volunteer work. We not only establish a firm partnership between volunteers and schoolchildren but also successfully created value outside of work for volunteers.</p> <p>(IV) Industry-Academia Cooperation                      Design teams in Taiwan work with universities to continue to participate in Asia's large-scale creative event <i>Cardboard Box Wars</i>                      For four years in a row, YFY has co-organized the <i>Cardboard Box Wars</i> event. Through industry-academia collaboration, students were able to transform cardboard boxes into creative works. In 2019, we transformed the ground-floor checkered hall of Taipei Main Station into a large-scale maze made out of corrugated fiberboard. This environmentally-friendly, artistic, and entertaining large-scale installation attracted more than 10,000 people in short days. They visited the maze and took part in games involving paper with great results.</p> <p>(V) Internal communications                      Protect the Ecosystem on Both Sides of the Strait on Earth Day                      For five consecutive years, YFY has organized nationwide environmental education activities on Earth Day (April 22). For the 2019 Earth Day, we supported the global theme of "biodiversity" and organized short ecological tours or stream or mountain cleaning activities in areas near the 14 plants in Taiwan and China. We invited employees to bring their families and learn more about the nearby environment and implement environmental protection in daily life and protect the ecosystem.</p>				

(VI) Deviations of the implementation of ethical corporate management from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation

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				
(I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices as well as the commitment of its Board of Directors and senior management to implementing the management policies?	V		The Company's "Code of Operation Integrity" was passed by the Board of Directors and the Company established the "Ethical Corporate Management Best Practice Principles" to actively prevent dishonest behavior and conflicts of interest, establish whistleblowing channels, and regulate the conduct of relevant personnel.	Compliant
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company performs regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business and implement programs to prevent unethical conduct. The programs are provided below: <ol style="list-style-type: none"> <li>1. Prevention of dishonest behavior and the prohibition of bribery acceptance: Detailed information about disciplinary actions and the reporting system are listed in Chapter Four: "Service Regulations" of the Work Rules.</li> <li>2. Protection of Intellectual Property Rights: Achieved by requiring employees to sign the <i>Integrity and Confidentiality of Intellectual Property Agreement</i> as well as the employment contract.</li> <li>3. <i>Employee Code of Conduct</i>: Established to implement the Company's core values, maintain high ethical standards, provide employees with standard compliance requirements when performing their daily duties and tasks, protect the Company's reputation, and earn the respect and trust of our clients, vendors, and other individuals.</li> <li>4. <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i>: Contain 15 operational regulations and stipulate whistleblowing systems and handling procedures.</li> </ol>	Compliant
(III) Does the Company have any measures against dishonest conduct? Are these measures supported by proper procedures, conduct guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?	V		The Company established the <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> in accordance with the <i>Code of Operation Integrity</i> to specify disciplinary actions and complaint systems and the Company reviews the policies on a regular basis.	Compliant
II. Implementation of ethical management principles				
(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?	V		In the credit evaluation process of business partners, the Company carefully assesses the integrity of their records. Likewise, we clearly specify in the procurement contract as well as the <i>Honesty and Integrity Declaration</i> that	Compliant

<p>(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p>	V	<p>absolutely no bribery or dishonest behavior are allowed.</p> <p>The Company's Human Resources Department is responsible for handling the drafting, revision, interpretation, consulting services, notification, and record of the Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i>. The Department supervises the executing unit and reports the implementation status of the ethical corporate management policies and programs for preventing unethical conduct to the Board of Directors once a year.</p>	Compliant
<p>(III) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them?</p>	V	<p>Directors who may have a conflict of interest with respect to a proposal discussed during a Board meeting must recuse themselves from the meeting.</p>	Compliant
<p>(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?</p>	V	<p>An effective accounting system and internal control system are already in place; internal auditors conduct inspections according to the audit plan approved by the Board of Directors. In 2018, the Company hired a CPA to conduct a special audit within the specific scope of the internal control system as required by TWSE.</p>	Compliant
<p>(V) Does the Company periodically provide internal and external training on ethical corporate management?</p>	V	<p>The Company organizes regular training on ethical corporate management related topics to promote relevant moral and ethical standards. The Company organized ethical management seminars, corporate governance courses for Directors and Supervisors, and corporate governance courses for legal affairs/audit managerial officers in 2019. The courses received 194 enrollments from YFY and YFY Holding Management and delivered 428 hours of training.</p>	Compliant
<p>III. Implementation of the Company's whistleblowing system</p>			
<p>(I) Does the Company have in place a substantial whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on?</p>	V	<p>The Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> established a whistleblowing and reward system as well as open and diversified reporting channels with the Human Resources Department as the responsible department.</p>	Compliant
<p>(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidentiality mechanisms?</p>	V	<p>The Company has prescribed the standard operating procedures for investigating report, follow-up measures to be taken after the completion of investigations, and related confidentiality mechanisms in its <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i>.</p>	Compliant
<p>(III) Does the Company adopt measures to prevent whistleblowers from improper treatment for filing the report?</p>	V	<p>The Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> expressly pledges the Company's protection of whistleblowers from damages imposed on the legal or contractual rights of whistleblowers as a result of whistleblowing. Should he or she be subject to improper treatment after filing the report, the whistleblower may file grievance report with the</p>	Compliant

			Company's Human Resources Department.	
IV. Reinforcing information disclosure (I) Has the Company disclosed its corporate ethical management principles and progress onto its website and the Market Observation Post System?	V		Important internal policies and the operation of audit units are disclosed on the Company website.	Compliant
V. If the Company has implemented its own ethical corporate management principles by following the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles: The Company has established the <i>Ethical Corporate Management Guidelines</i> and relevant operational procedures, and incorporated the principles of ethical corporate management into applicable regulations pursuant to the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> .				
VI. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g., review/revision of the Company's ethical corporate management principles, etc.): The Company requires all suppliers and third parties to sign the <i>Honesty and Integrity Declaration</i> 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 principles or related rules: N/A

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

1. Please refer to(III) Corporate governance practice and compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
2. Continuing education and training for key managers who participate in corporate governance:

Corporate governance training for major managers in 2019

Name of the Course	In Charge Department	Date of the Course	Hours	Name of the major managers
Trends and Challenges in Information Security Management	Human Resources Department	2019.11.08	3	Hsianmin Chen, K. T. Yin, Vincent Zhan, Aubrey Tsai, Rui-Yun Gong, Ya-Hui Huang, Yi-Xue Cai, Ray Chien, Wen-Fu Chen, Pei-Ling Dai, Shi-Wei Liu, Chung-Yi Chang, Zhi-Qing Min, Wei-Jui Hu, Guo Feng Gao
The Impact of the Economic Substance, Repatriation of Capital to Taiwan, and New Southbound Policies on the Group and Response Strategies	Human Resources Department	2019.11.08	3	Hsianmin Chen, K. T. Yin, Vincent Zhan, Aubrey Tsai, Rui-Yun Gong, Te-Jen Chang, Ya-Hui Huang, Yi-Xue Cai, Ray Chien, Wen-Fu Chen, Chung-Yi Chang, Zhi-Qing Min

## (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, 2020

In 2019, the Company conducted a self-assessment on its internal control system, and based on its outcomes, 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. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. 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 assured the achievement of the aforementioned with the internal control system as of December 31, 2019 (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 was approved by the Board of Directors on Sunday, March 22, 2020; all 9 directors present concurred unanimously.

YFY Inc.



Chairman: Felix Ho



President: Wei-Li Tsai



### 2. CPA's internal control special audit 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 print date for this annual report:**

This event did not occur at the Company.

**(XI) Important resolutions adopted in shareholders' meetings, Board of Directors' meetings, and the Audit Committee meetings in the past year and up to the print date of this annual report:**

**1. Important resolutions of the 1st interim shareholders' meeting (February 1, 2019) in 2019 (summary)**

- (1) Approved the issuance of RMB ordinary shares by the Company's subsidiary Arizon RFID Technology (Yangzhou) Co., Ltd. and its application for listing on the stock exchange in China.

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

- (1) YFY has completed the implementation of all tasks in accordance with the resolutions of the 1st interim shareholders meeting in 2019. We actively implemented the share stock changes and renaming of the subsidiary Arizon RFID Technology Co., Ltd. (after renaming) and applied with the local securities authority in China to issue stocks and become publicly listed. However, the Company is still uncertain about when to submit applications and how long the process will take, and cannot predict these dates.

**2. Important resolutions of the 2019 annual shareholders' meeting (June 25, 2019) (summary)**

- (1) Approved the acknowledgment of YFY's 2018 financial statements.
- (2) Approved the acknowledgment of YFY's 2018 earnings distribution proposal.
- (3) Approved the amendment of YFY's *Articles of Incorporation*.
- (4) Approved the amendment of YFY's *Asset Acquisition and Disposal Procedure*.
- (5) Approved the amendment of YFY's *Procedure for Transactions with Related Parties*.
- (6) Approved the amendment of YFY's *Procedure for Processing Derivative Transactions*.
- (7) Approved the amendment of YFY's *Procedure for Lending Funds to Other Parties*.
- (8) Approved the amendment of YFY's *Procedures of Making of Endorsement and Guarantees*.

**Implementation of resolutions of the 2019 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 distributed the financial statements and earnings distribution proposals to the shareholders through announcements.
- (2) In 2018, the Company's cash dividends of ordinary stock were NT\$0.6 per share; the ex-dividend date was July 22, 2019, and the distribution date for dividends was August 16, 2019.
- (3) Upon receiving 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 respective procedure.
- (4) Upon receiving approval from the shareholders' meeting to make amendments to YFY's *Procedures for Transactions with Related Parties*, relevant departments have notified all subsidiaries to implement the amendments accordingly, and require all future acquisition or disposal of assets in related-party transactions to be conducted by following the

respective procedure.

- (5) Upon receiving 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 respective procedure.
- (6) Upon receiving 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 respective procedure.
- (7) When YFY received approval from the shareholders meeting to make amendments to YFY's *Procedures of Making of Endorsement and Guarantees*, the financial departments have notified all subsidiaries to implement the amendments accordingly, and require all future endorsements or guarantees to be conducted by following the procedure.

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

### **3. Important resolutions of the 6th meeting of the 27th Board of Directors (March 22, 2019) (summary)**

- (1) Approved YFY's 2018 financial statements and submitted them to the shareholders' meeting for acknowledgment.
- (2) Approved YFY's 2018 earnings distribution proposal and submitted it to the shareholders' meeting for approval.  
YFY's 2018 earnings after tax was reported at NT\$1,440,003,112; surplus with regard to unallocated earnings from the previous year was reported at NT\$5,452,898,932 and the implementation effect of the IFRS 9 and IFRS 15 was reported at NT\$112,034,962; a reduction of NT\$82,489,398 accounted for net value of shares held in invested companies, as well as NT\$126,467,748 for defined benefit plans and reversal of special reserve of NT\$1,455,440 amounted to a total of NT\$6,797,435,300 available for distribution. Excluding NT\$144,000,311, which must be allocated as legal reserve by law, the distribution of ordinary stock cash dividends was at NT\$0.6 per share, amounting to NT\$996,222,897. The remaining NT\$5,657,212,092 were reserved for distribution in the incoming year.
- (3) Approved YFY's 2018 employee and director remuneration proposals and submitted them to the shareholders' meeting.  
In 2018, the Company set aside NT\$1,466,619 as remuneration for employees and NT\$7,000,000 as remuneration for directors.
- (4) Approved the Company's 2018 Statement of Internal Control System.
- (5) Approved the amendment of YFY's Authority Checkpoint Table.
- (6) Approved the adoption of YFY's internal control operating procedures for leasing operations.
- (7) Approved the amendment of YFY's Articles of Incorporation and submitted them to the shareholders' meeting for resolution.
- (8) Approved the amendment of YFY's Asset Acquisition and Disposal Procedure and submitted it to the shareholders' meeting for resolution.
- (9) Approved the amendment of YFY's Procedure for Transactions with Related Parties and submitted it to the shareholders' meeting for approval.
- (10) Approved the amendment of YFY's Procedure for Processing Derivative Transactions and submitted it to the shareholders' meeting for resolution.
- (11) Approved the amendment of YFY's Procedure for Lending Funds to Other Parties and submitted it to the shareholders' meeting for resolution.
- (12) Approved the amendment of YFY's Procedures of Making of Endorsement and Guarantees and submitted them to the shareholders' meeting for resolution.
- (13) Approved the time, location, agenda, and other relevant matters regarding the 2019 shareholders' meeting.
- (14) Approved YFY's interbank lending credit line application.

- (15) 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 the subsidiaries.
- (16) 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.
- (17) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated these at the end of Q4 to be NT\$13,039,315 thousand.

#### **4. Important resolutions of the 7th meeting of the 27th Board of Directors (May 14, 2019) (summary)**

- (1) Approved the appointment of the Secretary General of the Board of Directors "Mr. Vincent Zhan" to serve concurrently as the Company's Corporate Governance Officer.
- (2) Approved the establishment of YFY's *Standard Operating Procedures for Requests Filed by Directors*.
- (3) Approved YFY's interbank lending credit line application.
- (4) 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 the subsidiaries.
- (5) 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 their parent company).
- (6) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q1 to be approx. NT\$13,504,452 thousand.

#### **5. Important resolutions of the 8th meeting of the 27th Board of Directors (August 13, 2019) (summary)**

- (1) Approved the Company's proposal for redomicile the subsidiaries YFY International BVI Corp. and YFY Global Investment BVI Corp. from the British Virgin Islands to the Netherlands.
- (2) Approved the amendment of certain articles of YFY's "Board of Directors Meeting Procedures".
- (3) Approved the amendments of certain articles of the YFY "Audit Committee Charter".
- (4) Approved YFY's 2019 and 2020 remuneration of NT\$4.25 million each year for CPA certification.
- (5) Approved YFY's interbank lending credit line application.
- (6) Approved YFY to serve as the joint promissory note maker 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 the subsidiaries.
- (7) 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).
- (8) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q2 to be NT\$15,700,415 thousand.

#### **6. Important resolutions of the 9th meeting of the 27th Board of Directors (November 13, 2019) (summary)**

- (1) Approved YFY's 2020 annual operational budget.
- (2) Approved YFY's 2020 annual audit plan.

- (3) Approved the formulation of YFY's "Regulations for Evaluating the Performance of the Board of Directors".
- (4) Approved the application for a five-year syndicated loan with the Bank of Taiwan, First Commercial Bank, Chang Hwa Bank, Land Bank of Taiwan, Taiwan Cooperative Bank, and Taishin International Bank.
- (5) Approved YFY's interbank lending credit line application.
- (6) 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 the subsidiaries.
- (7) 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).
- (8) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q3 to be approx. NT\$15,960,703 thousand.

#### **7. Important resolutions of the 10th meeting of the 27th Board of Directors (March 23, 2020) (summary)**

- (1) Approved YFY's 2019 financial statements and submitted them to the shareholders' meeting for acknowledgment.
- (2) Approved YFY's 2019 earnings distribution proposal and submitted it to the shareholders' meeting for approval.
- (3) YFY's 2019 net profit after tax was NT\$2,285,768,948; surplus from the previous year in terms of accumulated undistributed earnings was NT\$5,657,212,092, confirmed welfare plan re-measurement was NT\$81,765,600, profits from disposal of FVOCI financial assets (including investment companies) was NT\$288,212,817, and special reserve reversal was NT\$950 before subtracting a recognized change of NT\$21,633,567 in the net value of shares held in the investment portfolio to arrive at a total of NT\$8,291,326,840 in unappropriated retained earnings. Excluding a statutory legal reserve of NT\$263,411,475, the distribution of a NT\$0.7 cash dividend of per share, amounting to NT\$1,162,260,047 in total, was conducted. The remaining balance of NT\$6,865,655,318 is reserved to be appropriated in the coming year.
- (4) Approved YFY's 2019 employee and director remuneration proposals and submitted them to the shareholders' meeting.
- (5) In 2019, the Company set aside NT\$2,282,255 as remuneration for employees and NT\$12,500,000 as remuneration for directors.
- (6) Approved the Company's 2019 Statement of Internal Control System.
- (7) Approved the amendment of certain articles of YFY's "Board of Directors Meeting Procedures" for reporting to the shareholders' meeting.
- (8) Approved additional amendments of certain articles of the YFY "Audit Committee Charter".
- (9) Approved the amendment of YFY's "Rules of Procedure for Shareholders' Meeting" for reporting to the shareholders' meeting.
- (10) Approved the time, location, agenda, and other relevant matters regarding the 2020 shareholders' meeting.
- (11) Approved the replacement of YFY's former CPAs to Hui-Ming Huang and Benjamin Shih.
- (12) Approved YFY's interbank lending credit line application.
- (13) 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 the subsidiaries.
- (14) 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.

- (15) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q4 to be approx. NT\$15,541,544 thousand.

#### **8. Important resolutions of the 4th meeting of the 2nd Audit Committee (March 20, 2019) (summary)**

- (1) Approved YFY's 2018 financial statements and submitted them to the Board of Directors for approval.
- (2) Approved YFY's 2018 earnings distribution proposal and submitted it to the Board of Directors for approval.
- (3) Approved YFY's 2018 Statement on the Internal Control System and submitted it to the Board of Directors for approval.
- (4) Approved the adoption of YFY's internal control operating procedures for leasing operations and submitted them to the Board of Directors for approval.
- (5) Approved the amendment of YFY's *Asset Acquisition and Disposal Procedure* and submitted it to the Board of Directors for approval.
- (6) Approved the amendment of YFY's *Procedure for Transactions with Related Parties* and submitted it to the Board of Directors for approval.
- (7) Approved the amendment of YFY's *Procedure for Processing Derivative Transactions* and submitted it to the Board of Directors for approval.
- (8) Approved the amendment of YFY's *Procedure for Lending Funds to Other Parties* and submitted it to the Board of Directors for approval.
- (9) Approved the amendment of YFY's *Procedures of Making of Endorsement and Guarantees* and submitted it to the Board of Directors for approval.
- (10) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2018 and calculated these at the end of Q4 to be NT\$13,039,315 thousand, and submitted this to the Board of Directors for approval.

#### **9. Important resolutions of the 5th meeting of the 2nd Audit Committee (May 10, 2019) (summary)**

- (1) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q1 to be approx. NT\$13,504,452 thousand, and submitted this to the Board of Directors for approval.

#### **10. Important resolutions of the 6th meeting of the 2nd Audit Committee (August 8, 2019) (summary)**

- (1) Approved the Company's proposal for relocating the place of registration of the subsidiaries YFY International BVI Corp. and YFY Global Investment BVI Corp. from the British Virgin Islands to the Netherlands, and submitted this to the Board of Directors for approval.
- (2) Approved YFY's 2019 and 2020 remuneration of NT\$4.25 million each year for CPA certification and submitted the proposal to the board meeting for approval.
- (3) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q2 to be NT\$15,700,415 thousand, and submitted this to the Board of Directors for approval.

#### **11. Important resolutions of the 7th meeting of the 2nd Audit Committee (November 11, 2019) (summary)**

- (1) Approved YFY's 2020 annual audit plan and submitted it to the Board of Directors for approval.
- (2) Approved the compliance of the CPAs' independence and accountability after evaluation as required by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reported this to the Board of Directors.
- (3) Approved the formulation of YFY's "Regulations for Evaluating the Performance of the Board of Directors" and submitted it to the Board of Directors for approval.

- (4) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q3 to be approx. NT\$15,960,703 thousand, and submitted this to the Board of Directors for approval.

**12. Important resolutions of the 8th meeting of the 2nd Audit Committee (March 20, 2020) (summary)**

- (1) Approved YFY's 2019 financial statements and submitted them to the Board of Directors for approval.
- (2) Approved YFY's 2019 earnings distribution proposal with NT\$0.8 cash dividend of per share, and submitted it to the Board of Directors for approval.
- (3) Approved YFY's 2019 Statement on the Internal Control System and submitted it to the board meeting for approval.
- (4) Approved the replacement of YFY's former CPAs to Hui-Ming Huang and Benjamin Shih, and submitted this to the Board of Directors for approval.
- (5) Approved the acknowledgment of the total amount of liabilities in endorsements and guarantees as of 2019 and calculated these at the end of Q4 to be approx. NT\$15,541,544 thousand, and submitted this to the Board of Directors for approval.

**13. Important resolutions of the 9th (interim) meeting of the 2nd Audit Committee (March 23, 2020) (summary)**

- (1) Due to the impact of the COVID-10 pandemic, the Company has adopted a more conservative outlook of the economy and intends to keep more cash in the Company. The Audit Committee passed the 2019 earnings distribution proposal and changed the cash dividend of per share to NT\$0.7. It and submitted the proposal to the Board of Directors for approval.

**(XII) The content of any resolution of the Board of Directors which received any dissenting opinions from a director or supervisor that are supported by appropriate records or written statements:**

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 approved by all directors present at the meeting, except for director Richard Ho who left the meeting early and submitted a written dissenting opinion regarding such Table's 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 and Disposal Procedure, Procedure for Transactions with Related Parties, and Procedures of Making of Endorsement and Guarantees*. Director Richard Ho left the meeting early and submitted a written opinion disapproving the proposal 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 approval by the Board. The three proposals were approved by all remaining directors present at the meeting.

**(XIII) Resignation and dismissal of professional managerial officers, 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 print date of this annual report:**

The Board of the Company appointed Mr. Wei-Li Tsai to be the President of YFY on Feb 19, 2019. (The previous President dismissed)

## V. Information on Fees to CPA

1. When non-audit fees paid to the CPAs, to the accounting firm of the CPAs, 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 accounting firm	Name of CPAs:		Duration of audit	Notes
Deloitte and Touche	Hui-Ming Huang	Cheng-Hong Kuo	2019.01.01~2019.09.30	
Deloitte and Touche	Hui-Ming Huang	Ching-Pin Shih	2019.10.01~2019.12.31	

Unit: NT\$1,000

Range of amount		Fees	Audit fee	Non-audit fee	Total
1	NT\$2,000 thousand			V	
2	NT\$2,000 thousand (incl.) ~ NT\$4,000 thousand				
3	NT\$4,000 thousand (incl.) ~ NT\$6,000 thousand		V		
4	NT\$6,000 thousand (incl.) ~ NT\$8,000 thousand				
5	NT\$8,000 thousand (incl.) ~ NT\$10,000 thousand				
6	More than NT\$10,000 thousand				

2. Non-audit fees paid to CPAs, Deloitte and Touche Taiwan, and other related enterprises totaled NT\$705 thousand, 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:

Date of change	From March 2020		
Reasons for change and remark	Because of the firm's internal rotation and arrangement, CPA Chih-Ming Shao was replaced by Hui-Ming Huang.		
Termination initiated by client or accountant declined to accept the appointment	Parties Involved		Client
	Scenario	CPA	
	Termination initiated by client	N/A	N/A
	CPA declined to accept (continue) the appointment	N/A	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 stages of auditing
			Others
	N/A	V	
	Description		
Other disclosures (Disclosures specified in Item 1.4-1.7, Subparagraph 6, Article 10 of the Standards)	N/A		

**(2) Regarding succeeding CPA:**

Name of firm	Deloitte and Touche
Name of CPAs:	Ching-Pin Shih, CPA
Date of appointment	From March 2020
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

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

**VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who has worked for CPAs' firm or its affiliate in the past year:** This event did not occur at the Company.

VIII. Equity transfers and changes of equity interests by directors, supervisors, managers, and major shareholders holding more than 10% of the shares in last fiscal year and up to the print date for this annual report

(I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2019		Current fiscal year up to April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Felix Ho	-	-	-	-
Director	S. C. Ho	-	-	334,000	-
Director and Vice President	Richard Ho	-	-	-	-
Director and CTO	Kirk Hwang	-	-	-	-
Director	Chin-San Wang	-	-	-	-
Director and President (Appointed on 2/19/2019)	Wei-Li Tsai	-	-	-	-
Director (Resigned on 2/19/2019)	Jung-Tsung Chien	-	-	-	-
Independent Director	Wen-Cheng Huang	-	-	-	-
Independent Director	Hsi-Peng Lu	-	-	-	-
Independent Director	Thomas Chen	-	-	-	-
Director	Shin-Yi Enterprise Co., Ltd.	-	-	-	-
Director	Yuen Foong Paper Co., Ltd.	-	-	-	-
CSO	Hsianmin Chen	-	-	-	-
Finance Center Executive Vice President	K. T. Yin	-	-	-	-
Vice President, Procurement Department (Retired on 6/17/2019)	S. R. Leu	-	-	-	-
Vice President, Procurement Department (Appointed on 6/17/2019)	Rui-Yun Gong	-	-	-	-
Vice President, Accounting Department	C. F. Wu	-	-	-	-
Vice President, Information Technology Department	Ray Chien	-	-	-	-
Assistant Vice President of Legal Department and Corporate Governance Officer	Vincent Zhan	-	-	-	-
Vice President, Human Resources Department	Aubrey Tsai	-	-	-	-
Vice President, President's Office (Appointed on 9/16/2019)	Te-Jen Chang	-	-	-	-
Manager, Auditing and Compliance Office	Irene Cheng	-	-	-	-

(II) Share transfer information: This event did not occur at the Company.

(III) Share pledge information: This event did not occur at the Company.

## IX. Information about Spouses, Kinship within Second Degree, and Relationships between Any of the Top Ten Shareholders

Name	Shares held by the individual		Shares held by spouse and underage children		Total shares held in names of third parties		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Notes
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relation	
S. C. Ho	168,615,028	10.16%	0	0	0	0	1. Shin-Yi Foundation 2. Shin-Yi Enterprise Co., Ltd. 3. Mei-Yu Ho 4. Felix Ho 5. Hsinex International Corp.	1. Director 2. Director 3. Spouse 4. Siblings 5. Father and son	N/A
Shin-Yi Foundation Representative: Sing-Ju Chang	94,004,485 0	5.66% 0	0 *168,615,028	0 10.16%	0	0	1. S. C. Ho 2. Mei-Yu Ho 3. Felix Ho	1. Director is the representative's spouse 2. Related to the representative as relative-in-law within second degree of kinship 3. Mother and son with the representative	N/A
Shin-Yi Enterprise Co., Ltd. Representative: Sing-Ju Chang	77,794,610 0	4.69% 0	0 *168,615,028	0 10.16%	0	0	1. S. C. Ho 2. Mei-Yu Ho 3. Felix Ho	1. Director is the representative's spouse 2. Director is the representative's relative-in-law within second degree of kinship 3. Director and representative are mother and son	N/A
Cheng-Ting Ho	46,544,959	2.80%	1,878,837	0.11%	0	0	Min-Ting Ho	Siblings	N/A
Supervisory Committee of Workers' Pension Reserve Funds of YFY Inc., Representative: K. T. Yin	46,396,624 0	2.79% 0.00%	0 0	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 shares held in names of third parties		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Notes
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relation	
Mei-Yu Ho	44,176,664	2.66%	4,082,112	0.25%	0	0	1. S. C. Ho 2. Shin-Yi Enterprise Co., Ltd. 3. Sing-Ju Chang, Representative of Shin-Yi Foundation, Shin-Yi Enterprise Co., Ltd., and Hsinex International Corp.	1. Siblings 2. Director 3. Related to the representative as relative-in-law within second degree of kinship	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
Felix Ho	35,529,953	2.14%	0	0	0	0	1. S. C. Ho 2. Shin-Yi Enterprise Co., Ltd. 3. Sing-Ju Chang, Representative of Shin-Yi Foundation, Shin-Yi Enterprise Co., Ltd., and Hsinex International Corp.	1. Father and son 2. Director 3. Mother and son	N/A
Min-Ting Ho	34,444,233	2.07%	0	0	0	0	Cheng-Ting Ho	Siblings	N/A
Hsinex International Corp. Representative: Sing-Ju Chang	31,105,895 0	1.87% 0	0 *168,615,028	0 10.16%	0	0	1. S. C. Ho 2. Mei-Yu Ho 3. Felix Ho	1. Director is the representative's spouse 2. Related to the representative as relative-in-law within second degree of kinship 3. Mother and son with the representative	

\*personal holdings

**X. Numbers of Shares Held in Invested Enterprises by the Company, the Company's Directors, Independent Directors, and Managers, and Enterprises Directly or Indirectly Controlled by the Company and the Consolidated Shareholding Ratio**

December 31, 2019 Unit: 1,000 shares; %

Equity method-accounted investments	Investment by the Company		Investments by directors, independent directors, the President and directly or indirectly controlled entities		Consolidated investment	
	Number of shares	Shareholding ratio%	Number of shares	Shareholding ratio%	Number of shares	Shareholding ratio
YFY Consumer Products Co., Ltd.	241,636	100.0	0	0	241,636	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 Inc.	133,473	11.7	106,984	9.4	240,457	21.1
Fidelis IT Solutions Co., Ltd.	2,857	100.0	0	0	2,857	100.0
Taiwan Global Biofund	16,970	23.0	23,160	31.4	40,130	54.4
Taiwan Genome Sciences Inc.	561	19.4	96	3.3	657	22.7
Shin Foong Specialty and Applied Materials Co., Ltd.	51,914	49.5	756	0.7	52,670	50.2
YFY Paradigm Investment Co., Ltd.	84,880	100.0	0	0	84,880	100.0
YFY Venture Capital Investment Co., Ltd.	69,828	100.0	0	0	69,828	100.0
San Ying Enterprises Co., Ltd.	6,000	100.0	0	0	6,000	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
YFY Japan Co., Ltd.	0.2	100.0	0	0	0.2	100.0
Lotus Ecoscings & Engineering Co., Ltd.	28,545	100.0	0	0	28,545	100.0
Effion Eneritech 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
Sustainable Carbohydrate Innovation Co., Ltd.	3,000	100.0	0	0	3,000	100.0

## Chapter 4. Fundraising

- I. The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, Restricted Shares and Mergers (including Mergers, Acquisitions, and Demergers)
- II. Implementation of Capital Allocation Plans

## Chapter 4. Fundraising

### I. The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depository Receipts, Employee Stock Options, Restricted Shares and Mergers (including Mergers, Acquisitions, and Demergers)

#### (I) Source of share capital

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

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

Unit: 1,000 shares

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

#### (II) Shareholder structure

April 24, 2020

Quantity \ Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & natural persons	Total
Head count	4	4	289	90,597	231	91,125
Number of shares	8,745,555	11,120,000	567,949,350	780,310,489	292,246,101	1,660,371,495
Shareholding ratio	0.53%	0.67%	34.20%	47.00%	17.60%	100.00%

#### (III) Shareholding distribution status

April 24, 2020

Shareholding range	Number of shareholders	Number of shares	Shareholding ratio
1 to 999	55,013	6,424,193	0.39%
1,000 to 5,000	25,175	54,951,725	3.31%
5,001 to 10,000	5,089	38,585,663	2.32%
10,001 to 15,000	1,800	21,774,259	1.31%
15,001 to 20,000	1,044	19,216,915	1.16%
20,001 to 30,000	954	23,927,390	1.44%
30,001 to 40,000	398	13,728,505	0.83%
40,001 to 50,000	354	16,387,838	0.99%
50,001 to 100,000	597	42,722,977	2.57%
100,001 to 200,000	330	46,493,047	2.80%
200,001 to 400,000	147	41,831,748	2.52%
400,001 to 600,000	65	31,714,343	1.91%
600,001 to 800,000	25	17,256,818	1.04%
800,001 to 1,000,000	18	16,783,176	1.01%
1,000,001 and above	116	1,268,572,898	76.40%
Total	91,125	1,660,371,495	100.00%

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

#### (IV) List of major shareholders

April 24, 2020

Name	Shares	Number of shares	Shareholding ratio
S. C. Ho		168,615,028	10.16%
Shin-Yi Foundation		94,004,485	5.66%
Shin-Yi Enterprise Co., Ltd.		77,794,610	4.69%
Cheng-Ting Ho		46,544,959	2.80%
Supervisory Committee of Workers' Pension Reserve Funds of YFY Inc.		46,396,624	2.79%
Mei-Yu Ho		44,176,664	2.66%
NEW TALENT LIMITED		37,806,132	2.28%
Felix Ho		35,529,953	2.14%
Min-Ting Ho		34,444,233	2.07%
Hsinex International Corp.		31,105,895	1.87%

#### (V) Market price, net asset value, earnings, and dividends per share

Item		Year	2018	2019	Current year up to the printing date of this annual report
Market price per share	Highest		14.70	14.00	
	Lowest		10.95	11.05	
	Average		12.41	11.93	
Net asset value per share	Before distribution		21.36	23.64	-
	After distribution		19.41	-	-
Earnings per share	Weighted average number of shares (thousand shares)		1,660,372	1,660,372	1,660,372
	Earnings per share		0.87	1.38	-
Dividends per share	Cash dividends		0.6	0.8	-
	Stock dividends	-	-	-	-
		-	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	PE ratio		14.26	8.64	-
	Price dividend ratio		20.68	19.88	-
	Cash dividend yield (%)		4.83	6.71	-

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 2019 has yet to be approved by the 2020 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 for the upcoming year. Based on this policy, an appropriate percentage of the remaining surplus is retained as needed to support the ongoing business operations, and dividends are 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 2019, the Company proposes to distribute NT\$1,162,260,047 in cash dividends, the equivalent of NT\$0.7 per share.

**(VII) Impact of stock dividends 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 employee remuneration, 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 dividends, and employees' remuneration may be distributed by way of cash dividends or stock dividends. The Board of Director shall be authorized to define the qualification requirements of employees entitled to receive shares or cash, including the employees of subsidiaries of the Company that meet certain specific requirements. 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 Board 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 is 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 recognized as expenses at the distributable amounts for the current year according to Articles of Incorporation. Any change in the amounts on the date of resolution by the Board of Directors shall be treated as accounting adjustments and recognized as adjustments for net profit and loss of the year approved by the Board of Directors. If it is decided by the Board of Directors to distribute employee remuneration in the form of shares, the number of shares shall 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 approved by the Board of Directors:**

1. Distribution of NT\$2,282,255 in cash as employee remuneration; no stock shares were distributed. Directors' remuneration was NT\$12,500,000. The amounts listed above are not different from the expense estimates for 2019.

2. Amount in stock distributed as employee remuneration as a percentage with respect to the after-tax profit 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 recognized employee remuneration and director and supervisor remunerations, and the reasons as well as corresponding treatments:**

In 2018, the actual remuneration distributed to employees was NT\$1,466,619 in cash

and no stock shares were distributed. Director remuneration was NT\$7,000,000. The aforementioned amount did not differ from the amount approved by the Board of Directors.

**(IX) Buyback of treasury stock:**

This event did not occur at the Company.

**(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 depository receipts (GDR):**

The Company does not issue global depository receipts.

**(XIII) Exercise of employee stock option plan (ESOP):**

The Company does not provide employee stock option plans.

**(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 for acquisition of shares of other companies.

## **II. Implementation of Capital Allocation Plans**

**(I) Plan content:** The Company has no special plans for utilization of funds.

**(II) Implementation status:** N/A.

## Chapter 5. Business overview

- I. Business Scope
- II. Market outlook
- III. Employee Information in the Last Two Years and Up to the Print Date of the Annual Report
- IV. Environmental protection expenditure information
- V. Employer-employee relationship
- VI. Material contracts

## Chapter 5. Business overview

### I. Business Scope

#### (I) Business scope

1. Key areas of business:
  - Diversified industry investment holding.
2. Key operations and products of invested companies:
  - Pulp and paper subsidiary
    - Production, marketing, and distribution of pulp, paper, and paperboards.
  - Containerboard and packaging business group
    - Paperboards for industrial use; production, processing, 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 87%.
  - Other items accounted for approximately 13%.
4. New products in development:
  - Various special purpose paper.

#### (II) Industry Overview

##### Overall Economic Environment

The global economic growth had slowed in early 2019. By the second half of the year, economic growth forecasts had been continuously lowered due to uncertainties in trade policies, geopolitical tensions, weakened growth in emerging markets, and deteriorating social unrest and climate disasters.

According to IMF reports, the global economic growth rate was approximately 3% in 2019. With increased industrial investments in large-scale industries and a slight increase in the employment rate due to the "Six Stabilization" policies, China attained a GDP growth of 6.1% in 2019. Taiwan remains affected by slowed global economic growth. Fortunately, Taiwan benefits from the relocation of production bases of certain supply chains and opportunities in redirected purchase orders. According to data published by the Directorate-General of Budget, Accounting and Statistics, Taiwan's annual economic growth rate was maintained at 2.71% which was slightly better than the growth rate in the previous year.

However, the COVID-19 pandemic has caused great upheavals in the global economy since its outbreak in late 2019. The pandemic has spread from Mainland China to Japan, Korea, Taiwan, and Macao in early 2020. Just as the situation in Asia became contained, the number of new confirmed cases rose in continental Europe and the Americas and pushed the global pandemic to new heights. As of today, we have been unable to predict when the pandemic can be controlled and economists from across the world are closely monitoring the economic recession caused by the lockdowns and quarantines imposed by countries across the world as they struggle to respond to the pandemic.

In this environment, YFY's subsidiary business units shall focus on the fundamental parts of their operations and crisis management for the supply chain. We shall also respond to the government's response and adjustment measures to demonstrate maximum resilience and flexibility as we continue our stable operations and business development.

##### Major Business Groups' Current Market Condition and Development:

#### 1. Pulp and paper business group

The product development and the competitive landscape are as follow:

Pulps: We are a one-stop pulp production mill which produces short-fiber virgin pulp (LBKP). The upstream of the industry is broad-leaf wood chips from various countries; the wood chips are imported

according to customers' requirement of pulp type. The pulp is made by continuous cooking. The pulp market in 2019 underwent a process of continuous build-up and removal of inventory. The overall market remained more or less the same during peak season and demand fell. In addition, uncertainties in international developments and exchange rate fluctuations have made market sentiments more conservative.

The production formula of the final pulp products is adjusted according to the needs of customers. This product is widely used in paper stationery products, household paper, packaging paper, carton and cardboard paper. Our main customers are domestic paper mills; there are also some exports to supply for overseas market demand. As the only pulp mill in Taiwan, the cost of pulp products is directly affected by fluctuations of international raw materials. In response to market demand, the production is decided to be self-made or outsourced based on the international imported raw pulp prices and the condition of production costs, as well as supplying downstream paper industry. The main competitors include international peers such as Asia Paper International (APP), Asia Pacific Semper (Shandong) Pulp and Paper Co., etc.

Paper stationery products: According to the customer's demand for printing paper, packaging paper, carton and cardboard, etc., the pulp is made into various types of paper according to the formula to supply customers' needs. The upstream of the product is pulp, the middle is the paper industry, and the downstream are various types of dealers and cultural publishers, cardboard processing industry, and end customers. Domestic producers of paper stationery products such as Cheng Loong and Taiwan Pulp & Paper Corporation have withdrawn from the paper stationery market due to intense competition from imported products in recent years. Chung Hwa Pulp has managed to maintain a favorable position in the market due to its outstanding structure and continuous transformation.

On the demand side, the global demand for paper stationery products keeps declining due to the changes in reading habits, digitalization 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 of Things.

Facing the fluctuation of international pulp prices, the Pulp and paper business groupsupplies the demand for LBKP pulp in various factories within the group, in order to reduce the impact of market price fluctuations on profit and loss; The paper stationery product market will implement flexible production and marketing policies and will continue to expand the trade model of sales, in order to maintain the Company's reasonable profits and market share. In addition, Chung Hwa Pulp Corp. also continues to research and develop high-value-added special purpose paper market, expand diversified applications, and grasp the business opportunities of alternative paper products for Industry 4.0 and Internet, medical, food safety, and environmentally friendly plastics reduction.

## **2. Containerboard and packaging business group**

The product development and the competitive landscape are as follow:

Paperboards for industrial use and processed paper products are made of upstream, imported NBKP and recycled paper (or recycled paper pulp), which are then processed, packaged, and provided to downstream industries (electronics, information, food, and textile fiber industries) for packaging. In addition to YFY, domestic manufacturers also include Cheng Loong and Longchen P&P. The three major paper mill account for 60.5% of the total sales in Taiwan, supplying paperboards for industrial use to downstream paperboard and containerboard processing plants.

In response to the small amount, diverse and high-quality demand in the domestic market, YFY Inc. has put Xinwu No.3 paper machine into production in the second half of 2018 to simultaneously improve the quality and quantity, making YFY's market share grew to the highest in the industry. In the future, YFY will continue to replace old equipment and introduce automated production equipment. By developing differentiated products and continuously offering services of premium quality, we aim to win the trust of customers.

The Containerboard and packaging business groupwill continue to improve production efficiency and pay equal attention to production operation and resources recycling. Starting from self-improvement on the emission standards and being environment-friendly, it will further examine the feasibility of reusing all

types of energy, in order to fully build a circular economy.

### 3. Consumer products business group

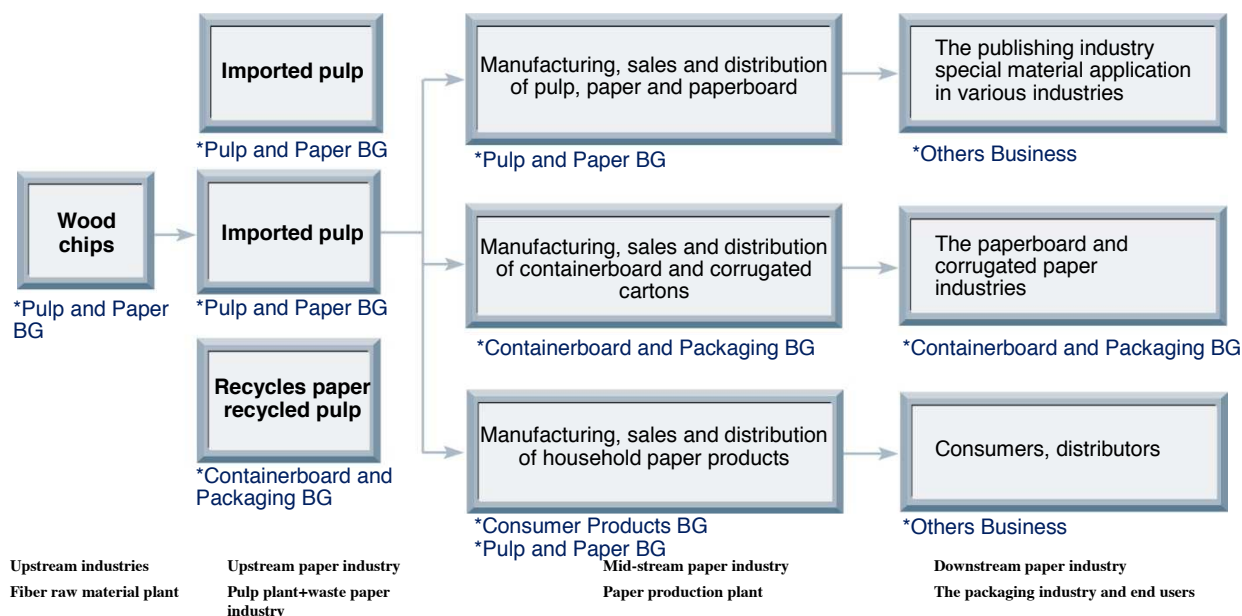
The Company's supply chain comprises upstream manufacturers of household paper who import LBKP and downstream vendors, distributors, and end consumers.

YFY's brands such as "Mayflower", "Delight", and "Tender" have been ranked number one in the domestic market share for many years, and continues to meet the diversified needs of consumers with high-quality innovative products. Kimberly-Clark, Cheng Loong, and Golden Century Paper are main suppliers in Taiwan.

In recent years, based on the consumer's trust and distribution advantages, we have expanded into the sanitary ware market. The upstream of the sanitary ware industry is special chemical ingredient (such as imported tangerine oil, natural fragrance, etc.), while the downstream is various retailers, distributors, and end consumers. Our brand "Orange House" has become the number one natural sanitary ware brand among domestic consumers; the second brand "Fresh Sense" and the mid-range "Delight" detergent are also promoted to achieve the goal of becoming a multi-category household brand.

In the future, we will continue to invest in new product development, master the market of Lohas, middle-aged people, and disease prevention, and meet different market requirements by developing a series of household, individual, and commercial commodities; strengthen the research and development of high value-added products, operate in the high-end market, deepen the existing channels, master the behavior of N-Gen consumers, and maintain our leading position in consumer goods brands.

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



### **(III) Overview of Technology and R&D**

#### **1. R&D investments during the past year**

Direct R&D expenditure was roughly NT\$351,192 thousand in 2019. Expenditure on other development applications was not included herein.

Direct R&D expenditure up to the printing date of this annual report in 2020 was approximately NT\$XX thousand.

#### **2. Launching and application of new technology products**

YFY invests in a broad scope of fields and 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 subsidiaries engage in different R&D projects for their respective fields of application to develop niches and innovative products. In 2019, subsidiaries were committed to the research and development of equipment, processes, formulas, applications, and energy consumption improvement and reuse of available resources for production units. They actively conducted research and development of bio-based special materials (e.g., starch and cellulose) and high-value applications. They also invested in effective designs for the reuse of pulp by-products and process wastes. In addition, the subsidiaries engaged in the development of non-plastic card paper for food safety applications to increase the recycling and reuse rate of pulp materials, effectively increase the economic benefits of the circular economy, and reduce the impact of petrochemical materials on the environment. The Company developed capsule coating platform technologies to improve the preservation of effective components and increase the applications for high-value products. By achieving coexistence of the biosphere and industrial cycles, we ensure 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) Continue to improve the production processes and management to increase our capacity for transformation.
- (2) Invest in eco-friendly equipment and impose high standards for self-evaluation of emissions.
- (3) Reinforce the R&D of niche products and develop alternative products to replace plastic applications to gain stable access to the market for environmentally-friendly products.
- (4) Optimize resource recycling equipment and increase the use of renewable energy.
- (5) Vertically integrate the supply chain and strengthen the cooperative development with the downstream processing plants to increase the overall industry competitiveness.
- (6) Enhance information integration and make use of big data analyses to fully improve the efficiency in production, procurement, marketing, and customer services.

##### **Long-term development plans**

- (1) Research and develop environmentally sustainable and high value-added, botanical fiber-based material products and lead market demand.
- (2) Dedicate to sustainable cycles and use the "R<sup>3</sup>" (recycle, re-creation and value reinvention) to enhance the usage of materials and promote the evolution of product diversity.
- (3) Implement talent cultivation plans and establish a succession team to become a world-class materials producer.

#### **2. Containerboard and packaging business group**

##### **Short-term development plans:**

- (1) Update equipment based on plans to increase productivity.
- (2) Optimize the production processes and management procedures to improve the competitiveness of products.
- (3) Improve the quality in the procurement of recycled paper and optimize the reuse efficiency.
- (4) Use the capacity of the new equipment to integrate the supply chain of paperboard and containerboard supply chain, and make full use of the advantages of vertical integration to expand the market share.
- (5) Transformation of excess material from production into resources: Use biogas power generation to

maximize efficiency. Install refuse-derived fuel (RDF) boilers that do not use coal to implement environmental protection, reduce waste, and implement circular economy.

#### Long-term development plans:

- (1) Continue to promote reduction of consumption and control unit cost.
- (2) Optimize and refurbish equipment to reduce unit energy cost and implement energy conservation and carbon reduction.
- (3) Respond to shifts in the global supply chain and continue to expand containerboard businesses in Vietnam for new customers.
- (4) Develop automated production and process improvements.
- (5) Recruit and train technical, operational, and business talents, invest in employee training, and cultivate the future management team.

### 3. Consumer products business group

#### Short-term development plans

- (1) Continue to improve organization work efficiency and management.
- (2) Optimize the product structure and increase automation productivity. Plan optimized production lines and enhance collaboration with commercial customers to increase the utilization rate of production equipment.
- (3) Expedite the development of cleaning products, add new unique products, and expand the market share for mid-range to high-end cleaning products.
- (4) Active develop technologies for raw paper and special paper and cultivate the high-end market to expand into niche products.
- (5) Develop online and offline channels and gain advantages for expanding business performance.
- (6) Enhance the market share in commercial customers and develop high-volume customers.

#### Long-term development plans

- (1) Enhance brand management, shape approaches based on the target audience and market segmentation, and increase various brand values and product virtues.
- (2) Develop new strategic partners, expand high value-added products, and develop new types of services.
- (3) Expand the export market and develop paper products and ODM/OEM customers for paper products to create synergy.
- (4) Focus on consumer demands and deepen the brand positioning.
- (5) Establish measures for processing production wastes and cultivate green energy and low-carbon development to ensure simultaneous advancement of both development and environmental protection and implement the Company's circular economy ideals.

## II. Market outlook

### (I) Market analysis

Based on the statistics by the Taiwan Paper Industry Association, the total production of paper and paperboards in Taiwan in 2019 was 4.249 million tons. The paper market continues to decline while cardboard boxes and paperboard increased slightly. The overall production capacity was roughly the same as 4.254 million tons in 2018. The import volume was 1.547 million tons, with a decrease of 0.7%. Domestic sales were 4.292 million tons, with a decrease of 1.2% from 2018. Exports increased by 4% to 1.504 million tons.

Analysis of each subsidiary's product market is as follows:

#### 1. Pulp and paper business group

##### **Market conditions:**

According to statistics of the Taiwan Paper Industry Association in 2019, the annual output of paper and paperboard (paper usage in Taiwan other than household paper and white and gray paper boards), such as those produced by the pulp and paper subsidiary, was 1.06 million tons. As the demand for paper for printing and writing and paperboards has gradually declined, the annual

output has fallen by 6.3%. The paper and paperboard sales volume in the domestic market was 1.715 million tons and the decline was roughly the same as the 7.1% decline in the previous year. Exports of paper and paperboard were 400 thousand tons which was roughly the same as the previous year. The domestic annual production of paper pulp also decreased by 8.0% due to market demands. The sales volume in the domestic market was 929 thousand tons, which was an 11.1% decrease from the previous year.

**Business overview:**

The pulp and paper business group produced 504 thousand tons of paper and paperboard in 2019, a decrease of 7.9% compared to the same period in the previous year. The total domestic sales volume was 360 thousand tons, a 9.9% decrease compared to the previous year. Exports amounted to 285 thousand tons, declining by 4.6% compared to the previous year. In terms of pulp, the international pulp market in 2019 underwent a process of continuous build-up and removal of inventory. The overall market remained more or less the same during peak season and demand fell. The production volume of the subsidiary was 330 thousand tons which was a 9.2% decline from the previous year.

**Competitive niche and countermeasures:**

Uncertainties in international developments and exchange rate fluctuations have made market sentiments more conservative. The pulp market has seen a decline from the high levels of demand in 2018 Q3. The forest fires in Australia and strikes in Finland since the end of 2019 also affected the supply of raw materials and pulp prices have since stabilized. After the outbreak of the COVID-19 pandemic at the end of the previous year, we must closely monitor the end-user market demand and exchange rate fluctuations and respond carefully.

The Company focused on the development of special paper products, with the aim of gradually transforming the production portfolio from paper stationery products to industrial-use special materials to meet the diverse demands of the packaging, food, and electronics industry. 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 the uncertainties in the international economy in 2020, Chung Hwa Pulp 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 local services.

2. [Containerboard and packaging business group](#)

**Market conditions:**

Based on statistics by the Taiwan Paper Industry Association, the total production of paper for industrial use in Taiwan in 2019 was 3.446 million tons, growing by 2.2% compared to 2018. Domestic sale volume was 2.672 million tons, growing by 3.3% compared to 2018. Exports increased by 4.8% to 1.281 million tons.

**Business overview:**

After the Containerboard and packaging business group increased the overall availability and performance of equipment in Taiwan, we have improved overall productivity and quality. With our traditional niches in raw materials and achieved growth in revenue and profitability. We also activated the largest biogas power generation system in Taiwan in the second half of 2019 to recycle water resources from the production process and fully demonstrate YFY's commitment to a circular economy.

The subsidiary continues to expand the production of industrial paper in Yangzhou, China. The process specifications meet related environmental protection policies and it continues to improve equipment availability and adjust product portfolio to achieve positive growth in the production volume and sales volume of industrial paper and downstream containerboard businesses compared to the previous year. The subsidiary has expanded containerboard production in Vietnam for multiple years. The new plant in northern Vietnam was completed in 2019 and the production capacity was increased. We continued to benefit from the shifts in the global supply chains and achieved growth in both total production and sales with spectacular results.

**Competitive niche and countermeasures:**

Faced with multiple market uncertainties in 2020, the Containerboard and packaging business group must control the momentum for growth and continue to advance at a steady pace once the overall economy and the impact on the industry become relatively controllable. Our industrial paper business in mainland needs to grasp the global supply chain and raw material price trends, to fully control the production costs. Our industrial paper markets in Vietnam have maintained growth and adapted to the shift of the global supply chain. We expanded the production capacity of the new plant and actively develop new local and international customers. We must continue to strengthen the control of unit costs for our industrial paper markets in Taiwan and continue to promote the transformation of excess material from production into resources and become a model industry for the "circular economy" in Taiwan.

### 3. Consumer products business group

**Market conditions:**

Based on statistics by the Taiwan Paper Industry Association, the total production of household paper in Taiwan in 2019 was 297 thousand tons, declining by 5.8% compared to 2018. The import was 102 thousand tons, declining by 8.4%. In terms of sales volume, the domestic consumption was 376 thousand tons, declining by 1.6% compared to 2018; exports were 24 thousand tons, falling by 15%.

**Business overview:**

In 2019, the household paper production of the Consumer product business group was 184 thousand tons, declining by 17.5% compared to 2018. In 2019, the household product domestic sales were 77 thousand tons which was a 6% increase from 2018. It was mainly caused by mass production of new products and improvement in the product portfolio which increased sales. Exports were 127 thousand tons, declining by 16% from the previous year. The main reason was the reduction in business scale due to the adjustment of sales channels.

Competition in the household paper product market in Taiwan is intense. The management team has positioned the Company as a leading brand and used product differentiation to launch the high-end paper product "Mayflower thick toilet papers" to satisfy the diversified needs of consumers and successfully increase the Company's market share in the high-end market. In terms of cleaning products, we continue to launch high-quality products that put consumers' minds at ease. We adopted a broad marketing strategy for "Pride detergent" and succeeded in positioning the brand in the mid-range cleaning products market. We continue to expand overseas markets and focus on selling the primary household cleaning products in Taiwan to retail channels and e-commerce operators in Hong Kong, Macao, China, and the United States.

**Competitive niche and countermeasures:**

Facing the maturity of Taiwan's household paper market in 2020, the Consumer products business group will continue to optimize product structure and respond to the polarized demands of consumers. We shall use high-quality products to improve our position in the high-end market. We shall also enhance production efficiency and continue our operations in the commercial market. We shall develop innovative cleaning products to satisfy the different needs of consumers and increase the sale volume of non-paper products. Optimize the structure of production and sales, strengthen management mechanisms, and enhance competitiveness; Develop niche products, increase the proportion of high-margin products, and elevate business performance to even greater heights.

## (II) Application and production of key products

### Pulp and paper business group

- Pulp: Suitable tree species are used based on the paper plant's requirements; different types of pulp are produced from lumber after evaporation, cleaning, bleaching, molding and drying.
- Paper products: The main raw material is pulp; different types of paper are produced by going

through a series of processing steps including pulp dispersion, blending, cleaning, shaping, dehydration, drying, and coiling. High-quality printing paper (e.g., coated paper and simile paper) is made by coating and calendering the surface, which is suitable for premium quality text and color printing; and special papers (e.g., glassine paper and masking paper) are suitable for various types of industrial use.

#### Containerboard and packaging business group

- Paper for industrial use: The main raw material used is recycled paper; raw material for different types of corrugated fiberboards and boxes are produced by going through a series of steps including pulp dispersion, debris removal, washing and selection, deinking, cleaning, grinding, mixing, molding, and drying.
- Corrugated fiberboard boxes: Cardboard boxes are made by putting linerboards or corrugating mediums through corrugators (pressing, fitting, lining, and cutting) and printer/cutter machines (printing, grooving, 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 daily-use consumer products are produced by going through a series of steps including pulp dispersion, blending, cleaning, molding, dehydration, drying, and coiling. These products include: toilet paper, tissue, hand wipes, paper towels, and other household paper products.

### (III) Supply status of primary raw materials

Departments	Product (Service)			Key raw material(s)		
	Name	Primary market(s)	Distribution method	Name	Main source(s)	Supply
Paper making	Paper	Taiwan and Asia	Distributors and direct marketing	Diverse types of paper making fibers	Imported	Stable supply

### (IV) List of clients who accounted for at least 10% of total sales and procurement in any of the last two years and corresponding amounts and percentages

#### 1. Major suppliers in last two years

No supplier has accounted more than 10% of the total procurement in the last two years.

#### 2. Major sales clients in last two years:

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

**(V) Output volume and value for the last two years**

Unit: NT\$1,000; tons

Output volume		Year	2108		2109	
			Volume	Value	Volume	Value
Major business group						
Pulp and paper business group	Paper	424,543	13,707,654	371,434	11,850,027	
	Paperboards	123,207	2,431,235	133,072	2,533,224	
	Pulp	363,262	8,083,896	329,746	6,150,298	
Containerboard and packaging business group	Paperboards	1,323,132	20,802,561	1,509,509	20,915,219	
	Processed paper	888,000	22,252,752	954,497	21,992,225	
Consumer products business group	Paper	222,368	9,931,478	183,528	8,517,690	

**(VI) Sales in last two years**

Unit: NT\$1,000; tons

Sales volume and value		Year	2018				2019			
			Domestic sales		Export		Domestic sales		Export	
Major business group			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Pulp and paper business group	Paper	241,268	7,045,191	221,135	7,884,877	197,721	5,734,415	218,289	7,537,728	
	Paperboards	158,014	3,109,657	77,810	1,543,826	162,045	3,077,570	66,785	1,278,552	
	Pulp	104,010	2,351,966	86,817	1,894,618	85,824	1,671,989	73,629	1,302,077	
Containerboard and packaging business group	Paperboards	314,030	4,594,800	616,908	9,957,861	277,364	4,033,503	843,075	11,189,759	
	Processed paper	245,488	5,719,454	647,292	16,355,424	248,362	5,801,081	708,662	16,561,685	
Consumer products business group	Paper	72,780	4,734,779	151,138	6,103,551	75,568	4,616,863	126,931	5,025,365	

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

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

Year		2018	2019	Current year up to the print date of this annual report
Number of employees	General personnel	5,352	5,372	5,338
	Technicians	6,102	6,074	6,193
	Total	11,454	11,446	11,531
Average age		38.56	38.56	38.43
Average years of service		9.51	9.51	9.06
Academic qualification	Master's degree or higher	4.72%	4.79%	4.77%
	University/College	37.8%	39.41%	38.99%
	Senior high school and below	57.48%	55.80%	56.24%

(II) Authority-designated certification by employees whose jobs are related to transparency and disclosure of financial information:

Certification Title	Finance and accounting	Auditing
CPA of ROC	8	0
CPA of USA	4	0
Certified internal auditor (CIA) organized by Institute of Internal Auditors	0	9

#### IV. Environmental protection expenditures

- (I) Losses arising as a result of environmental pollution in the recent year up until the publishing date of this annual report; quantify the estimated losses and state any response actions, or state any reasons why losses cannot be reasonably estimated.

The Hualien mill of Pulp and paper business group was hit by a strong earthquake in 2018. Successive earthquakes in the mill area have caused equipment abnormalities, resulting in occasional instability of the quality of the water discharged and therefore penalization. In addition to filing an appeal, the business group has successively added multiple real-time monitoring and control points in the pulp and paper production process of the Hualien mill since November 2018 to strengthen monitoring to complete the discharge water treatment process. Since 2019, there have been no relevant fines in violation of the Water Pollution Control Act.

The following table has shown the current status of the cases where the judgment was changed due to an appeal as of the printing date of this report. The relevant fines have been recognized in 2018. The original amount of the related fines was NT\$53.193 million, including the amount of the confirmed penalties and payment of NT\$2.82 million. The amount of fines that has been canceled is NT\$16.821 million. If we lose the current appeals, there will be no significant impact on future profitability.

Date of penalty	Penalty number	Violated articles in regulations	Contents of violation	Contents of penalties	Amount	Response measures
2019/03/21	Zhong-Shi-Hua n-Ji No. 1080027342	Article 33, Paragraph 1 of the Air Pollution Control Act	When stationary pollution sources of public or private premises emit a large quantity of air pollutants due to a sudden accident, the statutory responsible person shall promptly adopt emergency response measures and shall notify the special municipality, county or city competent authority within one hour.	Failure to report to the Environmental Protection Bureau within 1 hour of the failure of the boiler.	NT\$100,000	Install additional cameras and require paper machinery operators to immediately shut down boilers in the event of anomalies.
2019/08/07	Fu-Huan-Ji No. 1080196069	Article 9, Paragraph 1, Subparagraph 1 of the Noise Control Act	Sounds emitted by the following premises, construction projects or facilities within noise control zones may not exceed noise control standards: I. Factory plants or sites	Failure to meet requirements for type 4 nighttime noise control standard of 65 decibels.	NT\$6,000	The Company has completed the construction of noise barriers in the plant.
2019/08/13	Fu-Huan-Ji No. 1080199145	Article 9, Paragraph 1, Subparagraph 1 of the Noise Control Act	Sounds emitted by the following premises, construction projects or facilities within noise control zones may not exceed noise control standards: I. Factory plants or sites	Failure to meet requirements for type 3 nighttime noise control standard of 52 decibels.	NT\$6,000	The Company has completed the construction of noise barriers in the plant.
2019/08/15	Ping-Fu-Huan-Wei No. 10833158900	Article 19, Paragraph 2 of the Toxic and Concerned Chemical Substances Control Act	Failure to complete repairs of gas detectors and alarms on public or private premises within 10 days of failure or explain the conditions of failure, time of repairs, and alternative measures	Failure to complete repairs of gas detectors and alarms within 10 days of failure or explain the conditions of	NT\$100,000	The Company reported the failure of the gas detectors and alarms and alternative measures and thoroughly completed

		and Articles 6, 7, and 14 of the "Management Regulations for the Response Equipment and Detection and Alarm Equipment for Toxic Chemical Substances"	taken before repairs are completed. Failure to report the settings and operation plans for response equipment and detection and alarm equipment within the time prescribed by laws.	the failure, time of repairs, and alternative measures taken before repairs are completed. Failure to report the response equipment for acrylonitrile and 1,3-Butadiene and the settings and operation plans for response equipment and detection and alarm equipment before March 8, 2019.		repairs and updates before the specified date (July 31, 2019). The Company reported the response equipment for acrylonitrile and 1,3-Butadiene and the settings and operation plans for response equipment and detection and alarm equipment on June 28, 2019.
2019/08/29	Fu-Huan-Kong No. 1080171446	Article 20, Paragraph 1 of the Air Pollution Control Act	Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	Sampling tests on odorous pollutants were conducted for the emission gas pipes and the concentration of odors exceeded the restrictions specified in Article 2 of the Stationary Pollution Source Air Pollutant Emissions Standards for the sampling locations.	NT\$300,000	As the boiler sealing facilities were blocked by dirt, we cut and removed the old pipelines for cleaning during boiler downtime for improvement and recovery. We conducted a test after recommissioning and the results were normal.
2019/09/03	Fu-Huan-Ji No. 1080215257	Article 9, Paragraph 1, Subparagraph 1 of the Noise Control Act	Sounds emitted by the following premises, construction projects or facilities within noise control zones may not exceed noise control standards: I. Factory plants or sites	Failure to meet requirements for type 4 nighttime noise control standard of 65 decibels.	NT\$ 12,000	The Company has completed the construction of noise barriers in the plant.
2019/09/09	Zhong (Ju) Huan-Fa (2019) No. 019	Articles 2, Subparagraph 2 of the Atmospheric Pollution Prevention and Control Law of the People's Republic of China	It is prohibited to discharge atmospheric pollutants by means of evading supervision such as operating atmospheric pollution prevention and control facilities in an abnormal manner.	The spray absorption tower of the biomass boiler failed to spray water.	RMB 100,000	We improved the boiler and verified that the boiler meets environmental protection requirements.
2019/09/10	Fu-Huan-Kong No. 1080202485	Article 20, Paragraph 1 of the Air Pollution Control Act	Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	Sampling tests on odorous pollutants were conducted for the emission gas pipes and the concentration of odors exceeded the	NT\$300,000	The rust and damage of the boiler facilities have affected the incineration efficiency of the boiler. We have completed improvements during the

				restrictions specified in Article 2 of the Stationary Pollution Source Air Pollutant Emissions Standards for the sampling locations.		overhaul of the boiler.
2019/09/30	Jin-Chen-Huan-Fa [2019] No. ZF2019080601	Articles 25 of the Law of the People's Republic of China on Environmental Impact Assessment	Where the document for evaluation of the environmental effects of a construction project is not examined, or is examined but not approved, by the examination and approval department specified by law, the department for examination and approval of the said project shall not be allowed to approve construction of the project and the construction unit shall not be allowed to start construction.	The Plant added a new printing production line but failed to report the environmental impact assessment report form for the construction project and started construction without approval.	RMB 12,000	The Company signed an environmental impact assessment contract for the new printing machine with a third-party institution in August 2019 and conducted related operations. We had planned to complete the tasks by February but there were delays due to the epidemic and we expect to complete them by April 2020.
2019/10/21	Tao-Huan-Ji No. 1080090085	Article 28, Paragraph 1, Subparagraph 3 of the Waste Disposal Act	The disposal of industrial waste, with the exception of that subject to reuse methods, shall be performed in accordance with the following methods: III. Commissioned clearance and disposal: (I) Commission a public and private waste clearance and disposal organization that has received competent authority permission for the clearance and disposal of the category of waste at issue to perform clearance and disposal. (II) Commission the enforcement authority to perform clearance and disposal after receiving enforcement authority's consent. (III) Commission a clearance and disposal facility installed by the industry competent authority itself or through its guidance to perform clearance and disposal. (VI) Commission a waste clearance and disposal facility installed by a public enterprise designated by the competent authority to perform clearance and disposal. (V) Commission a clearance and disposal facility	The Company sold unwashed IBC tanks (D-0299 composite waste plastic) that contained residual dye.	NT\$6,000	The original supplier collected IBC tanks in the plant for repeated use.

			installed by a private organization that has signed an investment contract with the sponsoring authority pursuant to the Promotion of Private Participation in Infrastructure Projects Act to perform clearance and disposal. (VI) Commission a waste disposal facility of an enterprise receiving permission pursuant to the management regulations prescribed by Article 29, Paragraph 2 to perform disposal.			
2020/01/13	Fu-Huan-Kong No. 1090005396	Article 20, Paragraph 1 of the Air Pollution Control Act	Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	The sulfur monitoring statistics of the continuous automatic monitoring system for the exhaust pipe exceeded standards by 100ppm for 5 consecutive hours but the Plant failed to report the violation to the Environmental Protection Bureau in accordance with Article 89 of the Air Pollution Control Act.	NT\$300,000	The Plant shall set up an alert system for anomalies in monitoring data and enhance the emergency response training for onsite operators and supervisors for anomalies.
2020/01/14	Zhong-Shi-Huan-Ji No. 1090001492	Article 20, Paragraph 1 of the Air Pollution Control Act	Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	The odorous pollutants from the emission pipeline at the end of the incinerator exceeded standards.	NT\$200,000	The Plant set up a pipeline for introducing odor neutralization agents in the exhaust outlet of the incinerator to reduce the odorous pollutants emitted from the exhaust pipeline.
2020/02/26	Hua-Huan Fei-Ji No. 109003433	Article 31, Paragraph 1, Subparagraph 1 of the Waste Disposal Act	may begin only after the review and approval of an industrial waste disposal plan submitted to the competent authority; this regulation shall also apply to the modification of matters related to the production and disposal of industrial waste.	The Environmental Protection Bureau inspected the contents of the mill's waste disposal plan and found that the sludge generated in the pulp manufacturing process violated the provisions of Article 31 of the Waste Disposal Act because the capacity of the	NT\$6,000	Submit the application documents for the modification of the waste disposal plan and submit a plan for reduction and improvement of the inorganic sludge storage site of the plant in accordance with the requirements of the Environmental Protection Bureau

				mill's storage facilities exceeded the approved capacity.		
2020/04/01	Fu-Huan-Kong No. 1090058901	Article 24, Paragraph 2 of the Air Pollution Control Act	After the installation or modification of the stationary pollution sources in the preceding paragraph, public and private premises shall submit verification documents that demonstrate compliance with the regulations of the Act to the special municipality, county or city competent authority or other government agency commissioned by the central competent authority in order to apply for the issuance of operating permits, and shall perform operations pursuant to the permit contents.	The storage area of No. 2 inorganic sludge silo of Hualien Plant exceeded 10,500 square meters and the onsite height exceeded 2 meters. It is therefore deemed as a piling site. However, it was not included in the operating permit of the stationary pollutant source based on the audit. It was a violation of Article 24, Paragraph 2 of the Air Pollution Control Act as the onsite conditions were inconsistent with the contents of the permit.	NT\$100,000	The Plant has submitted an application stating the change in the operating procedures for pulp production to change No. 2 inorganic sludge silo to a piling site.
2020/04/25	Pin-Huan-Cha-Ji No. 10931627700	Article 20, Paragraph 1 of the Air Pollution Control Act	Emission of air pollutants from certain public and private areas should comply with emission standards.	Inspectors from the Environmental Protection Administration found that the boiler steam generator (M02) emits black smoke continuously, and a visual inspection of the southeast part of the stack showed that the opacity rate in the first three minutes averaged 40%.	NT\$100,000	Improvements to the flow regulator and regular recording of boiler conditions

The appeal cases disclosed in the 2018 Annual Report are listed below:

Date of penalty	Penalty number	Violated articles in regulations	Contents of violation	Contents of penalties	Notes
2019/12/25	Fu-Huan-Shui No. 1080276729	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act and Article 28, Paragraph 1 of the same Act. Penalties were imposed in accordance with Article 40, Paragraph 1.	<ol style="list-style-type: none"> <li>1. Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.</li> <li>2. Enterprises or sewage systems that discharged wastewater or sewage shall follow an approved collection, disposal unit, and flow process, drain from an approved and registered discharge point or from a discharge point authorized by the sewage management agency into a sewage system, and not reroute discharge.</li> </ol>	A total of 4 inspection items in the sampling results from the effluent ditch outside Hualien Plant, including chemical oxygen demand, particulate matter, and true color chromaticity exceeded the effluent standards. Hualien Plant was thus fined NT\$1.68 million.	The case was disclosed in the 2018 Annual Report and it was a follow-up of the penalty case in 2018. The case has been concluded.
2019/12/31	Fu-Huan-Shui No. 1080284529	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act and Article 28, Paragraph 1 of the same Act. Penalties were imposed in accordance with Article 40, Paragraph 1.	Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards. Maintenance and preventive measures shall be adopted for those circumstances in which there is concern of the leakage through negligence of pollutants or wastewater or sewage into a water body from the conveyance or storage equipment installed by an enterprise or sewage system; for those circumstances in which leakage through negligence causes the pollution of a water body, emergency response measures shall be adopted promptly and the local competent authority notified within three hours of the occurrence of the accident. In addition to ordering the adoption of necessary control measures, the competent authority shall, for those serious circumstances, also order the suspension of	A total of 4 inspection items in the sampling results from the effluent ditch outside Hualien Plant, including biochemical oxygen demand, chemical oxygen demand, suspended solids, and true color chromaticity exceeded the effluent standards. Hualien Plant was thus fined NT\$7.128 million.	The case was disclosed in the 2018 Annual Report and it was a follow-up of the penalty case in 2018. The Company has filed a new appeal.

			business or the partial or complete suspension of work.	
2020/1/6	Fu-Huan-Shui No. 1080285267	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act. Penalties were imposed in accordance with Article 40, Paragraph 1.	Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	The chemical oxygen demand in the sampling results from the effluent ditch outside Hualien Plant exceeded the effluent standards. Hualien Plant was fined NT\$363 thousand.
2020/1/7	Fu-Huan-Shui No. 10090001721	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act. Penalties imposed in accordance with Article 40, Paragraph 1.	Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	The inspection item chemical oxygen demand in the sampling results from the effluent ditch outside Hualien Plant exceeded the effluent standards. Hualien Plant was thus fined NT\$7.878 million.
2020/1/8	Fu-Huan-Shui No. 1090002132	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act. Penalties were imposed in accordance with Article 40, Paragraph 1.	Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	A total of 3 inspection items in the sampling results from the effluent ditch outside Hualien Plant, including chemical oxygen demand, biochemical oxygen demand, and suspended solids exceeded the effluent standards. Hualien Plant was thus fined NT\$9.36 million.
2020/1/8	Fu-Huan-Shui No. 1090002208	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act. Penalties were imposed in accordance with Article 40, Paragraph 1.	Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	The 2 inspection items in the sampling results from the effluent ditch outside Hualien Plant including chemical oxygen demand and suspended solids exceeded the effluent standards. As the violation constituted severe circumstances specified in Article 73, Subparagraph 3 of the Water Pollution Control Act based on circumstances in which a violator, having been notified twice within one year to make improvements within a limited period, still continues to violate the regulations of this Act.

				Hualien Plant was fined NT\$6.474 million.
2020/1/9	Fu-Huan-Shui No. 1090002242	Violation of Article 7, Paragraph 1 of the Water Pollution Control Act. Penalties were imposed in accordance with Article 40, Paragraph 1.	Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	The 3 inspection items in the sampling results from the effluent ditch outside Hualien Plant including chemical oxygen demand, biochemical oxygen demand, and suspended solids exceeded the effluent standards. As the violation constituted severe circumstances specified in Article 73, Subparagraph 3 of the Water Pollution Control Act based on circumstances in which a violator, having been notified twice within one year to make improvements within a limited period, still continues to violate the regulations of this Act. Hualien Plant was fined NT\$5.616 million.

In addition, YFY has made improvements regarding the faults pointed out by the competent authority to minimize its impact on the environment. The total environmental investment in the year of 2020 amounted NT\$190million of the Company.

## (II) Environmental sustainability

### 1. Greenhouse gas emissions in the past two years

Inventory shows that the Company's subsidiaries in Taiwan and China emitted 2,852,630 tons-CO<sub>2</sub>e in 2019. Emission data for the year are provided below:

Major business groups	2018			2019		
	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions
Pulp and paper business group	866,286	214,663	1,080,949	798,737	157,385	956,122
Containerboard and packaging business group	1,317,837	67,418	1,385,255	1701,018	61,397	1,762,414
Consumer products business group	82,661	67,437	150,098	72,557	61,537	134,094
Total	2,266,784	349,518	2,616,302	2,572,312	280,319	2,852,630

Scope 1 (direct emissions): Emissions from operations that are owned or controlled by the reporting company, such as gas pipes, processes, ventilation facilities, and vehicles owned or controlled by the company.

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

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

In 2019, the subsidiaries in Taiwan jointly formulated 23 measures for energy conservation and carbon reduction, out of which key measures are listed below:

- Improvement in recycling of residual heat cogenerated from exhaust steam.
- Replacement with energy-efficient, energy-saving air compressors and pumps.
- Improved pulp and paper production process improvements.

The effectiveness of each energy measure is as below:

Energy conservation item	Electricity (1,000 kWh)
Effectiveness	12,279
GHG reduction effect (t-CO <sub>2</sub> e)	6,545

GHG emission reduction associated with reduction in energy consumption was estimated at 6,545 ton-CO<sub>2</sub>e.

Based on the electricity carbon emission coefficient provided by the Bureau of Energy, Ministry of Economic Affairs for 2018: 0.533kg CO<sub>2</sub>e/kWh

### 3. Acquisition of environmental management certification by the Company

The Company's main production units are equipped with ISO14001-certified environmental management systems. The systems are regularly verified by external verification units such as DNV, SGS, BSMI, and the Bureau of Standards, Metrology, & Inspection, Ministry of Economic Affairs. Internal and external auditing are 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 systems, 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),

Programme for the Endorsement of Forest Certification's (previously known as "Pan European Forest Certification") Chain of Custody 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, funerals, child birth, hospitalization, disability, and self-improvement activities
- Scholarships for employees' children, and on-the-job training incentives
- Preschool educational books for employees and free subscription to monthly publications and magazines
- Retirement pension
- Business trip allowance
- Employee of the year and senior awards
- Group insurance for employees and their dependents
- Medical rooms in plants to ensure the occupational safety and health of employees
- Regular medical check-ups that exceed requirements of the Labor Health Protection Regulations

#### Leisure activities for employees

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

#### 2. Retirement plan

YFY enacted the "Labor Retirement Regulations" and established the Supervisory Committee of Workers' Pension Reserve Funds to take care of employees' life after retirement. We allocate reserve funds for the old pension system to a special account in the Bank of Taiwan based on actuary calculation results each year to protect labor rights.

The Company also adopted the Labor Pension Act (new labor pension system) on July 1, 2005 and allocate an amount equivalent to 6% of the respective workers' wage range to the employees' individual pension accounts. For those that voluntarily pays additional pension, YFY deducts amounts based on the voluntary appropriation rate from the salary to the dedicated personal pension account at the Bureau of Labor Insurance.

The contents of the YFY's "Labor Retirement Regulations" are as follows:

- Criteria for voluntary retirement:
  - (1) Employees who are over 55 years old and have served in the Company for more than 15 years, including services in the Company's affiliated enterprises.
  - (2) Employees who have served in the Company for more than 25 years, including services in the Company's affiliated enterprises.
  - (3) Employees who are over 60 years old and have served in the Company for more than 10 years, including services in the Company's affiliated enterprises.
- Criteria for compulsory retirement:

The Company may subject an employee to compulsory retirement except for one of the following conditions:

  - (1) Where the employee over 65 years old.
  - (2) Where the employee is mentally incapable or physically disabled and cannot continue to work.

The mental incapacity or physical disability specified in the preceding paragraph shall be determined by the level 1 to level 6 disabilities of Labor Insurance. An additional 20% on top of the amount calculated according to Article 55,

Paragraph 1, Subparagraph 2 of the Labor Standards Act shall be given to workers forced to retire due to disability incurred from the execution of their duties.

Calculation of the years of service and pension:

- (1) Employees' years of service shall be calculated starting from the date of employment and the years of service before and after the implementation of the Labor Standards Act and the years of service after the implementation of the Labor Pension Act shall be combined for calculation. The duration shall be based on the years of actual continuous service in this Company.
- (2) The years of service of employees assigned to affiliated enterprises to provide services or transferred from affiliated enterprises to the Company to provide services shall be combined for calculation.
- (3) Where an employee is employed by the Company and an affiliated enterprise and applies for retirement in accordance with regulations, the total pension payment amount shall be calculated based on the ratio of the number of months served in each company and paid by the companies.

· Status of YFY's appropriation of labor pension reserve in 2019

- (1) Year-round appropriation: NT\$55,173 thousand
- (2) Balance of assets at the end of the year: NT\$500,091 thousand

### 3. Labor-management communications

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

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

The Company did not sustain losses due to labor disputes in 2019 and up to the print date for this annual report.

#### (III) Continuing education and training for employees

YFY holds talent strategic development consensus meetings with executives, amends training development rules, and conducts assessments of employee competency at all levels to sustain the development of the Company and 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, diversified learning resources are made available to employees (e.g., orientation training, management training, professional training, and general 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 training: Aims to foster employees' knowledge and skills required for independent operations, workplace communication, and job management to support the Company's future business development requirements and achieve long-term business goals.

**The focus of education and training outcomes in 2019 is as below:**

Course type	No. of classes	Total number of people	Total hours	Total costs (thousand NT\$)
Professional competency	2,181	32,814	201,898	6,787,307
Management and general knowledge	1,069	29,348	85,938	4,884,524
Cultural cultivation for new recruits	414	5,245	25,219	157,084
On-the-job continuing education	914	12	3,939	624,815

**(IV) Employee code of conduct or ethics**

The Company's *Work Rules* provide a service guideline and clear work principles 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 prescribed Integrity and Confidentiality of Intellectual Property Agreement as a mandatory document for registration of new recruits.

YFY subsequently promulgated the *YFY Employee Code of Conduct* in May 2016.

Employees' behavior must comply 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 utilize Company resources and public properties during work. The *Employee Code of Conduct* prescribes reporting channels and investigation procedures. Regular education and training programs are provided to raise employees' awareness towards ethical conduct.

The *Ethical Corporate Management Operating Procedures and Code of Conduct* were promulgated in December 2018 in accordance with the Company's *Ethical Corporate Management Guidelines* and TWSE's *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* were established to implement the ethical corporate management policy, actively prevent unethical conduct and conflicts of interest, establish whistleblowing channels, and regulate the conduct 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 occupational safety and health, YFY plants have declared their determination to promote employee safety and the 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 ideals:

1. Responsibilities of different levels of responsible units: The first level is the occupational safety and health management platform. The platform has an Occupational Safety and Health Taskforce 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 subsidiaries. The second level is YFY's subsidiaries. Each subsidiary appoints an 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

- on-site management of occupational safety related works.
2. Safe operations promotion: Through safety education and labor safety systems, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.
  3. Operation standardization: Standard operating procedures and work safety analysis are implemented for various operations.
  4. Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. 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 subsidiary within 24 hours, and an investigation for cause and improvement must take place within one week. Meanwhile, all employees are 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 are reinforced to actively improve the workplace and safety measures.

## VI. Material contracts

Contract type	Parties Involved	Commencement date/expiration date	Content	Restrictive clauses
<b>1. YFY</b>				
Long term loan contract	Made jointly by First Bank, Hua Nan Bank, Bank of Taiwan, and Taipei Fubon Bank with 10 participating banks	2016/12/29-2021/12/29	5-year syndicated loan repaid at maturity	N/A
Long term loan contract	Made jointly by Mega International Commercial Bank, Taiwan Cooperative Bank, Hua Nan Bank and Taipei Fubon Bank and 6 participating banks.	2017/12/25-2022/12/25	5-year syndicated loan repaid at maturity	N/A
Long term loan contract	Made 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 repaid at maturity	N/A
Long term loan contract	Made jointly by 7 banks including Bank of Taiwan, First Bank, and Chang Hwa Bank with 5 participating banks	2020/02/10-2025/02/10	5-year syndicated loan repaid at maturity	N/A
<b>2. Chung Hwa Pulp Corp.</b>				
Long term loan contract	Made jointly by 7 banks including Bank of Taiwan, Chang Hwa Bank, and Land Bank of Taiwan with 5 participating banks	2020/3/31-2025/3/31	5-year syndicated loan repaid at maturity	N/A
<b>3. YFY Packaging Inc.</b>				
Long term loan contract	Made jointly by First Bank, Hua Nan Bank, Bank of Taiwan, and Taipei Fubon Bank with 10 participating banks	2016/12/28-2021/12/28	5-year syndicated loan repaid at maturity	N/A
Long term loan contract	Made 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 repaid at maturity	N/A
<b>4. YFY Consumer Products</b>				
Long term loan contract	Made jointly by 7 banks including Chang Hwa Bank, Bank of Taiwan, and Land Bank of Taiwan with 5 participating banks	2019/12/25-2024/12/25	5-year syndicated loan repaid at maturity	N/A

## Chapter 6. Financial Overview

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## Chapter 6. Financial Overview

### I. Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years

#### 1. Condensed balance sheet and statement of comprehensive income - Consolidated

##### 1. Condensed consolidated balance sheet

Unit: NT\$1,000

Item		Year	Financial data of the past five years				
			2015	2016	2017	2018	2019
Current assets			39,714,896	37,655,208	41,062,377	44,317,379	45,753,516
Property, plant and equipment			47,178,242	46,766,595	47,994,654	48,947,012	47,806,173
Intangible assets			507,114	498,022	458,555	521,979	509,530
Other assets			25,990,648	25,783,096	23,070,187	24,422,004	27,019,794
Total assets			113,390,900	110,702,921	112,585,773	118,208,374	121,089,013
Current liabilities	Before distribution		34,985,804	28,735,154	32,336,585	32,704,919	35,712,886
	After distribution		35,483,915	28,735,154	33,332,808	33,701,142	Note
Non-current liabilities			33,128,068	40,325,638	36,722,868	38,570,422	34,592,593
Total liabilities	Before distribution		68,113,872	69,060,792	69,059,453	71,275,341	70,305,479
	After distribution		68,611,983	69,060,792	70,055,676	72,271,564	Note
Share capital			16,603,715	16,603,715	16,603,715	16,603,715	16,603,715
Capital surplus			685,256	823,793	1,046,800	989,929	1,000,169
Retained earnings	Before distribution		12,723,650	12,221,994	13,894,534	14,241,392	15,879,283
	After distribution		12,225,539	12,221,994	12,898,311	13,245,169	Note
Other equity			5,533,599	2,532,357	1,686,125	3,627,473	5,767,066
Equity attributable to owners of parent			35,546,220	32,181,859	33,231,174	35,462,509	39,250,233
Non-controlling interest			9,730,808	9,460,270	10,295,146	11,470,524	11,533,301
Total equity	Before distribution		45,277,028	41,642,129	43,526,320	46,933,033	50,783,534
	After distribution		44,778,917	41,642,129	42,530,097	45,936,810	Note

Note: The 2019 earnings distribution proposal has yet to be approved by the 2020 shareholders' meeting.

**(2) Condensed consolidated statement of comprehensive income**

Unit: NT\$1,000

Item	Year	Financial data of the past five years				
	2015	2016	2017	2018	2019	
Operating revenue	63,579,997	63,354,152	66,769,908	76,439,683	74,760,487	
Gross profit	10,664,872	10,514,876	12,006,570	11,684,994	12,561,839	
Operating profit	1,685,747	1,114,818	2,960,426	2,359,830	2,990,809	
Non-operating income and expenditure	(58,509)	(151,117)	(121,377)	566,264	565,383	
Pre-tax profit	1,627,238	963,701	2,839,049	2,926,094	3,556,192	
Net profit for the current period	1,182,194	555,107	2,132,123	1,959,764	2,659,623	
Other comprehensive income for the current period (after-tax profit)	(4,261,556)	(3,402,286)	(773,867)	151,472	2,536,880	
Total comprehensive income for the current period	(3,079,362)	(2,847,179)	1,358,256	2,111,236	5,196,503	
Net income attributable to owners of the parent	501,904	126,117	1,606,510	1,440,003	2,285,769	
Net income attributable to non-controlling interest	680,290	428,990	525,613	519,761	373,854	
Total comprehensive income attributable to owner of the parent	(3,611,713)	(3,028,403)	900,796	1,597,278	4,773,707	
Total comprehensive income attributable to non-controlling interest	532,351	181,224	457,460	513,958	422,796	
Earnings per share	0.30	0.08	0.97	0.87	1.38	

## 2. Condensed balance sheet and statement of comprehensive income-Individual

### 1. Condensed individual balance sheet

Unit: NT\$1,000

Item		Year	Financial data of the past five years				
			2015	2016	2017	2018	2019
Current assets			62,652	92,183	249,394	88,444	186,239
Property, plant and equipment			620,347	621,529	618,461	620,320	619,312
Other assets			59,149,503	55,715,666	56,823,944	59,558,358	63,368,304
Total assets			59,832,502	56,429,378	57,691,799	60,267,122	64,173,855
Current liabilities	Before distribution		4,629,474	1,904,594	3,334,222	3,358,265	3,192,501
	After distribution		5,127,585	1,904,594	4,330,445	4,354,488	Note
Non-current liabilities			19,656,808	22,342,925	21,126,403	21,446,348	21,731,121
Total liabilities	Before distribution		24,286,282	24,247,519	24,460,625	24,804,613	24,923,622
	After distribution		24,784,393	24,247,519	25,456,848	25,800,836	Note
Share capital			16,603,715	16,603,715	16,603,715	16,603,715	16,603,715
Capital surplus			685,256	823,793	1,046,800	989,929	1,000,169
Retained earnings	Before distribution		12,723,650	12,221,994	13,894,534	14,241,392	15,879,283
	After distribution		12,225,539	12,221,994	12,898,311	13,245,169	Note
Other equity			5,533,599	2,532,357	1,686,125	3,627,473	5,767,066
Total equity	Before distribution		35,546,220	32,181,859	33,231,174	35,462,509	39,250,233
	After distribution		35,048,109	32,181,859	32,234,951	34,466,286	Note

Note: The 2019 earnings distribution proposal has yet to be approved by the 2020 shareholders' meeting.

**(2) Condensed individual statement of comprehensive income**

Unit: NT\$1,000

Item \ Year	Financial data of the past five years				
	2015	2016	2017	2018	2019
Operating revenue	648,609	441,038	2,046,694	1,773,764	2,414,115
Gross profit	648,609	441,038	2,046,694	1,773,764	2,414,115
Operating profit	454,644	107,448	1,672,764	1,439,400	2,065,030
Non-operating income and expenditure	25,260	(17,331)	(62,254)	15,603	135,439
Pre-tax profit	479,904	90,117	1,610,510	1,455,003	2,200,469
Net profit for the current period	501,904	126,117	1,606,510	1,440,003	2,285,769
Other comprehensive income for the current period (after-tax profit)	(4,113,617)	(3,154,520)	(705,714)	157,275	2,487,938
Total comprehensive income for the current period	(3,611,713)	(3,028,403)	900,796	1,597,278	4,773,707
Earnings per share	0.30	0.08	0.97	0.87	1.38

**(V) Names of auditing CPAs of the past five years and their audit opinions:**

## 1. Name of CPAs:

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.

2019: Hui-Ming Huang and Ching-Pin Shih from Deloitte and Touche.

## 2. CPAs' opinions:

2014 - 2015: Modified unqualified opinion.

2016 - 2019: Unqualified opinion and a segment on other matters.

## II. Financial analysis for the last five years

Item		Year	Financial analysis for the last five years				
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt-to-asset ratio	60.07	62.38	61.34	60.30	58.06	
	Long-term capital to property, plant and equipment	166.19	175.27	167.20	174.69	178.59	
Liquidity (%)	Current ratio	113.52	131.04	126.98	135.51	128.11	
	Quick ratio	66.43	82.45	80.74	84.77	86.07	
	Times interest earned ratio	282.49	202.97	405.52	387.01	482.30	
Operating ability	Receivables turnover (times)	4.56	4.57	4.79	5.06	4.98	
	Average days receivable	80.04	79.86	76.20	72.13	73.29	
	Inventory turnover (times)	5.55	5.85	6.27	6.36	5.98	
	Payables turnover (times)	7.32	6.60	7.14	8.01	7.00	
	Average inventory turnover (days)	65.77	62.39	58.21	57.39	61.03	
	Property, plant and equipment turnover (times)	1.36	1.35	1.41	1.58	1.55	
	Total assets turnover (times)	0.56	0.57	0.60	0.66	0.62	
Profitability	Return on assets (%)	1.70	1.19	2.60	2.41	2.84	
	Return on equity (%)	2.49	1.28	5.01	4.33	5.44	
	Pre-tax profit to paid-in capital ratio (%)	9.80	5.80	17.10	17.62	21.42	
	Net profit ratio (%)	1.86	0.88	3.19	2.56	3.56	
	Earnings per share (NT\$)	0.30	0.08	0.97	0.87	1.38	
Cash flows	Operating cash flow ratio (%)	12.86	18.08	12.14	15.11	29.51	
	Cash flow adequacy ratio (%)	43.26	50.52	52.56	71.44	101.00	
	Cash flow reinvestment ratio (%)	3.01	3.88	2.93	2.77	6.63	
Leverage	Operating leverage	3.06	4.12	2.21	2.68	2.41	
	Financial leverage	2.12	6.23	1.46	1.76	1.45	
<p><b>Note: Explanation of changes</b></p> <ol style="list-style-type: none"> <li>Changes in interest protection multiples resulted from an increase in net profit before tax.</li> <li>Changes in return on equity and net profit margin resulted from an increase in net profit of the term.</li> <li>Changes in earnings per share resulted from an increase in net income attributable to owners of the parent company.</li> <li>Changes in operating cash flow ratio and cash reinvestment ratio resulted from an increase in net cash inflow from operating activities.</li> <li>Changes in cash flow adequacy ratio resulted from an increase in net cash flows from operating activities in the past five years.</li> </ol>							

(2) Financial analysis - Individual

Item		Year	Financial analysis for the last five years				
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt-to-asset ratio	40.59	42.97	42.40	41.16	38.84	
	Long-term capital to property, plant and equipment	8,898.73	8,772.69	8,789.17	9,174.11	9,846.63	
Liquidity (%)	Current ratio	1.35	4.84	7.48	2.63	5.83	
	Quick ratio	0.14	1.11	0.71	0.83	2.04	
	Times interest earned ratio	225.86	124.95	550.34	509.64	754.62	
Operating ability	Receivables turnover (times)	-	-	-	-	-	
	Average days receivable	-	-	-	-	-	
	Inventory turnover (times)	-	-	-	-	-	
	Payables turnover (times)	-	-	-	-	-	
	Average inventory turnover (days)	-	-	-	-	-	
	Property, plant and equipment turnover (times)	-	-	-	-	-	
	Total assets turnover (times)	-	-	-	-	-	
Profitability	Return on assets (%)	1.33	0.73	3.34	2.92	4.11	
	Return on equity (%)	1.33	0.37	4.91	4.19	6.12	
	Pre-tax profit to paid-in capital ratio (%)	2.89	0.54	9.70	8.76	13.25	
	Net profit ratio (%)	-	-	-	-	-	
	Earnings per share (NT\$)	0.30	0.08	0.97	0.87	1.38	
Cash flows	Operating cash flow ratio (%)	6.42	26.87	11.70	11.90	14.75	
	Cash flow adequacy ratio (%)	5.09	9.05	12.98	30.41	45.15	
	Cash flow reinvestment ratio (%)	-	0.02	0.71	-	-	
Leverage	Operating leverage	1.01	1.10	1.01	1.01	1.01	
	Financial leverage	6.20	-	1.27	1.33	1.19	
<p>Note: Explanation of changes</p> <ol style="list-style-type: none"> <li>Changes in solvency resulted from a decrease in current liabilities and increase in net profit before tax.</li> <li>Changes in profitability resulted from an increase in net profit of the term and operating profit.</li> <li>Changes in operating cash flow resulted from an increase in net cash inflow from operating activities.</li> </ol>							

1. Financial structure
  - (1) Debt-to-asset ratio = Total liabilities / total assets.
  - (2) Long-term capital to property, plant and equipment = (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) Times interest earned ratio = net income before income tax and interest expense / interest expense for the current period.
3. Operating ability
  - (1) Receivables 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 days receivable = 365 / receivables turnover.
  - (3) Inventory turnover = Cost of goods sold / average amount of inventory.
  - (4) Payables 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 inventory turnover (days) = 365 / inventory turnover.
  - (6) Property, plant and equipment turnover = Net sales / average net amount of property, plant and equipment.
  - (7) Total assets turnover = net sales / average total assets.
4. Profitability
  - (1) Return on assets = [Net income + interest expense x (1 - tax rate)] / average total assets.
  - (2) Return on equity = after-tax income / total average equity.
  - (3) Net margin = After-tax income / net sales.
  - (4) Earnings per share = (Income attributable to owner of parent - stock dividends of preferred stocks) / weighted average number of issued shares.
5. Cash flows
  - (1) Operating 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 dividends) for the past five years.
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
  - (1) Operating leverage = (Net operating revenue - 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, 2020

The Company's 2019 business report, financial statements, earnings distribution proposal, and auditors' reports relating to the financial statements were compiled by the Board of Directors, and have been examined 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.

2020 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 referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019 are stated as follows:

#### Estimation of Expected Credit Loss Recognized on Accounts Receivable

The accounts receivable of the Group's significant components are 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, we identified the estimation of expected credit loss recognized on accounts receivable 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 11 to the accompanying consolidated financial statements.

The key audit procedures that we performed in respect of the expected credit loss on accounts receivable included the following:

1. We obtained and assessed the reasonableness of the method and the information used by management for the estimation of expected credit loss recognized on accounts receivable.
2. We tested sample items in the aging report on the balance sheet date and verified the correctness of the calculation of the expected credit loss.
3. We analyzed overdue receivables and performed sampling on the collection of overdue receivables after the balance sheet date. We assessed the reasonableness of the expected credit loss recognized on accounts receivable based on customers' historical payment records, credit line control and overdue receivables tracking.

#### **Other Matter**

We did not audit the financial statements as of and for the years ended December 31, 2019 and 2018 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., Ever Growing Agriculture Biotech Co., Ltd., the subsidiaries of Willpower Industries Ltd., the subsidiaries of Winsong Packaging Investment Company Limited and Livebricks Inc. and the financial statements as of and for the year ended December 31, 2019 of Sustainable Carbohydrate Innovation Co., Ltd., 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, in so far 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. As of December 31, 2019 and 2018, the assets of these subsidiaries were NT\$6,716,882 thousand and NT\$6,053,763 thousand, respectively, representing 5.5% and 5.1% of the total consolidated assets. For the years ended December 31, 2019 and 2018, the net sales of these subsidiaries were NT\$6,657,616 thousand and NT\$3,431,947 thousand, respectively, representing 8.9% and 4.5% of the consolidated net sales. In addition, as of and for the years ended December 31, 2019 and 2018, the financial statements 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 these investees' profit or loss and other comprehensive income, is based solely on the report of other auditors. As of December 31, 2019 and 2018, the carrying amounts of these investees were NT\$112,618 thousand and NT\$158,847 thousand, respectively. These investees' net profit or loss were included in the Group's total comprehensive income and loss for the years ended December 31, 2019 and 2018 which were a loss of NT\$36,103 thousand and a gain of NT\$4,411 thousand, respectively.

We have also audited the financial statements of YFY Inc. as of and for the years ended December 31, 2019 and 2018 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, 2019 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 Ching-Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2020

#### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS (Note 4)</b>				
Cash and cash equivalents (Note 6)	\$ 6,062,871	5	\$ 4,658,611	4
Current financial assets at fair value through profit or losses (Note 7)	1,107,193	1	1,285,303	1
Current financial assets at fair value through other comprehensive income (Note 8)	6,226,812	5	4,990,981	4
Current financial assets at amortized cost (Note 9)	2,806,178	2	1,320,145	1
Notes receivable, net (Notes 11, 22 and 30)	2,874,640	2	3,700,326	3
Accounts receivable, net (Notes 11 and 22)	11,559,561	10	11,676,010	10
Accounts receivable due from related parties, net (Notes 22 and 29)	99,919	-	91,176	-
Current inventories (Note 12)	9,622,859	8	11,161,650	9
Current biological assets (Note 13)	3,252,537	3	3,317,475	3
Prepayments	1,378,095	1	1,123,886	1
Other current financial assets (Note 30)	74,984	-	112,304	-
Other current assets, others (Note 10)	687,867	1	879,512	1
<b>Total current assets</b>	<b>45,753,516</b>	<b>38</b>	<b>44,317,379</b>	<b>37</b>
<b>NON-CURRENT ASSETS (Note 4)</b>				
Non-current financial assets at fair value through profit or loss (Note 7)	402,418	-	402,418	-
Non-current financial assets at fair value through other comprehensive income (Note 8)	13,564,673	11	11,753,327	10
Non-current financial assets at amortized cost (Note 9)	389,923	-	64,400	-
Investments accounted for using equity method (Note 15)	5,617,081	5	5,781,562	5
Property, plant and equipment (Notes 16, 23 and 30)	47,806,173	40	48,947,012	42
Right-of-use assets (Notes 3, 17, 23 and 30)	1,923,886	2	-	-
Investment property, net (Notes 18 and 23)	2,746,484	2	2,759,156	2
Goodwill (Note 15)	509,530	-	521,979	1
Deferred tax assets (Note 24)	421,517	-	409,412	-
Prepayments for business facilities (Note 16)	1,338,459	1	1,177,770	1
Long-term lease prepayments (Note 30)	-	-	1,354,948	1
Other non-current assets, others (Notes 20, 23 and 30)	615,353	1	719,011	1
<b>Total non-current assets</b>	<b>75,335,497</b>	<b>62</b>	<b>73,890,995</b>	<b>63</b>
<b>TOTAL ASSETS</b>	<b>\$ 121,089,013</b>	<b>100</b>	<b>\$ 118,208,374</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current borrowings (Notes 19 and 30)	\$ 12,524,445	10	\$ 11,477,187	10
Short-term notes and bills payable (Note 19)	6,026,520	5	6,696,636	6
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	137,460	-	135,316	-
Current contract liabilities (Note 22)	481,639	-	481,727	1
Notes and accounts payable	9,304,686	8	8,453,518	7
Accounts payable to related parties (Note 29)	44,036	-	64,405	-
Other payables, others (Note 16)	3,738,827	3	3,604,020	3
Current tax liabilities (Notes 4 and 24)	563,862	1	442,823	-
Current lease liabilities (Notes 3, 4 and 17)	156,949	-	-	-
Long-term liabilities, current portion (Notes 19 and 30)	-	-	120,000	-
Other current liabilities, others (Notes 4 and 10)	2,734,462	2	1,229,287	1
<b>Total current liabilities</b>	<b>35,712,886</b>	<b>29</b>	<b>32,704,919</b>	<b>28</b>
<b>NON-CURRENT LIABILITIES (Note 4)</b>				
Non-current portion of non-current borrowings (Notes 19 and 30)	29,399,726	24	33,614,835	28
Deferred tax liabilities (Note 24)	3,425,496	3	3,411,586	3
Non-current lease liabilities (Notes 3 and 17)	350,898	-	-	-
Net defined benefit liability, non-current (Note 20)	1,062,048	1	1,256,602	1
Other non-current liabilities, others	354,425	1	287,399	-
<b>Total non-current liabilities</b>	<b>34,592,593</b>	<b>29</b>	<b>38,570,422</b>	<b>32</b>
<b>Total liabilities</b>	<b>70,305,479</b>	<b>58</b>	<b>71,275,341</b>	<b>60</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Notes 4, 21, 26 and 29)</b>				
Share capital	16,603,715	13	16,603,715	14
Capital surplus	1,000,169	1	989,929	1
Retained earnings	15,879,283	13	14,241,392	12
Other equity interest	5,767,066	5	3,627,473	3
<b>Total equity attributable to owners of parent</b>	<b>39,250,233</b>	<b>32</b>	<b>35,462,509</b>	<b>30</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>11,533,301</b>	<b>10</b>	<b>11,470,524</b>	<b>10</b>
<b>Total equity</b>	<b>50,783,534</b>	<b>42</b>	<b>46,933,033</b>	<b>40</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 121,089,013</b>	<b>100</b>	<b>\$ 118,208,374</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 29)				
Net sales revenue	\$ 64,816,784	87	\$ 67,472,363	88
Other operating revenue, net	<u>9,943,703</u>	<u>13</u>	<u>8,967,320</u>	<u>12</u>
Total operating revenue	<u>74,760,487</u>	<u>100</u>	<u>76,439,683</u>	<u>100</u>
OPERATING COSTS (Notes 12, 20, 23 and 29)				
Cost of sales	55,204,803	74	58,427,279	77
Other operating costs	<u>6,987,756</u>	<u>9</u>	<u>6,316,715</u>	<u>8</u>
Total operating costs	<u>62,192,559</u>	<u>83</u>	<u>64,743,994</u>	<u>85</u>
LOSS ON CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Notes 4 and 13)	<u>(6,089)</u>	<u>-</u>	<u>(10,695)</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS	<u>12,561,839</u>	<u>17</u>	<u>11,684,994</u>	<u>15</u>
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling expenses	5,407,146	7	5,090,711	7
Administrative expenses	3,812,692	5	3,979,022	5
Research and development expenses	<u>351,192</u>	<u>1</u>	<u>255,431</u>	<u>-</u>
Total operating expenses	<u>9,571,030</u>	<u>13</u>	<u>9,325,164</u>	<u>12</u>
NET OPERATING INCOME	<u>2,990,809</u>	<u>4</u>	<u>2,359,830</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs, net (Notes 4 and 23)	(930,214)	(1)	(1,019,521)	(1)
Share of profit of associates accounted for using equity method, net (Notes 4 and 15)	400,731	-	480,299	-
Interest income	219,894	-	196,504	-
Rent income (Notes 18 and 29)	64,664	-	91,781	-
Dividend income	707,436	1	565,597	1
Other income, others	523,024	1	492,062	1
Gains on financial assets or liabilities at fair value through profit or loss	91,344	-	619,430	1
Miscellaneous disbursements	(241,709)	-	(79,809)	-
Foreign exchange losses	<u>(269,787)</u>	<u>-</u>	<u>(780,079)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>565,383</u>	<u>1</u>	<u>566,264</u>	<u>1</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 3,556,192	5	\$ 2,926,094	4
TAX EXPENSE (Notes 4 and 24)	<u>(896,569)</u>	<u>(1)</u>	<u>(966,330)</u>	<u>(1)</u>
PROFIT FROM CONTINUING OPERATIONS	<u>2,659,623</u>	<u>4</u>	<u>1,959,764</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 20 and 24)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	59,553	-	(172,561)	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	3,403,929	5	282,771	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>202,134</u>	<u>-</u>	<u>(176,425)</u>	<u>-</u>
	<u>3,665,616</u>	<u>5</u>	<u>(66,215)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	(1,003,372)	(2)	202,068	-
Gains on hedging instruments	1,134	-	7,614	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(126,498)</u>	<u>-</u>	<u>8,005</u>	<u>-</u>
	<u>(1,128,736)</u>	<u>(2)</u>	<u>217,687</u>	<u>-</u>
Other comprehensive income, net	<u>2,536,880</u>	<u>3</u>	<u>151,472</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,196,503</u>	<u>7</u>	<u>\$ 2,111,236</u>	<u>3</u>
PROFIT, ATTRIBUTABLE TO:				
Profit, attributable to owners of parent	\$ 2,285,769	3	\$ 1,440,003	2
Profit, attributable to non-controlling interests	<u>373,854</u>	<u>1</u>	<u>519,761</u>	<u>1</u>
	<u>\$ 2,659,623</u>	<u>4</u>	<u>\$ 1,959,764</u>	<u>3</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2019		2018	
	Amount	%	Amount	%
COMPREHENSIVE INCOME, ATTRIBUTABLE TO:				
Comprehensive income, attributable to owners of parent	\$ 4,773,707	6	\$ 1,597,278	2
Comprehensive income, attributable to non-controlling interests	<u>422,796</u>	<u>1</u>	<u>513,958</u>	<u>1</u>
	<u>\$ 5,196,503</u>	<u>7</u>	<u>\$ 2,111,236</u>	<u>3</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	
Diluted earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent											Other Equity			Total	Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus				Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains(Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Effective Portion of Cash Flow Hedges				Gains (Losses) on Hedging Instruments
	Shares (In Thousands)	Amount	Treasury Shares	Consolidation Excess	Other	Total	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Total								
BALANCE AT JANUARY 1, 2018	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
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	-	160,651	-	(160,651)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1,455)	1,455	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(481,966)	(481,966)
Changes in equity of associates accounted for using equity method	-	-	-	-	(40,151)	(40,151)	-	-	50,004	50,004	-	-	(339)	-	-	9,514	1,103	10,617
Other changes in capital surplus	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-	-	-	(18)	-	(18)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(29,430)	(29,430)	-	-	-	-	-	-	-	-	-	(29,430)	315,830	286,400
Changes in ownership interests in subsidiaries	-	-	-	-	12,728	12,728	-	-	(55,614)	(55,614)	-	-	-	-	-	(42,886)	45,641	2,755
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	738,013	738,013
Profit	-	-	-	-	-	-	-	-	1,440,003	1,440,003	-	-	-	-	-	1,440,003	519,761	1,959,764
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(165,751)	(165,751)	223,046	-	92,119	-	7,861	157,275	(5,803)	151,472
Total comprehensive income	-	-	-	-	-	-	-	-	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 at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	(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
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	-	144,000	-	(144,000)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(377,401)	(377,401)
Changes in equity of associates accounted for using equity method	-	-	-	-	(6,123)	(6,123)	-	-	555	555	-	-	(555)	-	-	(6,123)	(439)	(6,562)
Other changes in capital surplus	-	-	-	-	3,085	3,085	-	-	-	-	-	-	-	-	-	3,085	-	3,085
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(962)	(962)	-	-	-	-	-	-	-	-	-	(962)	7,209	6,247
Changes in ownership interests in subsidiaries	-	-	-	-	14,240	14,240	-	-	61	61	-	-	(61)	-	-	14,240	10,612	24,852
Profit	-	-	-	-	-	-	-	-	2,285,769	2,285,769	-	-	-	-	-	2,285,769	373,854	2,659,623
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	59,516	59,516	(995,837)	-	3,423,626	-	633	2,487,938	48,942	2,536,880
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,345,285	2,345,285	(995,837)	-	3,423,626	-	633	4,773,707	422,796	5,196,503
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	288,213	288,213	-	-	(288,213)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	1,660,372	16,603,715	14,947	293,124	692,098	1,000,169	3,559,373	4,028,583	8,291,327	15,879,283	(1,036,202)	-	6,809,645	-	(6,377)	39,250,233	11,533,301	50,783,534

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES, INDIRECT METHOD		
Profit before tax	\$ 3,556,192	\$ 2,926,094
Adjustments to reconcile profit (loss)		
Depreciation and amortization expenses	4,209,698	3,960,459
Expected credit loss (gain)	(30,759)	43,363
Net gain on financial assets or liabilities at fair value through profit or loss	(91,344)	(619,430)
Finance costs	930,214	1,019,521
Interest income	(219,894)	(196,504)
Dividend income	(707,436)	(565,597)
Share of profit of associates accounted for using equity method	(400,731)	(480,299)
Loss on disposal of property, plant and equipment	236	7,197
Gain on disposal of investment properties	(26,638)	(3,948)
Loss (gain) on disposal of investments	997	(65)
Write-downs of inventories	84,850	48
Unrealized foreign exchange loss (gain)	(117,880)	829,797
Loss on changes in fair value less costs to sell of biological assets	6,089	10,695
Gain on bargain purchases	-	(6,975)
Changes in operating assets and liabilities		
Decrease (increase) in current financial assets at fair value through profit or loss, mandatorily measured at fair value	771,620	(100,256)
Decrease (increase) in notes receivable, net	759,436	199,854
Decrease (increase) in accounts receivable, net	(96,169)	446,253
Decrease (increase) in accounts receivable due from related parties, net	(8,743)	(68,998)
Decrease (increase) in current inventories	1,329,001	(1,266,668)
Decrease (increase) in current biological assets	(75,863)	(106,099)
Decrease (increase) in prepayments	(289,560)	86,395
Decrease (increase) in other current assets, others	99,712	83,167

Increase (decrease) in financial liabilities held for trading	(514,105)	(286,904)
Increase (decrease) in current contract liabilities	16,165	41,780
Increase (decrease) in notes and accounts payable	1,184,873	(776,680)
Increase (decrease) in accounts payable to related parties	118,095	23,384
Increase (decrease) in other payable, others	81,138	441,683
Increase (decrease) in other current liabilities, others	365,118	65,809
Increase (decrease) in net defined benefit liability, non-current	<u>(120,116)</u>	<u>(128,643)</u>
Cash inflow generated from operations	10,814,196	5,578,433
Interest received	200,973	194,990
Dividends received	1,138,691	874,494
Interest paid	(814,295)	(1,053,490)
Income taxes paid	<u>(798,952)</u>	<u>(651,605)</u>
Net cash flows generated from operating activities	<u>10,540,613</u>	<u>4,942,822</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (5)	\$ (83,777)
Proceeds from disposal of financial assets at fair value through other comprehensive income	283,222	140,668
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	66,769	46,122
Acquisition of financial assets at amortized cost	(1,854,993)	-
Proceeds from disposal of financial assets at amortized cost	-	745,296
Acquisition of financial assets for hedging	(174)	-
Disposal of financial assets for hedging	-	6,521
Acquisition of investments accounted for using equity method	(3,770)	-
Proceeds from disposal of investments accounted for using equity method	60	1,345
Net cash flow from acquisition of subsidiaries	-	77,041
Proceeds from disposal of subsidiaries	(406)	-
Proceeds from capital reduction of investments accounted for using equity method	199,432	282,170
Acquisition of property, plant and equipment	(3,890,640)	(3,981,233)
Proceeds from disposal of property, plant and equipment	130,438	125,424
Acquisition of right-of-use assets	(147,333)	-
Proceeds from disposal of investment properties	30,013	17,585
Decrease in other financial assets	35,784	303,859
Decrease (increase) in other non-current assets	(62,910)	78,819
Decrease in long-term lease prepayments	-	2,175
Increase in other current liabilities, others	<u>1,365,735</u>	<u>-</u>
Net cash flows used in investing activities	<u>(3,848,778)</u>	<u>(2,237,985)</u>

### CASH FLOWS USED IN FINANCING ACTIVITIES

Increase in current borrowings	1,159,513	-
Decrease in current borrowings	-	(1,122,728)
Decrease in short-term notes and bills payable	(670,116)	(1,326,681)
Proceeds from long-term debt	-	1,413,994
Repayments of long-term debt	(4,172,787)	-
Payments of lease liabilities	(166,571)	-
Increase in other non-current liabilities, others	115,209	32,685
Cash dividends paid	(996,223)	(996,223)
Change in non-controlling interests	(385,857)	(196,573)
Overdue dividends received	<u>3,088</u>	<u>5</u>
Net cash flows used in financing activities	<u>(5,113,744)</u>	<u>(2,195,521)</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>(173,831)</u>	\$ <u>4,401</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,404,260	513,717
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,658,611</u>	<u>4,144,894</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,062,871</u>	<u>\$ 4,658,611</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

## 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, 2019 and 2018, 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, 2019 and 2018, 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 based on our audits and the report of other auditors.

### **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, 2019. 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 matters of the Company's financial statements for the year ended December 31, 2019 are stated as follows:

#### The Valuation of Investments Accounted for Using the Equity Method

Under the investments accounted for using the equity method, the financial position and performance of some significant components of the Company will significantly affect the Company. The accounts receivable of significant components of the Company are 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 receivable 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 9 to the accompanying financial statements.

The key audit procedures that we performed in respect of the valuation of investments accounted for using the equity method included the following:

1. We obtained and assessed the reasonableness of the method and the information used by management for the estimation of expected credit loss recognized on accounts receivable.
2. We tested sample items in the aging report on the balance sheet date and verified the correctness of the calculation of the expected credit loss.
3. We analyzed overdue receivables and performed sampling on the collection of overdue receivables after the balance sheet date. We assessed the reasonableness of the expected credit loss recognized on accounts receivable based on customers' historical payment records, credit line control and overdue receivables tracking.

#### **Other Matter**

We did not audit the financial statements as of and for the years ended December 31, 2019 and 2018 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 Chung Hwa Pulp 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 and Livebricks Inc., which are accounted for using the equity method by YFY Paradigm Investment Co., Ltd., Jupiter Prestige Group Holdings Limited and its subsidiaries, which are accounted for using the equity method by YFY Global Investment BVI Corp., Perpetual Prosperity Printing Technology Co., Ltd., the subsidiaries of Willpower Industries Ltd. and the subsidiaries of Wingsong Packaging Investment Company Ltd., which are accounted for using the equity method by YFY International BVI Corp., and the financial statements as of and for the year ended December 31, 2019 of Sustainable Carbohydrate Innovation Co., Ltd., 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, is based solely on the reports of other auditors. As of December 31, 2019 and 2018, the long-term equity investments of these investee companies were NT\$2,498,563 thousand and NT\$2,062,364 thousand, respectively, representing 3.9% and 3.4%, respectively, of the Company's total assets. As of and for the years ended December 31, 2019 and 2018, the net investment income of these investee companies were NT\$417,930 thousand and NT\$156,851 thousand, respectively, representing 8.8% and 9.8%, respectively, 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, 2019 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 Ching-Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2020

#### 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, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS (Note 4)</b>				
Cash (Note 6)	\$ 6,496	-	\$ 5,927	-
Current financial assets at fair value through profit or loss (Note 7)	58,218	-	20,104	-
Accounts receivable due from related parties, net (Note 21)	426	-	1,782	-
Other receivables	117,291	-	56,715	-
Other current assets, others	3,808	-	3,916	-
Total current assets	186,239	-	88,444	-
<b>NON-CURRENT ASSETS (Note 4)</b>				
Non-current financial assets at fair value through profit or loss (Notes 7 and 21)	160,964	-	160,964	1
Non-current financial assets at fair value through other comprehensive income (Notes 8 and 21)	11,801,339	19	9,768,752	16
Investments accounted for using equity method (Note 9)	49,408,023	77	47,594,614	79
Property, plant and equipment (Notes 10 and 16)	619,312	1	620,320	1
Right-of-use assets (Notes 3, 11 and 16)	4,549	-	-	-
Investment property, net (Notes 12 and 16)	1,858,761	3	1,859,815	3
Deferred tax assets (Note 17)	101,728	-	137,339	-
Other non-current assets, others (Note 16)	32,940	-	36,874	-
Total non-current assets	63,987,616	100	60,178,678	100
<b>TOTAL ASSETS</b>	<b>\$ 64,173,855</b>	<b>100</b>	<b>\$ 60,267,122</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current borrowings (Note 13)	\$ 1,977,000	3	\$ 1,830,000	3
Short-term notes and bills payable (Note 13)	1,128,937	2	1,399,570	2
Accounts payable to related parties (Note 21)	1,407	-	1,536	-
Other payables, others	58,609	-	57,916	-
Current tax liabilities (Notes 4 and 17)	10,143	-	51,567	-
Current lease liabilities (Notes 3, 4 and 11)	1,835	-	-	-
Other current liabilities, others	14,570	-	17,676	-
Total current liabilities	3,192,501	5	3,358,265	5
<b>NON-CURRENT LIABILITIES</b>				
Non-current portion of non-current borrowings (Note 13)	20,624,915	32	20,196,679	34
Deferred tax liabilities (Notes 4 and 17)	350,656	1	350,670	1
Non-current lease liabilities (Notes 3, 4 and 11)	2,704	-	-	-
Net defined benefit liability, non-current (Notes 4 and 14)	746,342	1	890,549	1
Other non-current liabilities, others	6,504	-	8,450	-
Total non-current liabilities	21,731,121	34	21,446,348	36
Total liabilities	24,923,622	39	24,804,613	41
<b>EQUITY (Notes 4 and 15)</b>				
Share capital	16,603,715	26	16,603,715	27
Capital surplus	1,000,169	1	989,929	2
Retained earnings	15,879,283	25	14,241,392	24
Other equity interest	5,767,066	9	3,627,473	6
Total equity	39,250,233	61	35,462,509	59
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 64,173,855</b>	<b>100</b>	<b>\$ 60,267,122</b>	<b>100</b>

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

(With Deloitte &amp; Touche auditors' report dated March 23, 2020)

# YFY INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Investment (Note 4)	\$ 2,414,115	100	\$ 1,773,764	100
OPERATING EXPENSES (Notes 14, 16 and 21)	<u>349,085</u>	<u>15</u>	<u>334,364</u>	<u>19</u>
NET OPERATING INCOME	<u>2,065,030</u>	<u>85</u>	<u>1,439,400</u>	<u>81</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 16)	(336,147)	(14)	(355,192)	(20)
Rent income (Notes 12 and 21)	50,057	2	49,785	3
Dividend income	366,404	15	296,088	17
Other income, others	29,066	2	21,034	1
Gain on disposal of investment properties	26,105	1	3,948	-
Miscellaneous disbursements	<u>(46)</u>	<u>-</u>	<u>(60)</u>	<u>-</u>
Total non-operating income and expenses	<u>135,439</u>	<u>6</u>	<u>15,603</u>	<u>1</u>
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	2,200,469	91	1,455,003	82
TAX BENEFIT (EXPENSE) (Notes 4 and 17)	<u>85,300</u>	<u>4</u>	<u>(15,000)</u>	<u>(1)</u>
PROFIT FROM CONTINUING OPERATIONS	<u>2,285,769</u>	<u>95</u>	<u>1,440,003</u>	<u>81</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 14 and 17)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	81,766	3	(126,468)	(7)
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	2,050,269	85	77,210	4
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>1,351,107</u>	<u>56</u>	<u>(24,374)</u>	<u>(1)</u>
	<u>3,483,142</u>	<u>144</u>	<u>(73,632)</u>	<u>(4)</u>

(Continued)

# YFY INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Components of other comprehensive income that will be reclassified to profit or loss				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	\$ (995,204)	(41)	\$ 230,907	13
	<u>(995,204)</u>	<u>(41)</u>	<u>230,907</u>	<u>13</u>
Other comprehensive income, net	<u>2,487,938</u>	<u>103</u>	<u>157,275</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,773,707</u>	<u>198</u>	<u>\$ 1,597,278</u>	<u>90</u>
EARNINGS PER SHARE (Note 18)				
Basic earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	
Diluted earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

YFY INC.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus				Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) 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 Retained Earnings	Total			Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Effective Portion of Cash Flow Hedges	Gains (Losses) on Hedging Instruments	
BALANCE AT JANUARY 1, 2018	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
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	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 appropriated	-	-	-	-	-	-	160,651	-	(160,651)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1,455)	1,455	-	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	-	(40,151)	(40,151)	-	-	50,004	50,004	-	-	(339)	-	-	9,514
Other changes in capital surplus	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-	-	-	(18)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(29,430)	(29,430)	-	-	-	-	-	-	-	-	-	(29,430)
Changes in ownership interests in subsidiaries	-	-	-	-	12,728	12,728	-	-	(55,614)	(55,614)	-	-	-	-	-	(42,886)
Profit	-	-	-	-	-	-	-	-	1,440,003	1,440,003	-	-	-	-	-	1,440,003
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(165,751)	(165,751)	223,046	-	92,119	-	7,861	157,275
Total comprehensive income	-	-	-	-	-	-	-	-	1,274,252	1,274,252	223,046	-	92,119	-	7,861	1,597,278
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	(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
Appropriation of the 2018 earnings																
Legal reserve appropriated	-	-	-	-	-	-	144,000	-	(144,000)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	-	(6,123)	(6,123)	-	-	555	555	-	-	(555)	-	-	(6,123)
Other changes in capital surplus	-	-	-	-	3,085	3,085	-	-	-	-	-	-	-	-	-	3,085
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(962)	(962)	-	-	-	-	-	-	-	-	-	(962)
Changes in ownership interests in subsidiaries	-	-	-	-	14,240	14,240	-	-	61	61	-	-	(61)	-	-	14,240
Profit	-	-	-	-	-	-	-	-	2,285,769	2,285,769	-	-	-	-	-	2,285,769
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	59,516	59,516	(995,837)	-	3,423,626	-	633	2,487,938
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,345,285	2,345,285	(995,837)	-	3,423,626	-	633	4,773,707
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	288,213	288,213	-	-	(288,213)	-	-	-
BALANCE AT DECEMBER 31, 2019	1,660,372	16,603,715	14,947	293,124	692,098	1,000,169	3,559,373	4,028,583	8,291,327	15,879,283	(1,036,202)	-	6,809,645	-	(6,377)	39,250,233

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

# YFY INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES, INDIRECT METHOD		
Profit before tax	\$ 2,200,469	\$ 1,455,003
Adjustments to reconcile profit (loss)		
Depreciation and amortization expenses	13,357	10,850
Net gain on financial assets or liabilities at fair value through profit or loss	(6,354)	(6,323)
Finance costs	336,147	355,192
Interest income	(29)	(65)
Dividend income	(366,404)	(296,088)
Share of profit of subsidiaries and associates accounted for using equity method	(2,414,115)	(1,773,764)
Gain on disposal of investment properties	(26,105)	(3,948)
Gain on disposal of investments	(241)	(376)
Unrealized foreign exchange gain	-	(93)
Changes in operating assets and liabilities		
Decrease (increase) in current financial assets at fair value through profit or loss, mandatorily measured at fair value	(38,000)	(14,000)
Decrease (increase) in accounts receivable due from related parties, net	1,356	4,956
Decrease (increase) in other receivable	600	9,295
Decrease (increase) in other current assets, others	381	1,019
Increase (decrease) in accounts payable to related parties	(129)	(685)
Increase (decrease) in other payable, others	3,015	(4,663)
Increase (decrease) in other current liabilities, others	(3,106)	(3,060)
Increase (decrease) in net defined benefit liability, non-current	<u>(42,000)</u>	<u>(36,000)</u>
Cash outflow used in operations	(341,158)	(302,750)
Interest received	6,269	6,309
Dividends received	1,147,338	1,054,908
Interest paid	(339,375)	(358,125)

Income taxes paid	<u>(2,144)</u>	<u>(624)</u>
Net cash flows generated from operating activities	<u>470,930</u>	<u>399,718</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(36,642)
Proceeds from disposal of financial assets at fair value through other comprehensive income	452	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	17,230	18,655
Acquisition of investments accounted for using equity method	(30,000)	-
Proceeds from capital reduction of investments accounted for using equity method	213,071	426,750
Acquisition of property, plant and equipment	(2,709)	(8,174)
		(Continued)

# YFY INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 9	\$ 3,416
Proceeds from disposal of investment properties	26,106	6,133
Increase in other non-current assets	<u>(2,947)</u>	<u>(2,943)</u>
Net cash flows generated from investing activities	<u>221,212</u>	<u>407,195</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Increase in current borrowings	147,000	491,000
Decrease in short-term notes and bills payable	(270,000)	(440,000)
Proceeds from long-term debt	428,236	132,451
Payments of lease liabilities	(1,725)	-
Increase (decrease) in other non-current liabilities, others	(1,946)	931
Cash dividends paid	(996,223)	(996,223)
Overdue dividends received (paid)	<u>3,085</u>	<u>(18)</u>
Net cash flows used in financing activities	<u>(691,573)</u>	<u>(811,859)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>-</u>	<u>93</u>
NET INCREASE (DECREASE) IN CASH	569	(4,853)
CASH AT THE BEGINNING OF THE YEAR	<u>5,927</u>	<u>10,780</u>
CASH AT THE END OF THE YEAR	<u>\$ 6,496</u>	<u>\$ 5,927</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

**VI. Any financial difficulty and the impact on the Company's finance in last year and up to the print date of this annual report:** This event did not occur at the Company.

## **Chapter 7. Financial Position, Financial Performance and Risk Analysis**

- I. Financial comparison analysis
- II. Financial Performance Review and Analysis
- III. Cash flow analysis
- IV. Impact of Significant Capital Expenditures on Financial Operations in the Past 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 Year and Up to the Print Date of this Annual Report
- VII. Other important matters

## Chapter 7. Financial Position, Financial Performance and Risk Analysis

### I. Financial comparison analysis

Unit: NT\$1,000

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	\$45,753,516	\$44,317,379	\$1,436,137	3
Property, plant and equipment	47,806,173	48,947,012	(1,140,839)	(2)
Intangible assets	509,530	521,979	(12,449)	(2)
Other assets	27,019,794	24,422,004	2,597,790	11
Total assets	121,089,013	118,208,374	2,880,639	2
Current liabilities	35,712,886	32,704,919	3,007,967	9
Non-current liabilities	34,592,593	38,570,422	(3,977,829)	(10)
Total liabilities	70,305,479	71,275,341	(969,862)	(1)
Share capital	16,603,715	16,603,715	0	0
Capital surplus	1,000,169	989,929	10,240	1
Retained earnings	15,879,283	14,241,392	1,637,891	12
Other equity	5,767,066	3,627,473	2,139,593	59
Non-controlling interest	11,533,301	11,470,524	62,777	1
Total equity	50,783,534	46,933,033	3,850,501	8

Notes on changes in increase or decrease percentage:

- The increase in other equity resulted from the increase in the valuation of the financial assets at fair value through other comprehensive income.

## II. Financial Performance Review and Analysis

Unit: NT\$1,000

Item	Year		Increase/decrease	Change (%)
	2019	2018		
Net sales revenue	\$74,760,487	\$76,439,683	(\$1,679,196)	(2)
Cost of goods sold	62,192,559	64,743,994	(2,551,435)	(4)
Losses sustained by changes in fair value minus the cost to sell a biological asset	(6,089)	(10,695)	4,606	43
Gross profit	12,561,839	11,684,994	876,845	8
Operating expenses	9,571,030	9,325,164	245,866	3
Net operating profit	2,990,809	2,359,830	630,979	27
Non-operating income and expenditure	565,383	566,264	(881)	0
Pre-tax profit	3,556,192	2,926,094	630,098	22
Income tax expense	(896,569)	(966,330)	69,761	7
Net income for the current year	2,659,623	1,959,764	699,859	36
Notes/Analysis on changes in increase or decrease percentage:				
1. The increase in operating net profit, net profit before tax, and net profit of the fiscal year resulted from the decrease in the cost of goods sold.				

### III. Cash flow analysis

Cash, beginning of year	Net cash flow from operating activities	Net cash inflows (outflows) from other activities	Surplus cash balance	Liquidity contingency plan	
				Investment plan	Financial plan
\$4,658,611	\$10,533,235	(\$9,128,975)	\$6,062,871	-	-

1. Analysis on the cash flow changes of the current year:
  - (1) Cash flow from operating activities: Operating activities generated cash flow mainly from operational profit and depreciation of fixed assets.
  - (2) Cash flow 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 institutions and distribution of cash dividends.
2. Liquidity contingency plan and liquidity analysis: N/A
3. Cash flow analysis for the coming year:
  - (1) Cash flow from operating activities: The industry development is anticipated to be stable and YFY can maintain a steady operating cash inflow.
  - (2) Cash flow from investing activities: Mainly consisted of the annual capital expenditure on the upgrading and maintenance of relevant equipment.
  - (3) Cash flow 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 year:

#### Pulp and paper business group:

- Refurbishment of the paper machine in Jiutang Plant: The refurbishment of the equipment increases the special paper productivity and will increase product competitiveness in business operations.

#### Containerboard and packaging business group:

- The phase 1 and phase 2 investments in the biogas power generation facilities in Xinwu containerboard plant converts process wastes into renewable energy and increases proceeds from green energy.
- We added printers for containerboard processes in Taiwan and implemented multiple product development plans to increase product line profitability and reduce process cost.
- The second containerboard plant in northern Vietnam was inaugurated in 2019 and it facilitated growth in overall revenue. The second corrugator in the Dong Nai Plant in southern Vietnam was completed in 2019. It expanded production capacity and increased competitiveness to solidify the plant's leading position in the local containerboard industry.

The improved business competitiveness helped YFY's subsidiaries generate 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. Reinvestment policy, reasons for profit or loss, improvement plans, and investment plans for next year:**

### **(I) Reinvestment policy, reasons for profit or loss, improvement plans, and investment plans for next year**

Major reinvestment 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 ideal, to deepen vertical integration benefits and pursue maximum return on investment.

Investment assessment aspects include: Sales growth, R&D capacity enhancement, production efficiency increase, product quality improvement, and the potential for earning a profit in the future. Taking into account the financial investment benefits and the corresponding risks, investment methods and amounts are then decided. In terms of post-investment management, the Company regularly reviews the performance of each reinvestment 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 paper business group: International pulp prices have remained low in 2019 while the prices of raw materials such as lumber have remained high. The subsidiary suffered losses throughout the year. To reduce losses and improve profitability, the subsidiary shall enhance the sources of low-price raw materials and increase the production efficiency of various paper machines. It shall also continue to develop paper-based vessels and produce green products made from recycled environmentally-friendly materials such as paper straws, food containers, and food safety paper products for packaging. It shall continue to expand related markets for high-value medical products and personal protection products.
- 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 develop high-value products and increase the supply of its own paper container plants to vertically integrate synergistic effects, increase its market response capability, and mitigate the effect of market changes on the company's business operation.
- Consumer products business group: The subsidiary shall follow the requirements in the government's new environmental protection regulations and invest in related equipment through capital expenditures to implement a circular economy. It shall set up a biomass recycling furnace and establish measures for processing production wastes and cultivate green energy and low-carbon development to ensure simultaneous advancement of both development and environmental protection and achieve sustainability. The subsidiary shall continue to enhance automated production capacity and optimize process layout. Regarding products, the Consumer products business group is committed to developing unique products and entering strategic partnership with precision channels 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 is to enhance vertical integration and develop other businesses, and the key consideration is to facilitate the development of the Company's subsidiaries so that they can complement each other and achieve synergy.
- (2) Resource integration and complementarity will be enforced among the invested companies and their core competitiveness strengthened in order to enhance their business performance.

## **VI. Risk analysis and assessment in the last year and up to the print date of 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**

The downturn of the global economy and the deterioration of the trade disputes between China and the United States affected economic growth and prices in the United States in 2019. The U.S. Federal Reserve ceased interest rate hikes in the first half of 2019 and suspended balance sheet reduction in the second half of 2019. It also implemented three preventative interest rate cuts and relaxed monetary policies from previously tightened policies to significantly reduce market interest rate of the USD. The economic performance in the Euro Zone has continued to stagnate and showed no signs of improvement. The European Central Bank has maintained negative interest rates in terms of its monetary policy and may continue to cut interest rate. Japan and numerous other emerging economies also maintained a tendency towards a loose monetary policy to sustain the growth momentum of the economy. Taiwan's economy performed relatively well in 2019. The transfer of purchase orders as a result of the U.S.-China trade war has led to an influx of overseas funds. In addition, the government expanded fiscal expenditures and implemented other measures to provide positive support for Taiwan's economic performance. However, the COVID-19 epidemic outbreak began in Mainland China quickly and spread across the world. The pandemic has made companies and financial markets more conservative regarding the economic growth and investment outlook this year. The phase 2 trade negotiations between China and the U.S. remain uncertain and international political while international political and economic factors remain disrupted and unclear. The Central Bank of the Republic of China (Taiwan) has maintained its rediscount rate unchanged for fourteen consecutive quarters in order to maintain a stable national economy and stable prices.

Response measures: The uncertainties in the COVID-19 pandemic and phase 2 negotiations between the U.S. and China will continue to cloud the global economic outlook, the Federal Reserve System officials keep an open mind about whether to continue to decrease the interest rate. The Central Bank of the Republic of China (Taiwan) is expected to maintain adequate and loose monetary policies to facilitate economic growth of Taiwan in the presence of moderate inflation and the short-term negative impact of the COVID-19 pandemic. 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 response to the slowed growth of the global economy in 2019 and the escalation of the trade disputes between China and the U.S., the U.S. Federal Reserve activated preventative interest rate cuts and suspended balance sheet reduction to increase USD liquidity. However, the market sentiment for hedging has increased while international USD exchange rates remained relatively stable. The RMB has depreciated to more than 7.1 against the USD due to the escalation of the trade disputes between China and the U.S. in the second half of 2019 and the continuous slowdown of domestic economic growth which had adverse impact on the economic outlook. The appreciation of the TWD in 2019 was caused by the suspension of interest rate hikes in the U.S., the transferred purchase orders from China due to the U.S.-China trade war, and a large influx of overseas funds. Major exchange rate risks faced by the Company are FCY loans from China. In 2019, the Company continued to dynamically adjust RMB hedging ratio and implement response measures for hedging and cost control in order to reduce the fluctuations in currency exchange gain or loss.

Response measures: Looking forward to 2020, the uncertainties in the COVID-19 pandemic and phase 2 negotiations between the U.S. and China will continue to cloud the global economic outlook. Global economic forecasts are susceptible to changes and risks of weakening, and the trends of foreign exchange rate are affected by numerous variables. The Company will take into account exchange rate risks and hedging costs, and make appropriate financial and hedging strategies to reduce the negative impact of exchange rate fluctuations on the Company's overall operations.

- (3) Inflation: The global crude oil price mostly hovered around US\$60 in the first half of 2019 and remained relatively stable. The increase in the value of NTD against USD reduced the overall pressure of inflation in 2019. Although China and the U.S. had implemented retaliatory tariffs against each other which affected prices and trade in both countries, such disputes were not expanded to consumer electronic products and thus had limited impact on the economy and overall price indices in Taiwan. In general, the inflation pressure in Taiwan is relatively moderate. The overall CPI and core CPI in 2019 (excluding the CPI of energy and fruits and vegetables) were 0.56% and 0.49%, respectively, suggesting stable commodity price.

Looking forward to 2020, the Central Bank estimated that the economic growth rate this year would be 1.92% and estimated that CPI in 2020 and core CPI will increase annually by 0.59% and 0.55%, with a benign inflation outlook. Up to the printing date of this annual report, inflation does not exert a material impact on the Company. However, China is continuing to increase the extent of its environmental supervision, while the U.S.-China trade war and relocation of supply chains have exposed raw material prices to risks of fluctuation. The overall economic impact of the COVID-19 pandemic has not been fully assessed. The Company will still pay close attention to changes in raw material prices as well as the risks derived from the trade war between China and the U.S. and the COVID-19 pandemic.

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

The Company has not invested in high risk and high leverage instruments. For example, the utilization of short-term idle funds focuses on trading of notes or bonds under repurchase agreements and subscriptions of money market funds.

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 between affiliated parent companies and subsidiaries for financial and business purposes.

The Company engages in derivative transactions in accordance with its Procedure for Processing Derivative Transactions so as to clearly define the purposes of each transaction, which must be primarily hedging. The derivatives operated in 2019 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 Plans and Expected R&D Investment:**

The Company's major R&D investment plans in 2020 include:

- Paper product R&D • • • • • NT\$20,000 thousand
- Special material development • • NT\$5,407 thousand

- Cleaning product R&D . . . . NT\$3,323 thousand
- Material analysis . . . . . NT\$25,792 thousand

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, impact on the Company's 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 newly promulgated laws 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 has also modified related internal regulations and the Work Rules, as well as convened labor-management meetings to discuss various response measures. Work hours and work schedule for each company (plant) were adjusted accordingly, and employee annual leaves and holiday pay for unused annual leaves were given to employees according to regulations.

IFRS 16 stipulates accounting treatments for the identification of lease agreements and lessors and lessees. It will replace IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", and related interpretations. The Company shall elect to determine whether contracts signed (or changed) after January 1, 2019 are (or include) leases in accordance with IFRS 16. The lease contracts previously identified in accordance with IAS 17 and IFRIC 4 shall not be reassessed and shall be processed in accordance with transitional regulations in IFRS 16.

**(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, we use various technologies to enhance product quality, production capacity, and production volume, as well as 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 today's widespread mass media and social networks, the occurrence of a risky event and the deliberate dissemination of false information can be passed on rapidly and conveyed incorrectly, which could often evolve into an irreparable crisis. Regardless of whether actual cases or each country's mature corporate social responsibility indices, they all bear witness to how focusing on corporate social responsibility, having a good corporate image, accumulating social capital day by day and step by step, and earning the trust of consumers and investors during an internal or external major crisis can effectively reduce visible/invisible damages. The Company believes that corporate image is more than just a facade, and to fundamentally adjust the Company's structure, we must start from the

inside and 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. Internally, we value the importance of employee communication and educate employees on the Company's ideal of sustainable management in a timely manner. In the protection of employee rights, we continue to improve personnel 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 towards environmental protection and eco-friendly subjects. Parting from considerations of the Company's raw materials, we focus on recycling paper from households in order to prosper together 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.

In terms of our concern for the "environment", YFY was founded upon agricultural trade in 1924 and the Company has used agricultural waste product such as bagasse to produce paper since its early days. The use of bagasse marked the beginning of YFY's "circular economy". As YFY continues production, we remain committed to the four major cycles including carbon, water, paper, and renewable energy. We aim to achieve continuous cyclic use of all resources and use technology to add value and transform resources. We seek to increase resource utilization efficiency and value, progress toward a full cycle of "zero waste", and become a model for comprehensive renewable circular economy in Taiwan.

YFY believes that fully enhancing our thresholds for safety and health, social responsibility, and sustainable development, and adjusting the mindset of management teams and all employees when dealing with relevant issues can fundamentally reduce the probability of occupational safety and environmental risks, and improve the Company's image through concrete 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:**

The Containerboard and packaging business group has planned the expansion of the level 2 and level 3 plants in northern Vietnam in response to the shifts in the global supply chain. It also actively expanded the engine of growth for containerboard in after the commissioning of the plants in 2019 Q2 including the first double-facer corrugating production line in southern Vietnam which will officially begin operations in 2020. The subsidiary shall continue to update old plant equipment and facilities to actively increase quality and efficiency and strengthen competitiveness.

The subsidiary Shin Foong Specialty and Applied Materials Co., Ltd. has responded to requirements for sustainable development and customers' material demands and expanded the production line in Pingtung Plant which was completed for mass production in January 2020. The increased production line will use new process equipment that can help increase stability in process quality while improving R&D capabilities. Shin Foong used the outlook of the industry, demand in the terminal market, and the customers' production capacity and orders received as references to set up targets for full production and full sales in separate phases after product lines begin mass production. However, the overall economic cycle will have a certain level of impact on the latex materials manufacturing industry and the uncertainties in the economy may lead to risks where Shin Foong's expanded production lines cannot achieve economies of scale. Shin Foong will continue to develop new applications, increase the diversity of products, optimize processes, and increase the value-added of products through technologies. It shall also help

customers resolve product issues to reduce costs and increase performance. Shin Foong seeks to establish trust in core customers and obtain competitive advantages on the market while reducing risks of the inability to achieve economies of scale.

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

The Company's sources of procurement 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% equity of 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 print 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 Sanbao Group) at US\$8.5 million and used the equity of the company Star City 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 matter totaled NT\$1.65 million. Director Melody Chiu 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.

**(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 subsidiary according to their 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 paper business group	Operations in paper stationery products, special paper, paperboard, pulp and chemical products	Risks related to operation and market change
Containerboard and packaging business group	Operations in industrial paper, cardboard boxes, color boxes, and food containers	Risks related to operation and market change
Consumer products business group	Operations in household paper and cleaning products	Risks related to operation and market change
Auditing Department	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 Department	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
Finance Center	Investment analysis, financial management, and fund utilization management	Interest rate, exchange rate, inflation, investment, acquisition, laws, share
Accounting Department	Accounting administration	Laws and policies
IT Department	Information management planning, system development and maintenance	Information security
Procurement Department	Procurement, logistics, imports and exports, and property management	Plant expansion, purchases

### 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 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 are able to 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 towards 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 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, 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 Fidelis IT Solutions 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 executives, decision-makers directly overseen by 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, China, and Vietnam)
		Taipei Headquarters (including YFY and YFY Holding Management)	Subsidiaries	Containerboard, packaging, Chungghwa Pulp
IT Infrastructure	Group's core dedicated network	V	△ 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 and 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	△ Partial management	V	△ Partial management
	Production machinery automated system	△ 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 the use of technology and information governance. By using a human-machine interface, software, and hardware configurations and systems of inspection and balance, 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 towards 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 are 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:**

The U.S.-China trade war has created trade barriers and caused companies to change and readjust their supply chains. The Company needs to develop more flexible response capabilities with regard to raw materials or products: Our containerboard business in China must quickly adjust to the types of clients and industries it serves and turn to industries with domestic demand and whose business is minimally affected. We must then develop ideas and strategies for integration of production and marketing in the global supply chain, while continuing expansion in Vietnam. Subsidiaries must continue to develop new market products such as special papers and high-quality paper and cleaning products to stimulate market segmentation and actively develop other new markets. Moreover, YFY will continue 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 Affiliates
- II. Progress of Private Placement of Securities During the Last Year and Up to the Print Date of the Annual Report
- III. Holding or Disposal of the Company's Shares by Subsidiaries in the Past year and Up to the Print Date of the Annual Report
- IV. Other supplemental information
- V. Any Incidents with Material Impact on Shareholder Equity or Security Price as Described Under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Year and Up to the Print Date for the Annual Report
- VI. Appendix 1: Notes to consolidated financial statements
- VII. Appendix 2: Notes to individual financial statements

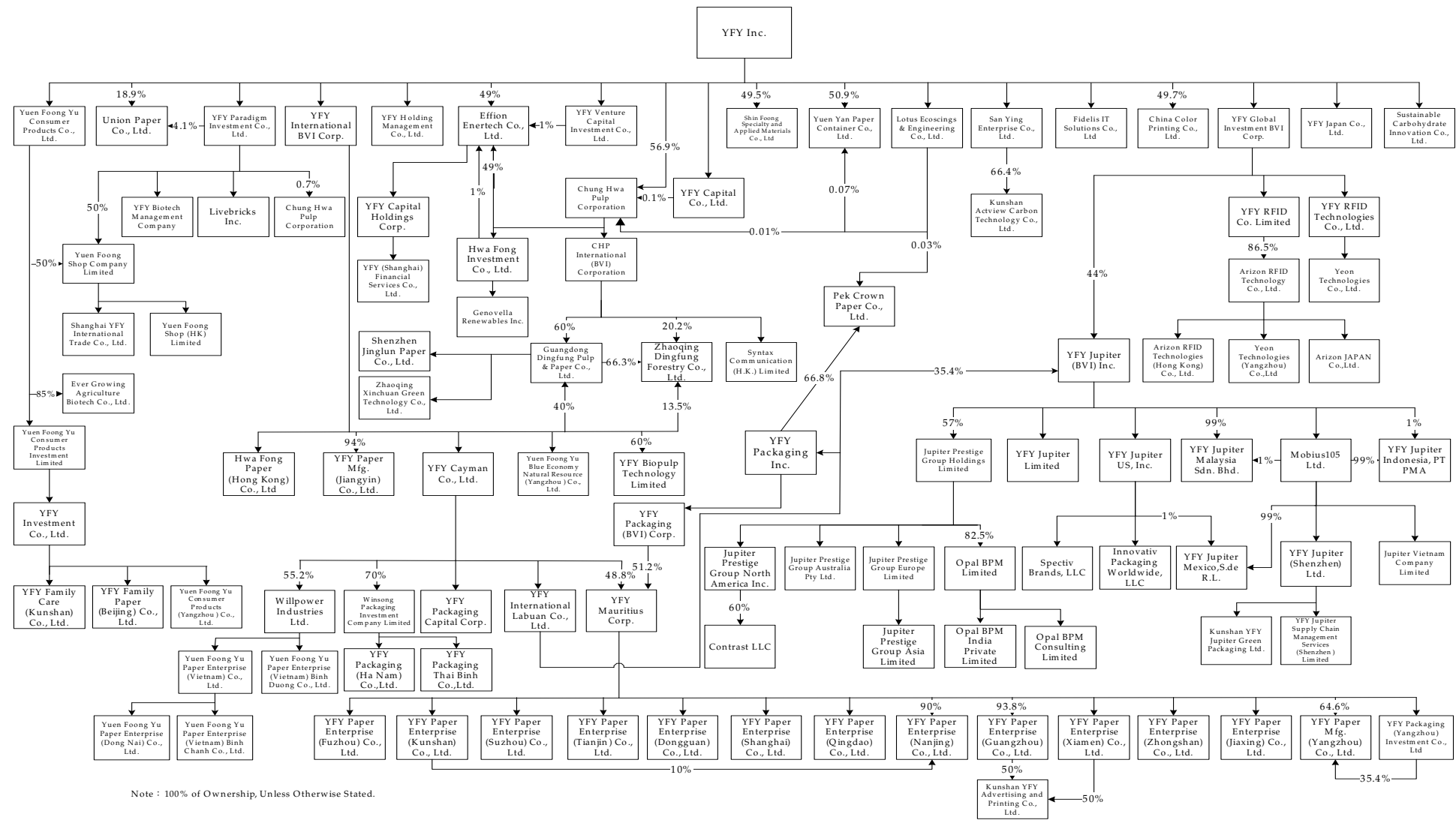
I. Information of Affiliates

(I)

YFY INC. AND SUBSIDIARIES

DIAGRAM OF INVESTMENT STRUCTURE

DECEMBER 31, 2019



Note : 100% of Ownership, Unless Otherwise Stated.

## (II) Basic information of the various affiliated enterprises Up to Tuesday, December 31, 2019 Unit: thousand NT\$ (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	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	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	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	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	2,416,360	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	1,048,831	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	698,276	General investment.
YFY Paradigm Investment Co., Ltd.	1987/10/23	14F, No. 51, Chongqing S. Road Sec. 2, Taipei	848,800	General investment.
Lotus Ecoscings & Engineering Co., Ltd.	1989/01/05	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	285,450	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	60,000	Engineering of various water treatment and design and construction of measurement facilities used in environmental pollution prevention engineering.
Fidelis IT Solutions 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	77,000	Information processing service.
YEON Technologies Co., Ltd.	2006/09/22	17F, No. 51, Chongqing S. Road Sec. 2, Taipei	25,000	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	35,700	Investment consulting.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Effion Eneritech 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	11,028,353	Pulp and paper production, sale and afforestation operations.
Genovella Renewables Inc.	2010/08/30	No. 100, Guanghua Street, Ji-an Township, Hualien	5,000	Fertilizer production, sale of fertilizer, retail sale of food products and groceries, special crop and edible fungus cultivation, refractory materials manufacturing, cement and concrete products manufacturing, ready-mixed concrete manufacturing, refractory materials wholesale and sale of building material
Hwa Fong Investment Co., Ltd.	1994/02/04	12F, No. 51, Chongqing S. Road Sec. 2, Taipei	36,000	General investment.
YFY Japan Co., Ltd.	1990/11/26	3-2-11 Nishishinjuku, Shinjuku, Tokyo, 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 322,502	General investment.
YFY Global Investment BVI Corp.	1989/11/30	Portcullis Chambers 4th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 580,099	General investment.
YFY International BVI Corp.	1989/11/30	Portcullis Chambers 4th 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 165,050	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.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
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 4th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 0.2	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, Yuangzhou, Jiangsu	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	USD 9,500	Production, printing and sales of all types of paperboard and cardboard boxes.
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 paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Zhongshan) Co., Ltd.	2001/05/16	No. 189, Yixian Rd., Torch Development District, Zhongshan, Guangdong	USD 6,000	Production, printing and sales of all types of paperboard and cardboard boxes.
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 paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Nanjing) Co., Ltd.	2001/08/24	No. 1-2, Hengtai Rd., Nanjing Economic and Technological Development Zone, Nanjing, Jiangsu Province	USD 9,959	Production, printing and sales of all types of paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Qingdao) Co., Ltd.	2002/11/15	Liu Ting Industrial Park, Liu Ting, Cheng Yang District, Quingdao, Shandong	USD 8,000	Production, printing and sales of all types of paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Jiashin) Co., Ltd.	2003/11/24	No. 795, Zhong Shan W. Rd. and Xiuxin Rd., Xiu Zhou Industrial District, Jiaxing, Zhejiang	USD 5,000	Production, printing and sales of all types of paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.	1995/08/10	No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu	USD 11,000	Production, printing and sales of all types of paperboard and cardboard boxes.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
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 paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Shanghai) Co., Ltd.	2003/01/24	No. 1236, Guinan Road, Shihudang Town, Songjiang District, Shanghai	USD 8,000	Production, printing and sales of all types of paperboard and cardboard boxes.
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 paperboard and cardboard boxes.
Yuen Foong Yu Paper Enterprise (Fuzhou) Co., Ltd.	2004/02/11	No. 17, Changxing East Road, Mawei District, Fujian County, Fuzhou	USD 5,000	Production, printing and sales of all types of paperboard and cardboard boxes.
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	2004/11/24	No. 168, Chuen Jiang Rd., Economic Development Park, Yuangzhou, Jiangsu	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	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	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	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.
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	1993/11/08	No. 258 South River Rd., Cheng Jiang Town, Jiang Yin City, Jiangsu	USD 14,900	Production, processing and sales of all types of paper and paperboard.
Shenzhen Jinglun Paper Co., Ltd.	2008/06/24	Rm. 1705, Tongxin Building, No. 5020, Binhe Road, Futian Community, Futian District, Shenzhen, Guangdong	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	USD 3,000	Design, production and distribution of various domestic advertising materials, plate making and printing.
Kunshan Actview Carbon Technology Co., Ltd.	2002/01/15	No. 11, Cai Mao Rd., Zhou Shi Town, Kunshan, Jiangsu	USD 1,260	R&D, manufacturing and sales of active carbon and related products.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou)	2011/05/18	No. 168, Chuen Jiang Rd., Bali Town, Economic Development Park, Yuangzhou, Jiangsu	USD 8,000	Development of agricultural recycling and production technologies and related consulting and services.
Arizon RFID Technology Co., Ltd.	2004/06/11	No. 88 Wuzhou E. Rd., Economic Development Park, Yuangzhou, Jiangsu	RMB 194,290	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, Yuangzhou, Jiangsu	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) Financial Services 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	USD 85,630	Production and marketing of pulp, writing/printing paper, and dowling paper.
Zhaoqing Dingfung Forestry Co., Ltd.	2006/04/01	Shouyue Village, Nanjie Township, Guangning County, Zhaoqing, Guangdong	USD 21,880	Cultivating and marketing seedlings; afforestation, logging and other forestry businesses including sales, processing, and
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.
YFY Jupiter (BVI) Inc.	2005/11/30	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.	USD 1,308	General investment.
YFY Jupiter Limited	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.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
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	USD 350	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	RMB 2,000	Packaging design and paper trading.
Jupiter Supply Chain Management Services (Shenzhen) Co.	2015/05/21	Room 201, Building A, No. 1, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, Guangdong	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	USD 1.676	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, Hawthorn East, VIC 3123	USD 0.09	Graphic design.
Jupiter Prestige Group Europe Limited	2003/02/03	TAH House, Aviation Way, Southend-on-Sea, Essex SS2 6UN	USD 50	Graphic design.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Jupiter Prestige Group Asia Limited	2010/06/17	17/F Yen Sheng Centre, 64 Hoi Yuen Road Kwun Tong, Kowloon, Hong Kong	HKD 0.1	Graphic design.
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	USD 0	Product distribution.
Yuen Foong Shop (HK) Co. Ltd.	2017/03/24	Rm 1702, Sino Centre, 582-592 Nathan Rd., MK, Kln. HK	HKD 0	International trade and selling of household products.
Opal BPM Consulting Ltd.	2017/04/28	601 London Load, Westcliff-on-sea, Essex, SS09PE	GBP 1	System-related consulting services.
Arizon RFID Technology (Hong Kong) Co., Ltd.	2017/10/02	Rm 2702-03, C. C. Wu Building, 302-8 Hennessy Road, Wan Chai, HK	USD 3,000	Hardware products for radio-frequency identification (RFID) systems, software system development, and tag design.
Contrast LLC	2018/01/12	3411 Silverside Road, Tatnall Building Ste 104, Wilmington, New Castle, DE 19810, USA	USD 287.5	Brand design.
Winsong Packaging Investment Company Ltd.	2018/01/29	16F, Railway Plaza, Tsim Sha Tsui 39 Chatham Road South, Kowloon, HK	USD 13,600	Company investment and selling of cardboard boxes.
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.

Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Willpower Industries Ltd.	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 paperboard and cardboard boxes.
YFY Jupiter Indonesia, PT PMA	2018/07/30	Satrio Tower Jalan Prof. Dr. Satrio Lot C4 Unit 1 Lantai 6	IDR 2,500,000	Package 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	VND 1,129,700	Package design.
Sustainable Carbohydrate Innovation Co., Ltd.	2019/01/17	14F, No. 51, Chongqing S. Road Sec. 2, Taipei	30,000	Research and development.
YFY Packaging Thai Binh Co., Ltd.	2019/03/01	Vu Quy Industrial Park, Vu Qui Village, Kien Xuong district, Thai Binh province	USD 1,200	Production, printing and sales of all types of paperboard and cardboard boxes.
Arizon Japan Co., Ltd.	2019/08/08	3-2-11 Nishishinjuku, Shinjuku, Tokyo, Japan	JPY 50,000	Product distribution and technical consulting services
Zhaoqing Xinchuan Green Technology Co., Ltd.	2019/09/09	Shouyue Village, Nanjie Township, Guangning County, Zhaoqing, Guangdong	RMB 2,000	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology

**(III) Basic information of Directors, Supervisors, and Presidents of affiliates**

December 31, 2019

Unit: No. of shares/shares, investment amount/NT\$

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	S. C. Ho (Representative of YFY International Labuan Co., Ltd.)		
	Director	Felix Ho (Representative of YFY International Labuan Co., Ltd.)		
	Director	K. T. Yin (Representative of YFY International Labuan Co., Ltd.)		
	Director	Zhe-Hong Ou (Representative of YFY International Labuan Co., Ltd.)		
	Director	C. F. Wu (Representative of YFY International Labuan Co., Ltd.)		
	Supervisor	Cheng-Yang Peng		
Pek Crown Paper Co., Ltd.	Chairman	Y. C. 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	Kai-Chun Kang (Representative of Lotus Ecoscings & Engineering Co., Ltd.)	10,000	0.03
	President	Yuan Huang Zhang		
Yuen Yan Paper Co., Ltd.	Chairman	Y. C. Chang (Representative of YFY Inc.)	6,178,500	50.9
	Director	Zhe-Hong Ou (Representative of YFY Inc.)		
	Director	S.R. Liao (Representative of Hwa Yuan Enterprises Co., Ltd.)	1,980,000	16.3
	Director	Tsong-Han Lin (Representative of Lotus Ecoscings & Engineering Co., Ltd.)		
	Supervisor	Y. M. Kuo (Representative of Hwa Yuan Enterprises Co., Ltd.)	9,000	0.07
	Supervisor	Zhe-Hong Ou	3,960,000	32.7
Union Paper Corp.	Chairman	Kun-Lung Lin (Representative of YFY Inc.)	19,584,000	18.9
	Director	Jung-Ming Lin (Representative of YFY Inc.)		
	Director	Rui-He Chen (Representative of YFY Inc.)		
	Director	Hung-Te Chen (Representative of YFY Inc.)		
	Director	Lee-Zhu Chang		
	Director	C. F. Wu (Representative of Gao Cheng Investment Co.)		
China Color Printing Co., Ltd.	Director	Kun-Lung Lin	1,081,200	1.0
	Supervisor		1,000	0.0
	President			
	Chairman	Chung Yi Chang (Representative of YFY Inc.)	32,896,330	49.7
	Vice Chairman	Hung-Yi Ho (Representative of Shin Kang Jie BVI Corp.)		
	Chairman	Pi-Yao Lin (Representative of Shin Kang Jie BVI Corp.)	27	0.0
	Director	Jian-Nan Liao (Representative of Shin Kang Jie BVI Corp.)	1,000	0.0
	Director	S. C. Ho (Representative of YFY Inc.)		
	Director	Vincent Zhan (Representative of YFY Inc.)		
	Director	Rui-He Chen (Representative of YFY Inc.)		
	Director	Zhi-Qing Min (Representative of Gao Cheng Investment Co.)		
Director	C. F. Wu (Representative of Gao Cheng Investment Co.)			
Director	Yu-Tsong Ho (Representative of Motai Investments Ltd.)			
Director	Chung Yi Chang			
Supervisor				
Supervisor				
Supervisor		2,000,000		
YFY Capital Co., Ltd.	Chairman	Gu-Feng Lin (Representative of YFY Inc.)	26,840,000	100.0
	Director	K. T. Yin (Representative of YFY Inc.)		
	Director	Shang-Ming Chen (Representative of YFY Inc.)		
	Director	C. F. Wu (Representative of YFY Inc.)		
	Supervisor	Proxy, Shang-Ming Chen		
President				

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Consumer Products Co., Ltd.	Chairman Director Director Director Director Supervisor President	Felix Ho (Representative of YFY Inc.) S. C. Ho (Representative of YFY Inc.) Zhi Hong Xu (Representative of YFY Inc.) Zong-Chun Li (Representative of YFY Inc.) Pei-Wen Chen (Representative of YFY Inc.) K. T. Yin (Representative of YFY Inc.) Zhi Hong Xu	241,636,021	100.0
Yuen Foong Shop Co., Ltd.	Chairman Director Director Supervisor President	Felix Ho (Representative of YFY Consumer Products Co., Ltd.) Zhi Hong Xu (Representative of YFY Consumer Products Co., Ltd.) Shi-Wei Liu (Representative of YFY Consumer Products Co., Ltd.) Zhi-Qing Min (Representative of YFY Paradigm Investment Co., Ltd.) Shi-Wei Liu	2,500,000   2,500,000	50.0   50.0
Shin Foong Specialty and Applied Materials Co., Ltd.	Chairman Director Director Director Independent Director Independent Director Independent Director Independent Director President	Melody Chiu (Representative of YFY Inc.) Kirk Hwang (Representative of YFY Inc.) Zhi Min Xu (Representative of YFY Inc.) Yu-Hui Ho (Representative of Ho Shi Investment Co. Ltd.) Chiu, Po-Young  Xi Cheng Yan  Chang Mou Yang  Zhi Min Xu	51,914,248      1,805,466	49.5      1.7
YFY Venture Capital Investment Co., Ltd.	Chairman Director Director Supervisor	K. T. Yin (Representative of YFY Inc.) S. C. Ho (Representative of YFY Inc.) Zhi-Qing Min (Representative of YFY Inc.) C. F. Wu (Representative of YFY Inc.)	69,827,600	100.0
YFY Paradigm Investment Co., Ltd.	Chairman Director Director Supervisor President	K. T. Yin (Representative of YFY Inc.) S. C. Ho (Representative of YFY Inc.) Zhi-Qing Min (Representative of YFY Inc.) C. F. Wu (Representative of YFY Inc.) Zhi-Qing Min	84,800,000	100.0
Lotus Ecoscings & Engineering Co., Ltd.	Chairman Director Director Supervisor	K. T. Yin (Representative of YFY Inc.) S. C. Ho (Representative of YFY Inc.) Zhi-Qing Min (Representative of YFY Inc.) C. F. Wu (Representative of YFY Inc.)	28,545,000	100.0
San Ying Enterprises Co., Ltd.	Chairman Director Director Supervisor President	C. C. Huang (Representative of YFY Inc.) S. C. Ho (Representative of YFY Inc.) K. T. Yin (Representative of YFY Inc.) C. F. Wu (Representative of YFY Inc.) C. C. Huang	6,000,000	100.0

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Fidelis IT Solutions Co., Ltd.	Chairman	Hsianmin Chen (Representative of YFY Inc.)	2,857,000	100.0
	Director	Ray Chien (Representative of YFY Inc.)		
	Director	S. C. Ho (Representative of YFY Inc.)		
	Director	C. F. Wu (Representative of YFY Inc.)		
	Director	Ray Chien		
Ever Growing Agriculture Biotechnology Co., Ltd.	Supervisor		18,245,944	85.0
	President			
	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Xian Ming Guo (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Zhi Hong Xu (Representative of YFY Consumer Products Co., Ltd.)		
LiVEBRiCKS Inc.	Director	Pao-Yu Hsieh (Representative of Cheng Yu Co., Ltd.)	3,209,775	15.0
	Supervisor	Xian Ming Guo		
	President			
	Chairman			
	Director			
YEON Technologies Co., Ltd.	Director	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	Zhi Hong Xu (Representative of YFY Paradigm Investment Co., Ltd.)		
	Supervisor	Zhi-Qing Min (Representative of YFY Paradigm Investment Co., Ltd.)		
	President	Shi-Wei Liu		
YFY Biotechnology Management Co., Ltd.	Chairman	Bing-Yi Lin (Representative of YFY RFID Technologies Co., Ltd.)	2,500,001	100.0
	Director	Zhi-Qing Min (Representative of YFY RFID Technologies Co., Ltd.)		
	Director	Guo-Feng Gao (Representative of YFY RFID Technologies Co., Ltd.)		
	Director	Su-Ping Lian (Representative of YFY RFID Technologies Co., Ltd.)		
	Supervisor	Guo-Feng Gao		
Effion Enertech Co., Ltd.	President		3,570,000	100.0
	Chairman	Hong-Jen Chang (Representative of YFY Paradigm Investment Co., Ltd.)		
	Director	S. C. Ho (Representative of YFY Paradigm Investment Co., Ltd.)		
	Director	Yi-Xue Cai (Representative of YFY Paradigm Investment Co., Ltd.)		
	Director	Zhi-Qing Min (Representative of YFY Paradigm Investment Co., Ltd.)		
YFY Holding Management Co., Ltd.	Supervisor	Hong-Jen Chang	34,300,000	49.0
	President			
	Chairman	C. C. Huang (Representative of YFY Inc.)		
	Director	S. C. Ho (Representative of YFY Inc.)		
	Director	K. T. Yin (Representative of YFY Inc.)		
YFY Holding Management Co., Ltd.	Director	C. F. Wu (Representative of YFY Venture Capital Investment Co., Ltd.)	700,000	1.0
	Supervisor	C. C. Huang		
	President			
	Chairman	Wei-Li Tsai (Representative of YFY Inc.)		
	Director	Rui-Yun Gong (Representative of YFY Inc.)		
YFY Holding Management Co., Ltd.	Director	Vincent Zhan (Representative of YFY Inc.)	3,000,000	100.0
	Director	C. F. Wu (Representative of YFY Inc.)		
	Director	Wei-Li Tsai		
	Supervisor			
	President			

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Chung Hwa Pulp Corp.	Chairman	Kirk Hwang (Representative of YFY Inc.)	627,827,989	56.9
	Director	S. C. Ho (Representative of YFY Inc.)		
	Director	Felix Ho (Representative of YFY Inc.)		
	Director	Chih-Cheng Huang (Representative of Lotus Ecoscings & Engineering Co., Ltd.)		
	Director	Gu-Feng Lin (Representative of Lotus Ecoscings & Engineering Co., Ltd.)		
	Director	Rui-He Chen (Representative of Lotus Ecoscings & Engineering Co., Ltd.)		
	Director	Ling-Han Zhang		
	Independent Director	Shi-Lei Lu		
	Independent Director	Yi Li		
	Independent Director	Chih-Cheng Huang		
Genovella Renewables Inc.	Director	Shih-Tsung Wu (Representative of Hwa Fong Investment Co., Ltd.)	Capital Contribution 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	Chih-Cheng Huang (Representative of Chung Hwa Pulp Corp.)		
	Director	K. T. Yin (Representative of Chung Hwa Pulp Corp.)		
	Supervisor	Guan-Jun Lin (Representative of Chung Hwa Pulp Corp.)		
YFY Japan Co., Ltd.	Director	Zhi-Shu Luo He (Representative of YFY Inc.)	200	100.0
	Director	S. C. Ho (Representative of YFY Inc.)		
	Director	Felix Ho (Representative of YFY Inc.)		
	Supervisor	Zhi-Qing Min (Representative of YFY Inc.)		
YFY Mauritius Corp.	Director	Felix Ho	157,501,731	48.8
	Director	YFY Cayman Co., Ltd.		
	Director	Hsianmin Chen		
	Director	Pines Ltd.		
YFY Global Investment BVI Corp.	Director	Ning-Ning Su		
	Director	Wei-Li Tsai		
YFY International BVI Corp.	Director	Ning-Ning Su		
	Director	Wei-Li Tsai		
YFY Packaging (BVI) Corp.	Director	YFY Packaging Inc.	165,050,000	100.0
YFY Biopulp Technology Limited.	Director	Melody Chiu		
Yuen Foong Yu Consumer Products Investment Limited	Director	S. C. Ho		
	Director	Felix Ho		
YFY RFID Technologies Co., Ltd.	Director	YFY Global Investment BVI Corp.	5,330,000	100.0
YFY RFID Co., Ltd.	Director	YFY Global Investment BVI Corp.	25,600,000	100.0
	Director	Felix Ho		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Cayman Co., Ltd.	Chairman Director Director	Felix Ho YFY International BVI Corp. Cheng-Yang Peng	339,918,142.15	100.0
YFY International Labuan Co., Ltd.	Director	YFY Cayman Co., Ltd.	165,901,098.99	100.0
YFY Packaging Capital Corp.	Director	YFY Cayman Co., Ltd.	200	100.0
CHP International (BVI) Corporation	Director Director	Kirk Hwang (Representative of Chung Hwa Pulp Corp.) Gu-Feng Lin (Representative of Chung Hwa Pulp Corp.)	61,039,956	100.0
YFY Packaging (Yangzhou) Investment Co., Ltd.	Chairman Director Director Supervisor President	Felix Ho (Representative of YFY Mauritius Corp.) Jun Lang Huang (Representative of YFY Mauritius Corp.) Cheng-Yang Peng (Representative of YFY Mauritius Corp.) K. T. Yin (Representative of YFY Mauritius Corp.) Jun Lang Huang	Capital Contribution USD86,707,159.45	Investment Percentage 100.0
Yuen Foong Yu Papers (Guangzhou) Co., Ltd.	Chairman Director Director Supervisor President	Zhong Cheng Dou (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Xin-Zhang Sun (Representative of Guangzhou High-Tech Investment Group Co., Ltd.) Vincent Zhan (Representative of YFY Mauritius Corp.) Yu-Hsu Chang	Capital Contribution USD8,906,250  Capital Contribution USD593,750	Investment Percentage 93.75  Investment Percentage 6.25
Yuen Foong Yu Papers (Xiamen) Co., Ltd.	Chairman Director Director Supervisor President	Zhong Cheng Dou (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Yo-Hui Liu (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Sheng-Jing Xie	Capital Contribution USD6,500,000	Investment Percentage 100.0
Yuen Foong Yu Paper Enterprise (Zhongshan) Co., Ltd.	Chairman Director Director Supervisor President	Yu-Hsu Chang (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Yo-Hui Liu (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Hong-Yi Zhang	Capital Contribution USD6,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Dongguan) Co., Ltd.	Chairman Director Director Supervisor President	Yu-Hsu Chang (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Yo-Hui Liu (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Cheng-Chia Li	Capital Contribution USD6,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Nanjing) Co., Ltd.	Chairman Director Director Supervisor President	Y. C. Chang (Representative of YFY Mauritius Corp.) Ming-Gui Luo (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Ming-Gui Luo	Capital Contribution USD8,958,825.93 Capital Contribution USD1,000,000	Investment Percentage 89.96 Investment Percentage 10.04

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Yuen Foong Yu Paper Enterprise (Qingdao) Co., Ltd.	Chairman Director Director Supervisor President	Wen Nan Sun (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Hong-Ming Chu	Capital Contribution USD8,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Jiashin) Co., Ltd.	Chairman Director Director Supervisor President	De-Ming Liao (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Ren-De Fu	Capital Contribution USD5,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd.	Chairman Director Director Supervisor President	Zhao-Kun Wang (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Zhao-Kun Wang	Capital Contribution USD11,000,000	Investment Percentage 100.0
Yuen Foong Yu Paper Enterprise (Suzhou) Co., Ltd.	Chairman Director Director Supervisor President	Zhao-Kun Wang (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Zhao-Kun Wang	Capital Contribution USD7,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Shanghai) Co., Ltd.	Chairman Director Director Supervisor President	De-Ming Liao (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Liang-Li Chen	Capital Contribution USD8,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Tianjin) Co., Ltd.	Chairman Director Director Supervisor President	Wen Nan Sun (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Shao-Yu Chen (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Yung-Chih Chen	Capital Contribution USD8,000,000	Investment Percentage 100.00
Yuen Foong Yu Paper Enterprise (Fuzhou) Co., Ltd.	Chairman Director Director Supervisor President	Zhong Cheng Dou (Representative of YFY Mauritius Corp.) Y. C. Chang (Representative of YFY Mauritius Corp.) Yo-Hui Liu (Representative of YFY Mauritius Corp.) Kai-Chun Kang (Representative of YFY Mauritius Corp.) Yo Wei Chu, chief of plant as proxy	Capital Contribution USD5,000,000	Investment Percentage 100.00

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Chairman Director Director Director Director Supervisor President	Cheng-Yang Peng (Representative of YFY Mauritius Corp.) S. C. Ho (Representative of YFY Mauritius Corp.) Felix Ho (Representative of YFY Mauritius Corp.) Jun Lang Huang (Representative of YFY Mauritius Corp.) C. C. Huang (Representative of YFY Mauritius Corp.) K. T. Yin (Representative of YFY Mauritius Corp.) C. C. Huang	Capital Contribution USD158,000,000	Investment Percentage 64.6
Yuen Foong Yu Family Care (Kunshan) Co., Ltd.	Chairman Director Director Supervisor President	Zong-Chun Li (Representative of YFY Inc.) Shi-Yang Zeng (Representative of YFY Inc.) Ming-Fa Tang (Representative of YFY Inc.) Pei-Wen Chen (Representative of YFY Inc.) Zong-Chun Li	Capital Contribution USD30,000,000	Investment Percentage 100.0
Yuen Foong Yu Family Paper (Beijing) Co., Ltd.	Chairman Director Director Supervisor President	Zong-Chun Li (Representative of YFY Inc.) Shi-Yang Zeng (Representative of YFY Inc.) Ming-Fa Tang (Representative of YFY Inc.) Pei-Wen Chen (Representative of YFY Inc.) Zong-Chun Li	Capital Contribution USD35,000,000	Investment Percentage 100.0
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Chairman Director Director Supervisor President	Zong-Chun Li (Representative of YFY Inc.) Shi-Yang Zeng (Representative of YFY Inc.) Ming-Fa Tang (Representative of YFY Inc.) Pei-Wen Chen (Representative of YFY Inc.) Zong-Chun Li	Capital Contribution USD30,000,000	Investment Percentage 100.0
YFY Investment Co., Ltd.	Chairman Director Director Supervisor President	Felix Ho (Representative of Yuen Foong Yu Consumer Products Investment Limited) Zong-Chun Li (Representative of Yuen Foong Yu Consumer Products Investment Limited) K. T. Yin (Representative of Yuen Foong Yu Consumer Products Investment Limited) Pei-Wen Chen (Representative of Yuen Foong Yu Consumer Products Investment Limited) Zong-Chun Li	Capital Contribution USD115,000,000	Investment Percentage 100.0
YFY International Trading (Shanghai) Co.	Managing director Supervisor President	Shi-Wei Liu (Representative of Yuen Foong Shop Co., Ltd.) Zhi-Qing Min (Representative of Yuen Foong Shop Co., Ltd.) Shi-Wei Liu	Capital Contribution RMB1,000,000	Investment Percentage 100.0
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	Chairman Director Director Director Director Supervisor President	Jun Lang Huang (Representative of YFY International BVI Corp.) Melody Chiu (Representative of YFY International BVI Corp.) Hsianmin Chen (Representative of YFY International BVI Corp.) Vincent Zhan (Representative of YFY International BVI Corp.) Kuang-Wei Chan (Representative of Cheng Jian Town Investment Co., Ltd.) K. T. Yin (Representative of YFY International BVI Corp.) Jun Lang Huang	Capital Contribution USD14,006,000  Capital Contribution USD894,000	Investment Percentage 94.0  Investment Percentage 6.0

Company name	Title	Name or representative	Shares held				
			Number of shares	Percent shares (%)			
Shenzhen Jinglun Paper Co., Ltd.	Chairman	Chih-Cheng Huang (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)	Capital Contribution RMB3,200,000	Investment Percentage 100.0			
	Director	Rui-He Chen (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)					
	Director	Wei-Yen Liu (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)					
	Supervisor	Vincent Zhan (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)					
	President	Wei-Yen Liu					
YFY Advertising & Printing (Kunshan) Co., Ltd.	Director	Chang, C J (Representative of Yuen Foong Yu Paper (Xiamen) Co., Ltd.)	Capital Contribution USD1,500,000	Investment Percentage 50.0			
	Director	Jian Wang (Representative of Yuen Foong Yu Papers (Guangzhou) Co., Ltd.)	Capital Contribution USD1,500,000	Investment Percentage 50.0			
	Supervisor	Yu-Yang Wang (Representative of Yuen Foong Yu Papers (Guangzhou) Co., Ltd.)					
Kunshan Actview Carbon Technology Co., Ltd.	Chairman	C. C. Huang (Representative of San Ying Enterprises Co., Ltd.)	Capital Contribution USD836,080	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.)	Capital Contribution USD424,000	Investment Percentage 33.6			
	Director	He-Xin Li (Representative of China Carbon Technology)					
	Director	Rui-Xu Li (Representative of China Carbon Technology)					
	Director	Shao-Yu Chen (Representative of San Ying Enterprises Co., Ltd.)					
	Director	C. C. Huang					
Supervisor							
President							
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	Chairman	Jun Lang Huang (Representative of YFY International BVI Corp.)	Capital Contribution USD8,000,000	Investment Percentage 100.0			
	Director	C. C. Huang (Representative of YFY International BVI Corp.)					
	Director	Jui-Chih Huang (Representative of YFY International BVI Corp.)					
	Director	Vincent Zhan (Representative of YFY International BVI Corp.)					
	Supervisor	Jun Lang Huang					
Arizon RFID Technology Co., Ltd.	Chairman	Felix Ho					
	Director	Bing-Yi Lin					
	Director	Hong-Shi Wen					
	Director	Yung-Heng Chen					
	Director	Wan-Chuan Lin					
	Director	Jung-Tsung Chien					
	Independent Director	Hsiao-Ming Cheng					
	Independent Director	Hai-Ying Cheng					
	Independent Director	Hai Xu					
	Supervisor	K. T. Yin					
	Supervisor	Yuan-Pei Zhang					
	Supervisor	Qiu-Yue Xia					
	President	Bing-Yi Lin					
	Yangzhou YEON Technologies Co., Ltd.	Chairman			Bing-Yi Lin (Representative of Arizon RFID Technology Co., Ltd.)	Capital Contribution RMB8,000,000	Investment Percentage 100.0
		Director			Hong-Shi Wen (Representative of Arizon RFID Technology Co., Ltd.)		
Director		Guo-Feng Gao (Representative of Arizon RFID Technology Co., Ltd.)					
Supervisor		Su-Ping Lian (Representative of Arizon RFID Technology Co., Ltd.)					
President		Hong-Shi Wen					
YFY Capital Holdings Corp.	Director	Melody Chiu					
YFY (Shanghai) Commercial Services Co., Ltd.	Chairman	Melody Chiu (Representative of YFY Capital Holdings Corp.)	Capital Contribution RMB50,000,000	Investment Percentage 100.0			
	Director	K. T. Yin (Representative of YFY Capital Holdings Corp.)					
	Director	Cheng-Wei Chou (Representative of YFY Capital Holdings Corp.)					
	Supervisor	Vincent Zhan (Representative of YFY Capital Holdings Corp.)					
	President	Melody Chiu					

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Guangdong Dingfung Pulp & Paper Co., Ltd.	Chairman	Gu-Feng Lin (Representative of CHP International (BVI) Corp.)	Capital Contribution USD51,378,000	Investment Percentage 60.0
	Director	Chih-Cheng Huang (Representative of CHP International (BVI) Corp.)		
	Director	Kirk Hwang (Representative of YFY International BVI Corp.)	Capital Contribution USD34,252,000	Investment Percentage 40.0
	Director	K. T. Yin (Representative of YFY International BVI Corp.)		
	Supervisor	Gu-Feng Lin		
President				
Zhaoqing Dingfung Forestry Co., Ltd.	Chairman	Gu-Feng Lin (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)	Capital Contribution USD14,500,000	Investment Percentage 66.27
	Director	Kirk Hwang (Representative of CHP International (BVI) Corp.)	Capital Contribution USD4,428,000	Investment Percentage 20.24
	Director	Chih-Cheng Huang (Representative of YFY International BVI Corp.)	Capital Contribution USD2,952,000	Investment Percentage 13.49
	Director	K. T. Yin (Representative of YFY International BVI Corp.)		
	Supervisor	Gu-Feng Lin		
President				
Hwa Fong Paper (Hong Kong) Co., Ltd.	Director	Chih-Cheng Huang		
	Director	Rui-He Chen		
	Director	Wei-Yen Liu		
Syntax Communication (H.K.) Ltd.	Director	Chih-Cheng Huang (Representative of CHP International (BVI) Corp.)	34,000,000	100.0
	Director	Wei-Yen Liu (Representative of CHP International (BVI) Corp.)		
	Director	Guan-Jun Lin (Representative of CHP International (BVI) Corp.)		
	President	Wei-Yen Liu		
YFY Jupiter (BVI) Inc.	Chairman	Felix Ho	838,190	6.4
	Director	S. C. Ho		
	Director	Bing-Yi Lin		
	Director	Wen Fu Chen		
	Director	Mitch Crews		
	Director	Sean James Murphy		
Director	Nancy A. Schachtner	761,905	5.8	
Director		707,585	5.4	
YFY Jupiter Limited	Director	Wen Fu Chen	3	100.0
	Director	Tobby To		
	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		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Jupiter Supply Chain Management Services (Shenzhen) Co.	Chairman Director Director Supervisor President	Wen Fu Chen Li-Jia Chen Xing Jun Lin Pei-Ling Dai Wen Fu Chen		
Jupiter Prestige Group Holdings Limited	Director Director Director	Mark Raymond White Mitch Crews Felix Ho	50,375	33.3
Jupiter Prestige Group North America Inc.	Director Director Director Director	Mitch Crews Pei-Ling Dai Mark Raymond White Marriott Winchester		
Opal BPM Limited	Director Director Director Director Director	Mark Raymond White Christopher Ebbs Matthew Mintman Pei-Ling Dai Bing-Yi Lin	100 75	10.0 7.5
Opal BPM India Private Limited	Director Director Director Director	Mark Raymond White Prem Chand Mali Dias Jacob Christopher Ebbs		
Jupiter Prestige Group Australia Pty Ltd.	Director Director Director Director Director	Mark Raymond White Alison Jane Crisp Justin Desmond McCartney Pei-Ling Dai Mitch Crews		
Jupiter Prestige Group Europe Limited	Director Director Director Director	Mark Raymond White Alison Jane Crisp Mitch Crews Pei-Ling Dai		
Jupiter Prestige Group Asia Limited	Director Director Director Director Director	Mark Raymond White Alison Jane Crisp Mark Lee Mitch Crews Pei-Ling Dai		
YFY Jupiter Malaysia SDN. BHD.	Director Director Director	Wen Fu Chen Pei-Ling Dai Chan Chea Fang		
YFY Jupiter Mexico, S. de R.L.	Director Director Director Director	Wen Fu Chen Pei-Ling Dai Kuo-Lung Lee Mitch Crews		
Spectiv Brands, LLC	Director Director	Mitch Crews Pei-Ling Dai		
Yuen Foong Shop (HK) Co. Ltd.	Director	Yuen Foong Shop Co., Ltd.		

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Opal BPM Consulting Ltd.	Director Director Director Director	Mark Raymond White Christopher Ebbs Matthew Mintman Bing-Yi Lin Pei-Ling Dai		
Arizon RFID Technology (Hong Kong) Co., Ltd.	Director Director	Bing-Yi Lin (Representative of Arizon RFID Technology Co., Ltd.) Hong-Shi Wen (Representative of Arizon RFID Technology Co., Ltd.)	3,000,000	100.0
Contrast LLC	Director	Mark Raymond White		
Winsong Packaging Investment Company Ltd.	Chairman Director Director Director Director	Yan-Chung Chang (Representative of YFY Cayman Co., Ltd.) Tsung-Min Chang (Representative of YFY Cayman Co., Ltd.) Che-Hsiang Chang (Representative of YFY Cayman Co., Ltd.) Chih-Bang Chang (Representative of Up High Developments Limited) Yu-Wei Chang (Representative of Up High Developments Limited)	9,520,000   4,080,000	70.0   30.0
YFY Packaging (Ha Nam) Co., Ltd.	Chairman Director President	Liang-Hsing Huang (Representative of Winsong Packaging Investment Company Ltd.) Tsung-Min Chang (Representative of Winsong Packaging Investment Company Ltd.) Liang Hsing Huang	12,400,000	100.0
Willpower Industries Ltd.	Chairman Director Director Director Director President	Felix Ho (Representative of YFY Cayman Co., Ltd.) Tsung-Min Chang (Representative of YFY Cayman Co., Ltd.) Hsianmin Chen (Representative of YFY Cayman Co., Ltd.) Yu-Chi Li (Representative of Great Pacific Investments Limited) Nai-Yung Tsai (Representative of Great Pacific Investments Limited) Tsung-Min Chang	8,550,000   6,950,000	55.16   44.84
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Chairman Director Director President	Tsung-Min Chang (Representative of Willpower Industries Limited) Yan-Chung Chang (Representative of Willpower Industries Limited) Chia-Li Chang (Representative of Willpower Industries Limited) Tsung-Min Chang	10,500,000	100.0
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Chairman Director Director Director Director Director Director President	Tsung-Min Chang (Representative of Willpower Industries Limited) Felix Ho (Representative of Willpower Industries Limited) Nai-Yung Tsai (Representative of Great Pacific Investments Limited) Chia-Li Chang (Representative of Great Pacific Investments Limited) Hsianmin Chen (Representative of Willpower Industries Limited) I-An Lin (Representative of Willpower Industries Limited) Ching-San Chang (Representative of Willpower Industries Limited) Tsung-Min Chang	5,100,000	100.0
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Chairman President	Tsung-Min Chang (Representative of Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.) Tsung-Min Chang	1,200,000	100.0
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Chairman Director Director President	I-An Lin (Representative of Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.) Tsung-Min Chang (Representative of Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.) Hui-Sheng Chen (Representative of Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.) Tsung-Min Chang	10,000,000	100.0

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
YFY Jupiter Indonesia, PT PMA	Director Director Supervisor	Li-Jia Chen MARLISSA DESSY SETYO UTAMI Pei-Ling Dai		
Jupiter Vietnam Company Limited	Director	Li-Jia Chen		
Sustainable Carbohydrate Innovation Company Limited	Chairman Director Director Supervisor President	Ya-Hui Huang (Representative of YFY Inc.) S. C. Ho (Representative of YFY Inc.) P. Y. Hsu (Representative of YFY Inc.) C. F. Wu (Representative of YFY Inc.) Ya-Hui Huang	3,000,000	100.0
YFY Packaging Thai Binh Co., Ltd.	Chairman Director President	Liang-Hsing Huang (Representative of Winsong Packaging Investment Company Ltd.) Yan-Chung Chang (Representative of Winsong Packaging Investment Company Ltd.) Liang Hsing Huang	1,200,000	100.0
Arizon Japan Co., Ltd.	Director Director Director Supervisor	Felix Ho (Representative of Arizon RFID Technology Co., Ltd.) Bing-Yi Lin (Representative of Arizon RFID Technology Co., Ltd.) Xiao-Zhi Luo He Nai-Hsia Wu	1,000	100.0
Zhaoqing Xinchuan Green Technology Co., Ltd.	Chairman Director Director Supervisor	Gu-Feng Lin (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.) Yun-Chang Qin (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.) Tsong-Han Lin (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.) Ssu-I Hou (Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.)	Capital Contribution RMB2,000,000	Investment Percentage 100.0

## (IV) Financial overview and performance of affiliated companies

December 31, 2019 Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after taxes)
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	446,702	518,023	1,398,853	(880,830)	3,382	(11,404)	(18,245)	
Shenzhen Jinglun Paper Co., Ltd.	13,752	829,790	712,622	117,168	1,242,152	23,807	17,390	
YFY Advertising & Printing (Kunshan) Co., Ltd.	89,940	665	456,794	(456,129)	-	(13,151)	(13,257)	
Kunshan Actview Carbon Technology Co., Ltd.	37,775	50,117	1,213	48,904	-	(3,246)	3,658	
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	239,840	105,149	11,533	93,616	125,069	(13,528)	(16,448)	
Arizon RFID Technology Co., Ltd.	834,955	3,368,273	318,604	3,049,669	1,819,463	426,337	409,632	
Yangzhou YEON Technologies Co., Ltd.	34,380	71,402	19,233	52,169	118,867	1,190	735	
YFY Capital Holdings Corp.	241,639	196,165	-	196,165	-	-	(100,447)	(12,462.39)
YFY (Shanghai) Commercial Services Co., Ltd.	214,873	366,119	170,208	195,911	-	(145,973)	(100,448)	
Guangdong Dingfung Pulp & Paper Co., Ltd.	2,567,187	6,110,444	1,373,029	4,737,415	2,179,300	(192,843)	(144,885)	
Zhaoqing Dingfung Forestry Co., Ltd.	655,962	3,728,614	891,136	2,837,478	218,898	7,175	7,175	
Hwa Fong Paper (Hong Kong) Co., Ltd.	446,484	95,686	117	95,569	-	(77)	1,838	0.02
Syntax Communication (H.K.) Ltd.	131,205	17,139	3,358	13,781	27,003	681	602	0.02
YFY Jupiter (BVI), Inc.	39,215	993,618	305,103	688,515	-	(9,022)	79,147	8.74
YFY Jupiter Ltd.	0.012	514,748	437,988	76,760	930,953	12,229	14,811	4,936,890.74
YFY Jupiter US, Inc.	30	161,410	351,907	(190,497)	25,512	4,833	(23,655)	(236.55)
Innovativ Packaging Worldwide, LLC	3	4,891	37,493	(32,602)	4,043	(4,237)	(4,237)	(42.37)
Mobius105 Ltd.	38	190,658	144,870	45,788	459,119	(37,818)	206,464	20,646.44
YFY Jupiter Trading (Shenzhen) Ltd.	10,493	482,348	194,150	288,198	694,478	30,698	196,091	
Kunshan YFY Jupiter Green Packing Ltd.	8,595	545,424	423,016	122,408	1,169,497	69,603	55,484	
Jupiter Supply Chain Management Services (Shenzhen) Co.	-	25,222	7,984	17,238	-	11,137	11,167	
Jupiter Prestige Group Holdings Limited	5,950	296,990	50,089	246,901	5,223	(12,391)	48,966	323.93
Jupiter Prestige Group North America Inc.	30	59,656	61,075	(1,419)	67,465	(41,500)	(26,435)	(264.35)
Opal BPM Limited	50	62,161	19,470	42,691	80,660	17,387	15,916	15,916.39
Opal BPM India Private Limited	42	3,409	537	2,872	645	2,179	1,892	189.20
Jupiter Prestige Group Australia PTY Ltd.	3	29,384	32,352	(2,968)	71,451	2,894	1,437	14,370.02
Jupiter Prestige Group Europe Ltd.	1,509	231,658	29,609	202,049	120,130	(4,403)	85,814	2,860.47
Jupiter Prestige Group Asia Ltd.	0.38	201,882	75,841	126,041	427,956	80,023	79,438	794,378.15
YFY Jupiter Malaysia SDN. BHD.	1	7,560	4,319	3,241	19,767	3,815	2,721	27,212.38
YFY Jupiter Mexico, S. de R. L.	5	191,664	241,511	(49,847)	291,779	(14,867)	(14,837)	
Spectiv Brands, LLC	-	406	59,805	(59,399)	4,821	(24,142)	(24,142)	
Yuen Foong Shop (HK) Co. Ltd.	-	-	-	-	-	-	-	
Opal BPM Consulting Ltd.	39	39	-	39	-	-	-	
Arizon RFID Technology (Hong Kong) Co., Ltd.	89,940	126,006	35,241	90,765	163,020	(9,480)	(9,465)	(3.15)
Contrast LLC	8,619	31,953	5,615	26,338	72,932	24,183	24,232	
Winsong Packaging Investment Company Ltd.	407,728	397,219	23,306	373,913	-	(3,118)	(27,544)	(2.03)
YFY Packaging (Ha Nam) Co., Ltd	371,752	1,332,031	997,555	334,476	866,286	(7,672)	(30,757)	(2.48)
Willpower Industries Limited	464,690	2,034,914	37,319	1,997,595	289,121	58,136	264,207	17.05
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	314,790	1,255,342	926,075	329,267	1,722,403	70,700	22,698	2.16
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	152,898	1,701,953	338,081	1,363,872	2,031,435	145,055	213,379	41.84
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	35,976	148,754	85,895	62,859	385,649	11,927	10,092	8.41
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	299,800	1,194,734	464,607	730,127	1,711,374	152,307	114,058	11.41
YFY Jupiter Indonesia, PT PMA	5,405	218,763	196,025	22,738	495,196	23,522	17,557	7,022.82
Jupiter Vietnam Company Limited	1,462	24,862	23,662	1,200	52,896	(390)	1,185	
Sustainable Carbohydrate Innovation Company Limited	30,000	43,829	11,731	32,098	37,409	2,593	2,098	0.70
YFY Packaging Thai Binh Co., Ltd.	35,976	145,960	103,609	42,351	292,644	8,457	6,275	5.23
Arizon Japan Co., Ltd.	13,800	14,655	3,215	11,440	8,114	(2,344)	(2,411)	(2,411.00)
Zhaoqing Xinchuan Green Technology Co., Ltd.	8,595	9,359	93	9,266	870	739	700	

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Net income (after taxes)	Earnings per share (NT\$)(after taxes)
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	446,702	518,023	1,398,853	(880,830)	3,382	(11,404)	(18,245)	
Shenzhen Jinglun Paper Co., Ltd.	13,752	829,790	712,622	117,168	1,242,152	23,807	17,390	
YFY Advertising & Printing (Kunshan) Co., Ltd.	89,940	665	456,794	(456,129)	-	(13,151)	(13,257)	
Kunshan Actview Carbon Technology Co., Ltd.	37,775	50,117	1,213	48,904	-	(3,246)	3,658	
Yuen Foong Yu Blue Economy Natural Resources (Yangzhou) Co., Ltd.	239,840	105,149	11,533	93,616	125,069	(13,528)	(16,448)	
Arizon RFID Technology Co., Ltd.	834,955	3,368,273	318,604	3,049,669	1,819,463	426,337	409,632	
Yangzhou YEON Technologies Co., Ltd.	34,380	71,402	19,233	52,169	118,867	1,190	735	
YFY Capital Holdings Corp.	241,639	196,165	-	196,165	-	-	(100,447)	(12,462.39)
YFY (Shanghai) Commercial Services Co., Ltd.	214,873	366,119	170,208	195,911	-	(145,973)	(100,448)	
Guangdong Dingfung Pulp & Paper Co., Ltd.	2,567,187	6,110,444	1,373,029	4,737,415	2,179,300	(192,843)	(144,885)	
Zhaoqing Dingfung Forestry Co., Ltd.	655,962	3,728,614	891,136	2,837,478	218,898	7,175	7,175	
Hwa Fong Paper (Hong Kong) Co., Ltd.	446,484	95,686	117	95,569	-	(77)	1,838	0.02
Syntax Communication (H.K.) Ltd.	131,205	17,139	3,358	13,781	27,003	681	602	0.02
YFY Jupiter (BVI), Inc.	39,215	993,618	305,103	688,515	-	(9,022)	79,147	8.74
YFY Jupiter Ltd.	0.012	514,748	437,988	76,760	930,953	12,229	14,811	4,936,890.74
YFY Jupiter US, Inc.	30	161,410	351,907	(190,497)	25,512	4,833	(23,655)	(236.55)
Innovativ Packaging Worldwide, LLC	3	4,891	37,493	(32,602)	4,043	(4,237)	(4,237)	(42.37)
Mobius105 Ltd.	38	190,658	144,870	45,788	459,119	(37,818)	206,464	20,646.44
YFY Jupiter Trading (Shenzhen) Ltd.	10,493	482,348	194,150	288,198	694,478	30,698	196,091	
Kunshan YFY Jupiter Green Packing Ltd.	8,595	545,424	423,016	122,408	1,169,497	69,603	55,484	
Jupiter Supply Chain Management Services (Shenzhen) Co.	-	25,222	7,984	17,238	-	11,137	11,167	
Jupiter Prestige Group Holdings Limited	5,950	296,990	50,089	246,901	5,223	(12,391)	48,966	323.93
Jupiter Prestige Group North America Inc.	30	59,656	61,075	(1,419)	67,465	(41,500)	(26,435)	(264.35)
Opal BPM Limited	50	62,161	19,470	42,691	80,660	17,387	15,916	15,916.39
Opal BPM India Private Limited	42	3,409	537	2,872	645	2,179	1,892	189.20
Jupiter Prestige Group Australia PTY Ltd.	3	29,384	32,352	(2,968)	71,451	2,894	1,437	14,370.02
Jupiter Prestige Group Europe Ltd.	1,509	231,658	29,609	202,049	120,130	(4,403)	85,814	2,860.47
Jupiter Prestige Group Asia Ltd.	0.38	201,882	75,841	126,041	427,956	80,023	79,438	794,378.15
YFY Jupiter Malaysia SDN. BHD.	1	7,560	4,319	3,241	19,767	3,815	2,721	27,212.38
YFY Jupiter Mexico, S. de R. L.	5	191,664	241,511	(49,847)	291,779	(14,867)	(14,837)	
Spectiv Brands, LLC	-	406	59,805	(59,399)	4,821	(24,142)	(24,142)	
Yuen Foong Shop (HK) Co. Ltd.	-	-	-	-	-	-	-	
Opal BPM Consulting Ltd.	39	39	-	39	-	-	-	
Arizon RFID Technology (Hong Kong) Co., Ltd.	89,940	126,006	35,241	90,765	163,020	(9,480)	(9,465)	(3.15)
Contrast LLC	8,619	31,953	5,615	26,338	72,932	24,183	24,232	
Winsong Packaging Investment Company Ltd.	407,728	397,219	23,306	373,913	-	(3,118)	(27,544)	(2.03)
YFY Packaging (Ha Nam) Co., Ltd	371,752	1,332,031	997,555	334,476	866,286	(7,672)	(30,757)	(2.48)
Willpower Industries Limited	464,690	2,034,914	37,319	1,997,595	289,121	58,136	264,207	17.05
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	314,790	1,255,342	926,075	329,267	1,722,403	70,700	22,698	2.16
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	152,898	1,701,953	338,081	1,363,872	2,031,435	145,055	213,379	41.84
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	35,976	148,754	85,895	62,859	385,649	11,927	10,092	8.41
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	299,800	1,194,734	464,607	730,127	1,711,374	152,307	114,058	11.41
YFY Jupiter Indonesia, PT PMA	5,405	218,763	196,025	22,738	495,196	23,522	17,557	7,022.82
Jupiter Vietnam Company Limited	1,462	24,862	23,662	1,200	52,896	(390)	1,185	
Sustainable Carbohydrate Innovation Company Limited	30,000	43,829	11,731	32,098	37,409	2,593	2,098	0.70
YFY Packaging Thai Binh Co., Ltd.	35,976	145,960	103,609	42,351	292,644	8,457	6,275	5.23
Arizon Japan Co., Ltd.	13,800	14,655	3,215	11,440	8,114	(2,344)	(2,411)	(2,411.00)
Zhaoqing Xinchuan Green Technology Co., Ltd.	8,595	9,359	93	9,266	870	739	700	
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	446,702	518,023	1,398,853	(880,830)	3,382	(11,404)	(18,245)	
Shenzhen Jinglun Paper Co., Ltd.	13,752	829,790	712,622	117,168	1,242,152	23,807	17,390	

(V) Consolidated financial statements of various affiliated enterprises:

Declaration of consolidated financial statements of affiliated enterprises

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, 2019 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.

Hereby solemnly and sincerely declared by

Name of Company: YFY Inc.

Chairman: Felix Ho

March 23, 2020

- II. Private placement of securities in last 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 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 Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the past year and up to the print date of this annual report:  
N/A**

## Appendix

YFY Inc.



Chairman of the Board Felix Ho



## **YFY Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

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

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

YFY INC.

By:

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FELIX HO  
Chairman

March 23, 2020

## **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 referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019 are stated as follows:

#### Estimation of Expected Credit Loss Recognized on Accounts Receivable

The accounts receivable of the Group's significant components are 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, we identified the estimation of expected credit loss recognized on accounts receivable 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 11 to the accompanying consolidated financial statements.

The key audit procedures that we performed in respect of the expected credit loss on accounts receivable included the following:

1. We obtained and assessed the reasonableness of the method and the information used by management for the estimation of expected credit loss recognized on accounts receivable.
2. We tested sample items in the aging report on the balance sheet date and verified the correctness of the calculation of the expected credit loss.
3. We analyzed overdue receivables and performed sampling on the collection of overdue receivables after the balance sheet date. We assessed the reasonableness of the expected credit loss recognized on accounts receivable based on customers' historical payment records, credit line control and overdue receivables tracking.

#### **Other Matter**

We did not audit the financial statements as of and for the years ended December 31, 2019 and 2018 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., Ever Growing Agriculture Biotech Co., Ltd., the subsidiaries of Willpower Industries Ltd., the subsidiaries of Winsong Packaging Investment Company Limited and Livebricks Inc. and the financial statements as of and for the year ended December 31, 2019 of Sustainable Carbohydrate Innovation Co., Ltd., 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, in so far 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. As of December 31, 2019 and 2018, the assets of these subsidiaries were NT\$6,716,882 thousand and NT\$6,053,763 thousand, respectively, representing 5.5% and 5.1% of the total consolidated assets. For the years ended December 31, 2019 and 2018, the net sales of these subsidiaries were NT\$6,657,616 thousand and NT\$3,431,947 thousand, respectively, representing 8.9% and 4.5% of the consolidated net sales. In addition, as of and for the years ended December 31, 2019 and 2018, the financial statements 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 these investees' profit or loss and other comprehensive income, is based solely on the report of other auditors. As of December 31, 2019 and 2018, the carrying amounts of these investees were NT\$112,618 thousand and NT\$158,847 thousand, respectively. These investees' net profit or loss were included in the Group's total comprehensive income and loss for the years ended December 31, 2019 and 2018 which were a loss of NT\$36,103 thousand and a gain of NT\$4,411 thousand, respectively.

We have also audited the financial statements of YFY Inc. as of and for the years ended December 31, 2019 and 2018 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, 2019 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 Ching-Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS (Note 4)</b>				
Cash and cash equivalents (Note 6)	\$ 6,062,871	5	\$ 4,658,611	4
Current financial assets at fair value through profit or losses (Note 7)	1,107,193	1	1,285,303	1
Current financial assets at fair value through other comprehensive income (Note 8)	6,226,812	5	4,990,981	4
Current financial assets at amortized cost (Note 9)	2,806,178	2	1,320,145	1
Notes receivable, net (Notes 11, 22 and 30)	2,874,640	2	3,700,326	3
Accounts receivable, net (Notes 11 and 22)	11,559,561	10	11,676,010	10
Accounts receivable due from related parties, net (Notes 22 and 29)	99,919	-	91,176	-
Current inventories (Note 12)	9,622,859	8	11,161,650	9
Current biological assets (Note 13)	3,252,537	3	3,317,475	3
Prepayments	1,378,095	1	1,123,886	1
Other current financial assets (Note 30)	74,984	-	112,304	-
Other current assets, others (Note 10)	687,867	1	879,512	1
<b>Total current assets</b>	<b>45,753,516</b>	<b>38</b>	<b>44,317,379</b>	<b>37</b>
<b>NON-CURRENT ASSETS (Note 4)</b>				
Non-current financial assets at fair value through profit or loss (Note 7)	402,418	-	402,418	-
Non-current financial assets at fair value through other comprehensive income (Note 8)	13,564,673	11	11,753,327	10
Non-current financial assets at amortized cost (Note 9)	389,923	-	64,400	-
Investments accounted for using equity method (Note 15)	5,617,081	5	5,781,562	5
Property, plant and equipment (Notes 16, 23 and 30)	47,806,173	40	48,947,012	42
Right-of-use assets (Notes 3, 17, 23 and 30)	1,923,886	2	-	-
Investment property, net (Notes 18 and 23)	2,746,484	2	2,759,156	2
Goodwill (Note 15)	509,530	-	521,979	1
Deferred tax assets (Note 24)	421,517	-	409,412	-
Prepayments for business facilities (Note 16)	1,338,459	1	1,177,770	1
Long-term lease prepayments (Note 30)	-	-	1,354,948	1
Other non-current assets, others (Notes 20, 23 and 30)	615,353	1	719,011	1
<b>Total non-current assets</b>	<b>75,335,497</b>	<b>62</b>	<b>73,890,995</b>	<b>63</b>
<b>TOTAL ASSETS</b>	<b>\$ 121,089,013</b>	<b>100</b>	<b>\$ 118,208,374</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current borrowings (Notes 19 and 30)	\$ 12,524,445	10	\$ 11,477,187	10
Short-term notes and bills payable (Note 19)	6,026,520	5	6,696,636	6
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	137,460	-	135,316	-
Current contract liabilities (Note 22)	481,639	-	481,727	1
Notes and accounts payable	9,304,686	8	8,453,518	7
Accounts payable to related parties (Note 29)	44,036	-	64,405	-
Other payables, others (Note 16)	3,738,827	3	3,604,020	3
Current tax liabilities (Notes 4 and 24)	563,862	1	442,823	-
Current lease liabilities (Notes 3, 4 and 17)	156,949	-	-	-
Long-term liabilities, current portion (Notes 19 and 30)	-	-	120,000	-
Other current liabilities, others (Notes 4 and 10)	2,734,462	2	1,229,287	1
<b>Total current liabilities</b>	<b>35,712,886</b>	<b>29</b>	<b>32,704,919</b>	<b>28</b>
<b>NON-CURRENT LIABILITIES (Note 4)</b>				
Non-current portion of non-current borrowings (Notes 19 and 30)	29,399,726	24	33,614,835	28
Deferred tax liabilities (Note 24)	3,425,496	3	3,411,586	3
Non-current lease liabilities (Notes 3 and 17)	350,898	-	-	-
Net defined benefit liability, non-current (Note 20)	1,062,048	1	1,256,602	1
Other non-current liabilities, others	354,425	1	287,399	-
<b>Total non-current liabilities</b>	<b>34,592,593</b>	<b>29</b>	<b>38,570,422</b>	<b>32</b>
<b>Total liabilities</b>	<b>70,305,479</b>	<b>58</b>	<b>71,275,341</b>	<b>60</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Notes 4, 21, 26 and 29)</b>				
Share capital	16,603,715	13	16,603,715	14
Capital surplus	1,000,169	1	989,929	1
Retained earnings	15,879,283	13	14,241,392	12
Other equity interest	5,767,066	5	3,627,473	3
<b>Total equity attributable to owners of parent</b>	<b>39,250,233</b>	<b>32</b>	<b>35,462,509</b>	<b>30</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>11,533,301</b>	<b>10</b>	<b>11,470,524</b>	<b>10</b>
<b>Total equity</b>	<b>50,783,534</b>	<b>42</b>	<b>46,933,033</b>	<b>40</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 121,089,013</b>	<b>100</b>	<b>\$ 118,208,374</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 29)				
Net sales revenue	\$ 64,816,784	87	\$ 67,472,363	88
Other operating revenue, net	<u>9,943,703</u>	<u>13</u>	<u>8,967,320</u>	<u>12</u>
Total operating revenue	<u>74,760,487</u>	<u>100</u>	<u>76,439,683</u>	<u>100</u>
OPERATING COSTS (Notes 12, 20, 23 and 29)				
Cost of sales	55,204,803	74	58,427,279	77
Other operating costs	<u>6,987,756</u>	<u>9</u>	<u>6,316,715</u>	<u>8</u>
Total operating costs	<u>62,192,559</u>	<u>83</u>	<u>64,743,994</u>	<u>85</u>
LOSS ON CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Notes 4 and 13)	<u>(6,089)</u>	<u>-</u>	<u>(10,695)</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS	<u>12,561,839</u>	<u>17</u>	<u>11,684,994</u>	<u>15</u>
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling expenses	5,407,146	7	5,090,711	7
Administrative expenses	3,812,692	5	3,979,022	5
Research and development expenses	<u>351,192</u>	<u>1</u>	<u>255,431</u>	<u>-</u>
Total operating expenses	<u>9,571,030</u>	<u>13</u>	<u>9,325,164</u>	<u>12</u>
NET OPERATING INCOME	<u>2,990,809</u>	<u>4</u>	<u>2,359,830</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs, net (Notes 4 and 23)	(930,214)	(1)	(1,019,521)	(1)
Share of profit of associates accounted for using equity method, net (Notes 4 and 15)	400,731	-	480,299	-
Interest income	219,894	-	196,504	-
Rent income (Notes 18 and 29)	64,664	-	91,781	-
Dividend income	707,436	1	565,597	1
Other income, others	523,024	1	492,062	1
Gains on financial assets or liabilities at fair value through profit or loss	91,344	-	619,430	1
Miscellaneous disbursements	(241,709)	-	(79,809)	-
Foreign exchange losses	<u>(269,787)</u>	<u>-</u>	<u>(780,079)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>565,383</u>	<u>1</u>	<u>566,264</u>	<u>1</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 3,556,192	5	\$ 2,926,094	4
TAX EXPENSE (Notes 4 and 24)	<u>(896,569)</u>	<u>(1)</u>	<u>(966,330)</u>	<u>(1)</u>
PROFIT FROM CONTINUING OPERATIONS	<u>2,659,623</u>	<u>4</u>	<u>1,959,764</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 20 and 24)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	59,553	-	(172,561)	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	3,403,929	5	282,771	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>202,134</u>	<u>-</u>	<u>(176,425)</u>	<u>-</u>
	<u>3,665,616</u>	<u>5</u>	<u>(66,215)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	(1,003,372)	(2)	202,068	-
Gains on hedging instruments	1,134	-	7,614	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(126,498)</u>	<u>-</u>	<u>8,005</u>	<u>-</u>
	<u>(1,128,736)</u>	<u>(2)</u>	<u>217,687</u>	<u>-</u>
Other comprehensive income, net	<u>2,536,880</u>	<u>3</u>	<u>151,472</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,196,503</u>	<u>7</u>	<u>\$ 2,111,236</u>	<u>3</u>
PROFIT, ATTRIBUTABLE TO:				
Profit, attributable to owners of parent	\$ 2,285,769	3	\$ 1,440,003	2
Profit, attributable to non-controlling interests	<u>373,854</u>	<u>1</u>	<u>519,761</u>	<u>1</u>
	<u>\$ 2,659,623</u>	<u>4</u>	<u>\$ 1,959,764</u>	<u>3</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2019		2018	
	Amount	%	Amount	%
COMPREHENSIVE INCOME, ATTRIBUTABLE TO:				
Comprehensive income, attributable to owners of parent	\$ 4,773,707	6	\$ 1,597,278	2
Comprehensive income, attributable to non-controlling interests	<u>422,796</u>	<u>1</u>	<u>513,958</u>	<u>1</u>
	<u>\$ 5,196,503</u>	<u>7</u>	<u>\$ 2,111,236</u>	<u>3</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	
Diluted earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

YFY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent														Total	Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus				Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Equity					
	Shares (In Thousands)	Amount	Treasury Shares	Consolidation Excess	Other	Total	Legal Reserve	Special Reserve	Unappropriated Retained Earnings				Unrealized Gains (Losses) Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Effective Portion of Cash Flow Hedges				Gains (Losses) on Hedging Instruments
									Retained Earnings	Total								
BALANCE AT JANUARY 1, 2018	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
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	-	160,651	-	(160,651)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1,455)	1,455	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(481,966)	(481,966)
Changes in equity of associates accounted for using equity method	-	-	-	-	(40,151)	(40,151)	-	-	50,004	50,004	-	-	(339)	-	-	9,514	1,103	10,617
Other changes in capital surplus	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-	-	-	(18)	-	(18)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(29,430)	(29,430)	-	-	-	-	-	-	-	-	-	(29,430)	315,830	286,400
Changes in ownership interests in subsidiaries	-	-	-	-	12,728	12,728	-	-	(55,614)	(55,614)	-	-	-	-	-	(42,886)	45,641	2,755
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	738,013	738,013
Profit	-	-	-	-	-	-	-	-	1,440,003	1,440,003	-	-	-	-	-	1,440,003	519,761	1,959,764
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(165,751)	(165,751)	223,046	-	92,119	-	7,861	157,275	(5,803)	151,472
Total comprehensive income	-	-	-	-	-	-	-	-	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 at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	(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
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	-	144,000	-	(144,000)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(377,401)	(377,401)
Changes in equity of associates accounted for using equity method	-	-	-	-	(6,123)	(6,123)	-	-	555	555	-	-	(555)	-	-	(6,123)	(439)	(6,562)
Other changes in capital surplus	-	-	-	-	3,085	3,085	-	-	-	-	-	-	-	-	-	3,085	-	3,085
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(962)	(962)	-	-	-	-	-	-	-	-	-	(962)	7,209	6,247
Changes in ownership interests in subsidiaries	-	-	-	-	14,240	14,240	-	-	61	61	-	-	(61)	-	-	14,240	10,612	24,852
Profit	-	-	-	-	-	-	-	-	2,285,769	2,285,769	-	-	-	-	-	2,285,769	373,854	2,659,623
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	59,516	59,516	(995,837)	-	3,423,626	-	633	2,487,938	48,942	2,536,880
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,345,285	2,345,285	(995,837)	-	3,423,626	-	633	4,773,707	422,796	5,196,503
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	288,213	288,213	-	-	(288,213)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	1,660,372	16,603,715	14,947	293,124	692,098	1,000,169	3,559,373	4,028,583	8,291,327	15,879,283	(1,036,202)	-	6,809,645	-	(6,377)	39,250,233	11,533,301	50,783,534

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES, INDIRECT METHOD		
Profit before tax	\$ 3,556,192	\$ 2,926,094
Adjustments to reconcile profit (loss)		
Depreciation and amortization expenses	4,209,698	3,960,459
Expected credit loss (gain)	(30,759)	43,363
Net gain on financial assets or liabilities at fair value through profit or loss	(91,344)	(619,430)
Finance costs	930,214	1,019,521
Interest income	(219,894)	(196,504)
Dividend income	(707,436)	(565,597)
Share of profit of associates accounted for using equity method	(400,731)	(480,299)
Loss on disposal of property, plant and equipment	236	7,197
Gain on disposal of investment properties	(26,638)	(3,948)
Loss (gain) on disposal of investments	997	(65)
Write-downs of inventories	84,850	48
Unrealized foreign exchange loss (gain)	(117,880)	829,797
Loss on changes in fair value less costs to sell of biological assets	6,089	10,695
Gain on bargain purchases	-	(6,975)
Changes in operating assets and liabilities		
Decrease (increase) in current financial assets at fair value through profit or loss, mandatorily measured at fair value	771,620	(100,256)
Decrease (increase) in notes receivable, net	759,436	199,854
Decrease (increase) in accounts receivable, net	(96,169)	446,253
Decrease (increase) in accounts receivable due from related parties, net	(8,743)	(68,998)
Decrease (increase) in current inventories	1,329,001	(1,266,668)
Decrease (increase) in current biological assets	(75,863)	(106,099)
Decrease (increase) in prepayments	(289,560)	86,395
Decrease (increase) in other current assets, others	99,712	83,167
Increase (decrease) in financial liabilities held for trading	(514,105)	(286,904)
Increase (decrease) in current contract liabilities	16,165	41,780
Increase (decrease) in notes and accounts payable	1,184,873	(776,680)
Increase (decrease) in accounts payable to related parties	118,095	23,384
Increase (decrease) in other payable, others	81,138	441,683
Increase (decrease) in other current liabilities, others	365,118	65,809
Increase (decrease) in net defined benefit liability, non-current	(120,116)	(128,643)
Cash inflow generated from operations	10,814,196	5,578,433
Interest received	200,973	194,990
Dividends received	1,138,691	874,494
Interest paid	(814,295)	(1,053,490)
Income taxes paid	(798,952)	(651,605)
Net cash flows generated from operating activities	<u>10,540,613</u>	<u>4,942,822</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (5)	\$ (83,777)
Proceeds from disposal of financial assets at fair value through other comprehensive income	283,222	140,668
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	66,769	46,122
Acquisition of financial assets at amortized cost	(1,854,993)	-
Proceeds from disposal of financial assets at amortized cost	-	745,296
Acquisition of financial assets for hedging	(174)	-
Disposal of financial assets for hedging	-	6,521
Acquisition of investments accounted for using equity method	(3,770)	-
Proceeds from disposal of investments accounted for using equity method	60	1,345
Net cash flow from acquisition of subsidiaries	-	77,041
Proceeds from disposal of subsidiaries	(406)	-
Proceeds from capital reduction of investments accounted for using equity method	199,432	282,170
Acquisition of property, plant and equipment	(3,890,640)	(3,981,233)
Proceeds from disposal of property, plant and equipment	130,438	125,424
Acquisition of right-of-use assets	(147,333)	-
Proceeds from disposal of investment properties	30,013	17,585
Decrease in other financial assets	35,784	303,859
Decrease (increase) in other non-current assets	(62,910)	78,819
Decrease in long-term lease prepayments	-	2,175
Increase in other current liabilities, others	<u>1,365,735</u>	<u>-</u>
Net cash flows used in investing activities	<u>(3,848,778)</u>	<u>(2,237,985)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Increase in current borrowings	1,159,513	-
Decrease in current borrowings	-	(1,122,728)
Decrease in short-term notes and bills payable	(670,116)	(1,326,681)
Proceeds from long-term debt	-	1,413,994
Repayments of long-term debt	(4,172,787)	-
Payments of lease liabilities	(166,571)	-
Increase in other non-current liabilities, others	115,209	32,685
Cash dividends paid	(996,223)	(996,223)
Change in non-controlling interests	(385,857)	(196,573)
Overdue dividends received	<u>3,088</u>	<u>5</u>
Net cash flows used in financing activities	<u>(5,113,744)</u>	<u>(2,195,521)</u>

(Continued)

## YFY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>\$ (173,831)</u>	<u>\$ 4,401</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,404,260	513,717
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,658,611</u>	<u>4,144,894</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,062,871</u>	<u>\$ 4,658,611</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

# YFY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

The Company 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, Yuen Foong Yu 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 Corporation (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 23, 2020.

### 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, 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 did not have any material impact on the Group’s accounting policies:

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the notes of the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Currently, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China were recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

The lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.56%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 634,526
Less: Recognition exemption for short-term leases and leases of low-value assets	<u>(78,222)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 556,304</u>
Discounted amounts using the incremental borrowing rate and lease liabilities recognized on January 1, 2019	<u>\$ 537,268</u>

### The Group as lessor

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

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
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>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Issued by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

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 an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an 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 results in the non-controlling interests having a deficit balance.

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

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

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

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

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (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. The 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 measured initially 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 Group 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, if any. 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 the Group 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 categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (i.e., 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 the financial asset. Fair value is determined in the manner described in Note 28.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

b) Impairment of financial assets

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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group) when internal or external information show that the debtor is unlikely to pay its creditors.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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 an equity instrument at FVTOCI, the cumulative gain or loss which 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 28.

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 a variety of 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, combined option contracts and currency exchange 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.

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 that is 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 gains or losses relating to the ineffective portion are 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.

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 was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

p. Provisions

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

q. Revenue recognition

Revenue 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.

r. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at present value of the lease payments and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

## 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

### s. 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.

### t. 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 services.

#### 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.

### u. 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 on unappropriated earnings is provided for as income tax in the year the 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 trade receivables

The provision for impairment of account 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. 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.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 33,372	\$ 17,296
Checking accounts and demand deposits	4,470,772	3,468,017
Cash equivalents		
Time deposits	1,522,727	1,116,298
Repurchase agreements collateralized by bonds	<u>36,000</u>	<u>57,000</u>
	<u>\$ 6,062,871</u>	<u>\$ 4,658,611</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 14,995	\$ 10,292
Combined option contracts	12,668	47,920
Currency exchange contracts	32	-
Cross-currency swap contracts	-	97,838
Structured deposits	213,596	-
Non-derivative financial assets		
Mutual funds	644,774	179,048
Hybrid financial assets		
Structured deposits	<u>221,128</u>	<u>950,205</u>
	<u>\$ 1,107,193</u>	<u>\$ 1,285,303</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Subordinated bank debentures	\$ 402,418	\$ 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	\$ 112,240	\$ 102,116
Combined option contracts	25,220	33,200
	<u>\$ 137,460</u>	<u>\$ 135,316</u>
		(Concluded)

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Buy	USD:RMB	2020.01.06-2020.01.21	USD30,000
Buy	USD:NTD	2020.01.16-2020.01.21	USD6,000
Sell	USD:NTD	2020.01.02-2020.02.27	USD37,800
Sell	RMB:USD	2020.01.06-2020.03.11	RMB2,102,251
<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

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 contract not under hedge accounting was as follows:

<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
US\$45,000	2019.04.16-2019.05.08	3.52%-3.64%	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:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Buy	USD:RMB	2020.07.02-2020.10.22	USD40,000
Sell	USD:RMB	2020.07.02-2020.10.22	USD40,000
<u>December 31, 2018</u>			
Buy	USD:RMB	2019.06.26-2019.10.23	USD70,000
Sell	USD:RMB	2019.06.26-2019.10.23	USD70,000

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

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Currency exchange contracts	JPY:USD	2020.03.16	JPY250,000/USD2,308

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Investments in equity instruments at FVTOCI - current</u>		
Domestic investments		
Listed shares	\$ 6,226,812	\$ 4,990,981
<u>Investments in equity instruments at FVTOCI - non-current</u>		
Domestic investments		
Listed shares	\$ 9,500,327	\$ 8,363,169
Unlisted shares	<u>3,838,772</u>	<u>3,007,277</u>
	13,339,099	11,370,446
Foreign investments		
Unlisted shares	<u>225,574</u>	<u>382,881</u>
	<u>\$ 13,564,673</u>	<u>\$ 11,753,327</u>

The Group invested in listed and unlisted on domestic or foreign equity securities, and elected to designate these investments in equity instruments as at FVTOCI.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months and not exceeding 1 year	<u>\$ 2,806,178</u>	<u>\$ 1,320,145</u>
<u>Non-current</u>		
Time deposits with original maturity of more than 1 year	<u>\$ 389,923</u>	<u>\$ 64,400</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months and not exceeding 1 year were 0.63-3.05% and 0.19-3.95%, respectively, as at the end of the reporting period.

The ranges of interest rates for time deposits with original maturities of more than 1 year were 1.07-3.96% and 1.07-1.12%, respectively, as at the end of the reporting period.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Derivative financial assets under hedge accounting - current</u> <u>(accounted for as other current assets, others)</u>		
Foreign exchange forward contracts	<u>\$ 24</u>	<u>\$ 101</u>
<u>Derivative financial liabilities under hedge accounting - current</u> <u>(accounted for as other current liabilities, others)</u>		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 251</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:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Buy	EUR:NTD	2020.01.31	EUR300
<u>December 31, 2018</u>			
Buy	EUR:NTD	2019.01.22-2019.03.05	EUR3,712
Buy	JPY:NTD	2019.01.31	JPY13,950

## 11. NOTES RECEIVABLES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
Notes receivable	\$ 2,883,707	\$ 3,711,474
Less: Allowance for impairment loss	<u>(9,067)</u>	<u>(11,148)</u>
	<u>\$ 2,874,640</u>	<u>\$ 3,700,326</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 11,968,575	\$ 12,171,582
Less: Allowance for impairment loss	<u>(409,014)</u>	<u>(495,572)</u>
	<u>\$ 11,559,561</u>	<u>\$ 11,676,010</u>

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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, 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 provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 90 Days</b>	<b>91 to 180 Days</b>	<b>181 to 360 Days</b>	<b>Over 361 Days</b>	<b>Total</b>
Gross carrying amount	\$ 14,059,643	\$ 399,738	\$ 98,377	\$ 24,562	\$ 269,962	\$ 14,852,282
Loss allowance (Lifetime ECLs)	<u>(68,038)</u>	<u>(48,661)</u>	<u>(26,251)</u>	<u>(7,111)</u>	<u>(268,020)</u>	<u>(418,081)</u>
Amortized cost	<u>\$ 13,991,605</u>	<u>\$ 351,077</u>	<u>\$ 72,126</u>	<u>\$ 17,451</u>	<u>\$ 1,942</u>	<u>\$ 14,434,201</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 90 Days</b>	<b>91 to 180 Days</b>	<b>181 to 360 Days</b>	<b>Over 361 Days</b>	<b>Total</b>
Gross carrying amount	\$ 14,937,219	\$ 508,006	\$ 49,895	\$ 46,832	\$ 341,104	\$ 15,883,056
Loss allowance (Lifetime ECLs)	<u>(92,245)</u>	<u>(72,781)</u>	<u>(669)</u>	<u>(39,412)</u>	<u>(301,613)</u>	<u>(506,720)</u>
Amortized cost	<u>\$ 14,844,974</u>	<u>\$ 435,225</u>	<u>\$ 49,226</u>	<u>\$ 7,420</u>	<u>\$ 39,491</u>	<u>\$ 15,376,336</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 506,720	\$ 502,380
Add: Net remeasurement of loss allowance	(30,759)	43,363
Less: Amounts written off	(45,457)	(76,543)
Acquisitions through business combinations	-	48,416
Effect of foreign currency exchange differences	<u>(12,423)</u>	<u>(10,896)</u>
Balance at December 31	<u>\$ 418,081</u>	<u>\$ 506,720</u>

As of December 31, 2019 and 2018, the Group discounted a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of \$1,251,178 thousand and \$1,675,911 thousand. For information on the transfer of financial instruments, refer to Note 28.

The carrying amount of notes receivable pledged as collateral was disclosed in Note 30.

**12. INVENTORIES**

	<b><u>December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Finished and purchased goods	\$ 4,198,193	\$ 4,732,968
Materials	4,652,174	5,426,203
Work-in-process	<u>772,492</u>	<u>1,002,479</u>
	<u>\$ 9,622,859</u>	<u>\$ 11,161,650</u>

The cost of goods sold for the year ended December 31, 2019 and 2018 included inventory write-downs of \$84,850 thousand and \$48 thousand, respectively.

### 13. BIOLOGICAL ASSETS

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 3,317,475	\$ 3,280,878
Increases due to planting	201,244	262,718
Loss on changes in fair value less costs to sell	(6,089)	(10,695)
Decreases due to harvest	(125,381)	(156,619)
Effect of foreign currency exchange differences	<u>(134,712)</u>	<u>(58,807)</u>
Balance at December 31	<u>\$ 3,252,537</u>	<u>\$ 3,317,475</u>

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Eucalyptus (Level 3)	<u>\$ 3,360,128</u>	<u>\$ 3,396,946</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 3,396,946	\$ 3,380,533
Increases due to planting	211,239	292,628
Loss on changes in fair value	(6,392)	(11,912)
Decreases due to harvesting	(131,608)	(174,448)
Effect of foreign currency exchange differences	<u>(110,057)</u>	<u>(89,855)</u>
Balance at December 31	<u>\$ 3,360,128</u>	<u>\$ 3,396,946</u>

### 14. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements (for the diagram of investment structure of the Group as at December 31, 2019, refer to Table 1):

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
YFY Inc.	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	56.9	56.9	
	YFY International BVI Corp.	Investment and holding	100.0	100.0	
	YFY Global Investment BVI Corp.	Investment and holding	100.0	100.0	
	Yuen Foong Yu Consumer Products Co., Ltd.	Production and sale of high quality paper and paper - related merchandise	100.0	100.0	
	Shin Foong Specialty and Applied Materials Co., Ltd	Production and sale of SBR (styrene butadiene rubber) latex	49.5	49.6	1)
	China Color Printing Co., Ltd.	Design and print of magazines, posters and books	49.7	49.7	1)
	YFY Venture Capital Investment Co., Ltd.	Investment and holding	100.0	100.0	
	Effion Energetech Co., Ltd.	To operate cogeneration and provide power technology	49.0	49.0	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark	
			December 31			
			2019	2018		
YFY International BVI Corp.	YFY Capital Co., Ltd.	Sale of paper and paper-related merchandise	100.0	100.0		
	YFY Holding Management Co., Ltd.	Consulting	100.0	100.0		
	Union Paper Co., Ltd.	Manufacture and sale of paper	18.9	18.9	1)	
	YFY Paradigm Investment Co., Ltd.	Investment and holding	100.0	100.0		
	San Ying Enterprise Co., Ltd.	Design and construct water processing construction and environmental facilities	100.0	100.0		
	Lotus Ecoscings & Engineering Co., Ltd.	Construction of sewage treatment plants and incinerators	100.0	100.0		
	YFY Japan Co., Ltd	Trade of paper, chemical material and machinery	100.0	100.0		
	Yuen Yan Paper Container Co., Ltd.	Sale and manufacture of corrugated paper and materials	50.9	50.9		
	Fidelis IT Solutions Co., Ltd	a. Provides services in information software and information processing. b. Wholesale of information software and electric appliance.	100.0	100.0		
	Sustainable Carbohydrate Innovation Co., Ltd.	Research and development.	100.0	-	11)	
	YFY Cayman Co., Ltd.	Investment and holding	100.0	100.0		
	Guangdong Dingfung Pulp & Paper Co., Ltd	Pulp and paper production and trading business	40.0	40.0		
	Zhaoqing Dingfung Forestry Co., Ltd	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	13.5	13.5		
	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Hwa Fong Paper (Hong Kong) Co., Ltd	Sale and print of paper merchandise	100.0	100.0	
Syntax Communication (H.K.) Limited		Sale and print of paper merchandise	-	100.0	7)	
YFY Paper Mfg. (Jiangyin) Co., Ltd.		Manufacture, sale and print of cardboard and paper	94.0	94.0	6)	
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.		Technological development of agricultural resource recycling	100.0	100.0		
YFY Biopulp Technology Limited		Investment and holding	60.0	60.0		
YFY Firstpak Packaging (Yangzhou) Co., Ltd.		Manufacture and sale of product packaging; design, manufacture and sale of packaging equipment and molding equipment	-	70.0	12)	
YFY Mauritius Corp.		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	64.6	64.6	
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding	100.0	100.0	
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and card board	93.8	93.8	
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0		
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0		
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0		
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0		
	YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and card board	90.0	90.0		
	YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0		
YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	35.4	35.4		
	YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and card board	10.0	10.0	9)	
	Hwa Fong Paper (Hong Kong) Co., Ltd.	Sale of paper merchandise and import/export business	-	-	7)	
	YFY Cayman Co., Ltd.	YFY International Labuan Co., Ltd.	Investment and holding	100.0	100.0	
	YFY Mauritius Corp.	Investment and holding	48.8	48.8		
	YFY Packaging Capital Corp.	Investment and holding	100.0	100.0		
	Winsong Packaging Investment Company Limited	Investment and holding	70.0	70.0	2)	
Willpower Industries Ltd.	Sale of various paper product	55.2	55.2	4)		

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
Winsong Packaging Investment Company Limited	YFY Packaging (Ha Nam) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	3)
Willpower Industries Ltd.	YFY Packaging Thai Binh Co., Ltd.	Manufacture and sale of paper and card board	100.0	-	11)
	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	4)
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	4)
	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Manufacture and sale of card board	100.0	100.0	4)
YFY International Labuan Co., Ltd.	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Manufacture and sale of paper and card board	100.0	100.0	4)
	YFY Jupiter (BVI) Inc.	Investment and holding	35.4	35.0	
YFY Jupiter (BVI) Inc.	YFY Packaging Inc.	Production and sale of high-quality craft paper and corrugated paper	100.0	100.0	
	Mobius105 Ltd.	Investment and holding	100.0	100.0	
YFY Jupiter US, Inc.	YFY Jupiter Limited	Design of packaging and sale of paper	100.0	100.0	
	Jupiter Prestige Group Holdings Limited	Investment and holding	57.0	57.0	
YFY Jupiter US, Inc.	YFY Jupiter US, Inc.	Design of packaging and sale of paper	100.0	100.0	
	YFY Jupiter Malaysia Sdn. Bhd.	Design of packaging and sale of paper	99.0	99.0	
Mobius105 Ltd.	YFY Jupiter Indonesia, PT PMA	Design of packaging	1.0	1.0	5)
	Innovativ Packaging Worldwide, LLC	Design of packaging and sale of paper	100.0	100.0	
YFY Jupiter (Shenzhen) Ltd.	YFY Jupiter Mexico, S. de R.L.	Design of packaging and sale of paper	1.0	1.0	
	Spectiv Brands, LLC	Investment and holding	100.0	100.0	
YFY Jupiter (Shenzhen) Ltd.	YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	100.0	100.0	
	YFY Jupiter Malaysia Sdn. Bhd.	Design of packaging and sale of paper	1.0	1.0	
Jupiter Prestige Group Holdings Limited	YFY Jupiter Mexico, S. de R.L.	Design of packaging and sale of paper	99.0	99.0	
	YFY Jupiter Indonesia, PT PMA	Design of packaging	99.0	99.0	5)
Jupiter Prestige Group North America Inc.	Jupiter Vietnam Company Limited	Design of packaging	100.0	100.0	8)
	Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	100.0	100.0	
Jupiter Prestige Group Europe Limited	YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	100.0	100.0	
	Jupiter Prestige Group Europe Limited	Graphic design	100.0	100.0	
Jupiter Prestige Group Australia Pty Ltd.	Jupiter Prestige Group Australia Pty Ltd.	Graphic design	100.0	100.0	
	Opal BPM Limited	Design of process system and assistance of graphic design	82.5	82.5	
Jupiter Prestige Group North America Inc.	Jupiter Prestige Group North America Inc.	Design of packaging and sale of paper	100.0	100.0	
	Contrast LLC (originally named as Clemtel LLC)	Brand Design	60.0	60.0	2)
Jupiter Prestige Group Europe Limited	Jupiter Prestige Group Asia Limited	Graphic design	100.0	100.0	
Opal BPM Limited	Opal BPM India Private Limited	Workflow system coding	100.0	100.0	
	Opal BPM Consulting Limited	Consulting services of workflow system coding	100.0	100.0	
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	50.0	50.0	
YFY Paper Enterprise (Xiamen) Co., Ltd.	Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	50.0	50.0	
Kunshan YFY Advertising and Printing Co., Ltd.	Shanghai YFY Advertising and Printing Co., Ltd.	Printing service of publications	-	51.0	14)
YFY Packaging Inc.	YFY Packaging (BVI) Corp.	Investment and holding	100.0	100.0	
	Pek Crown Paper Co., Ltd.	Manufacture and sale of containers	66.8	66.8	
YFY Packaging (BVI) Corp.	YFY Mauritius Corp.	Investment and holding	51.2	51.2	
YFY Global Investment BVI Corp.	YFY RFID Co., Ltd.	Investment and holding	100.0	100.0	
	YFY Jupiter (BVI) Inc.	Investment and holding	44.0	42.8	
YFY RFID Co., Ltd.	YFY RFID Technologies Co., Ltd.	Investment and holding	100.0	100.0	
	Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Sale and design of RFID (radio frequency identification) products	86.5	86.5	10)
Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	100.0	100.0	
	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Product distribution and R&D services	100.0	100.0	
YFY RFID Technologies Co., Ltd.	Arizon JAPAN Co., Ltd.	Product distribution and technological consulting services	100.0	-	13)
	Yeon Technologies Co., Ltd.	Sale and design of RFID (radio frequency identification) products	100.0	100.0	

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited	Investment and holding	100.0	100.0	
	Ever Growing Agriculture Biotech Co., Ltd.	Wholesale of agriculture products	85.0	85.0	
	Yuen Foong Shop Co., Ltd.	Sale of paper	50.0	50.0	
Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Investment and holding and sale of paper	100.0	100.0	
	YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.1	0.1	
YFY Venture Capital Investment Co., Ltd.	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	1.0	1.0	
Effion Enertech Co., Ltd.	YFY Capital Holdings Corp.	Investment and holding	100.0	100.0	
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.	100.0	100.0	
YFY Paradigm Investment Co., Ltd.	Union Paper Co., Ltd.	Manufacture and sale of paper	4.1	4.1	1)
	YFY Biotech Management Company	Consulting	100.0	100.0	
	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.7	0.7	
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop Co., Ltd.	Sale of paper	50.0	50.0	
	Livebricks Inc.	Information processing services	100.0	100.0	
	Shanghai YFY International Trade Co., Ltd.	General trade	100.0	100.0	
	Yuen Foong Shop (HK) Limited	General trade	100.0	100.0	
Lotus Ecoscings & Engineering Co., Ltd.	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	
	Chung Hwa Pulp Corporation	Pulp and paper production, trading and forestry business	0.01	0.01	
San Ying Enterprise Co., Ltd.	Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	66.4	66.4	
Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	Investment and holding	100.0	100.0	
	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	49.0	49.0	
CHP International (BVI) Corporation	Hwa Fong Investment Co., Ltd.	Investment and holding	100.0	100.0	
	Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	60.0	60.0	
	Zhaoqing Dingfung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	20.2	20.2	
Hwa Fong Investment Co., Ltd.	Syntax Communication (H.K.) Limited	Sale and print of paper merchandise	100.0	-	7)
	Effion Enertech Co., Ltd.	To operate cogeneration and provide power technology	1.0	1.0	
Guangdong Dingfung Pulp & Paper Co., Ltd.	Genovella Renewables Inc. (originally named as Kuang Hwa Fertilizer Limited Company)	Fertilizer production, sale of fertilizer, retail sale of food products and groceries, special crop and edible fungus cultivation, refractory materials manufacturing, cement and concrete products manufacturing, ready-mixed concrete manufacturing, refractory materials wholesale and sale of building material	100.0	100.0	
	Zhaoqing Dingfung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	66.3	66.3	
Shenzhen Jinglun Paper Co., Ltd.	Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	100.0	100.0	7)
	Zhaoqing Xinchuan Green Technology Co., Ltd.	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	100.0	-	13)

(Concluded)

Remarks:

- 1) China Color Printing Co., Ltd. and Union Paper Co., Ltd. were deemed subsidiaries because the Group had substantial control over them even though the Group held less than 50% equity interest in each of the subsidiaries' voting shares; the Group disposed of its partial ownership of Shin Foong Specialty and Applied Materials Co., Ltd. and equity changes such as employee share options, which reduced its shareholding ratio to 49.5%. The above transactions were accounted for as equity transactions since the Group did not cease to have control over these subsidiaries.
- 2) Contrast LLC (originally named as Clemtel LLC) and Winsong Packaging Investment Company Limited were established in January 2018 and have been included in the consolidated financial statements since then.
- 3) YFY Packaging (Ha Nam) Co., Ltd. was established in April 2018 and has been included in the consolidated financial statements since then.
- 4) YFY Cayman Co., Ltd. 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 Willpower Industries Ltd. and its subsidiaries have been included in the consolidated financial statements since then.
- 5) YFY Jupiter Indonesia, PT PMA was established in July 2018 and has been included in the consolidated financial statements since then.
- 6) 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, 2019, the land reserve project has not been completed.
- 7) To boost management performance, the Group carried out a restructuring of the organization, and sold all of the shares of Shenzhen Jinglun Paper Co., Ltd. owned by Hwa Fong Paper (Hong Kong) Co., Ltd. to Guangdong Dingfung 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.
- 8) Jupiter Vietnam Company Limited was established in October 2018 and has been included in the consolidated financial statements since then.
- 9) 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%.
- 10) 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%. The change of the name to Arizon RFID Technology Co., Ltd. was resolved in the shareholder's meeting in April 2019.
- 11) Sustainable Carbohydrate Innovation Co., Ltd. and YFY Packaging Thai Binh Co., Ltd. were established in January and March 2019 and have been included in the consolidated financial statements since then.
- 12) YFY Firstpak Packaging (Yangzhou) Co., Ltd. entered the bankruptcy procedure in May 2019. Due to the Group loss of control, it has not been included in the consolidated financial statements since June 2019.

13) Arizon JAPAN Co., Ltd. and Zhaoqing Xinchuan Green Technology Co., Ltd. were established in August and September 2019 separately and have been included in the consolidated financial statements since then.

14) Shanghai YFY Advertising and Printing Co., Ltd. entered the cancellation of registration in October 2019. Due to the Group loss of control, it has not been included in the consolidated financial statements since October 2019.

Refer to Tables 8 and 9 for the information on place of incorporation and principal place of business. Except for YFY Japan Co., Ltd., subsidiaries which included the Group's consolidated financial statements were audited. Management believes there will not be a material differences even if the financial statements were audited.

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	
	2019	2018
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 Jinglun Paper Co., Ltd., owned by Hwa Fong Paper (Hong Kong) Co., Ltd., to Guangdong Dingfung Pulp & Paper Co., Ltd. in the fourth quarter of 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 the first quarter of 2019. Due to the business combination under common control, the Chung Hwa Pulp Corporation and subsidiaries re-edited the financial information for 2018. 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	
	2019	2018 (Re-edited)
Current assets	\$ 13,098,672	\$ 13,777,988
Non-current assets	17,999,745	17,599,584
Current liabilities	(11,116,249)	(9,173,037)
Non-current liabilities	<u>(2,587,144)</u>	<u>(4,140,427)</u>
Equity	17,395,024	18,064,108
Consolidated adjustments	<u>94,109</u>	<u>94,109</u>
Adjusted equity	<u>\$ 17,489,133</u>	<u>\$ 18,158,217</u>
Equity attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ 8,782,815	\$ 9,074,093
Non-controlling interests of Chung Hwa Pulp Corporation	6,428,525	6,641,726
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	2,277,793	2,428,958
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>13,440</u>
	<u>\$ 17,489,133</u>	<u>\$ 18,158,217</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
		<b>(Re-edited)</b>
Operating revenue	\$ <u>20,689,397</u>	\$ <u>24,025,221</u>
Profit (loss) for the year	\$ (302,084)	\$ 532,245
Other comprehensive income (loss) for the year	<u>34,337</u>	<u>(47,309)</u>
Total comprehensive income (loss) for the year	<u>\$ (267,747)</u>	<u>\$ 484,936</u>
Profit (loss) attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ (141,516)	\$ 257,319
Non-controlling interests of Chung Hwa Pulp Corporation	(103,582)	188,344
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	(56,986)	64,583
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>21,999</u>
	<u>\$ (302,084)</u>	<u>\$ 532,245</u>
Total comprehensive income (loss) attributable to:		
Owners of Chung Hwa Pulp Corporation	\$ (62,941)	\$ 257,366
Non-controlling interests of Chung Hwa Pulp Corporation	(53,641)	187,790
Non-controlling interests of Chung Hwa Pulp Corporation's subsidiaries	(151,165)	21,547
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>18,233</u>
	<u>\$ (267,747)</u>	<u>\$ 484,936</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
		<b>(Re-edited)</b>
Net cash inflow (outflow) from:		
Operating activities	\$ 820,599	\$ 583,741
Investing activities	(1,117,239)	(1,800,434)
Financing activities	206,848	536,270
Effects of exchange rate changes	<u>3,023</u>	<u>(2,631)</u>
Net cash inflow (outflow)	<u>\$ (86,769)</u>	<u>\$ (683,054)</u>
Dividends paid to non-controlling interests	<u>\$ 163,126</u>	<u>\$ 233,037</u>

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Material associates		
E Ink Holdings Inc.	\$ 4,974,565	\$ 4,816,889
Associates that are not individually material	<u>642,516</u>	<u>964,673</u>
	<u>\$ 5,617,081</u>	<u>\$ 5,781,562</u>

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

### a. Material associates

<b>Name of Associate</b>	<b>Proportion of Ownership and Voting Rights</b>	
	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
E Ink Holdings Inc.	16.3%	16.3%

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 23, 2020, 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):

<u>December 31</u>	
<u>2019</u>	<u>2018</u>
<u>\$ 4,520,975</u>	<u>\$ 4,361,837</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 21,634,060	\$ 18,870,925
Non-current assets	19,986,889	18,043,183
Current liabilities	(9,206,675)	(6,569,117)
Non-current liabilities	<u>(2,961,490)</u>	<u>(2,030,547)</u>
Equity	29,452,784	28,314,444
Non-controlling interests	<u>(452,645)</u>	<u>(385,799)</u>
	<u>\$ 29,000,139</u>	<u>\$ 27,928,645</u>
Proportion of the Group's ownership	16.3%	16.3%
Equity attributable to the Group	\$ 4,721,105	\$ 4,563,429
Goodwill	<u>253,460</u>	<u>253,460</u>
Carrying amount	<u>\$ 4,974,565</u>	<u>\$ 4,816,889</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenue	<u>\$ 13,601,676</u>	<u>\$ 14,208,661</u>
Net profit for the year	\$ 3,173,597	\$ 2,692,076
Other comprehensive income (loss)	<u>199,613</u>	<u>(380,558)</u>
Total comprehensive income (loss) for the year	<u>\$ 3,373,210</u>	<u>\$ 2,311,518</u>

b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Net profit (loss) for the year	\$ (102,093)	\$ 52,102
Other comprehensive income (loss)	<u>42,637</u>	<u>(126,358)</u>
Total comprehensive income (loss) for the year	<u>\$ (59,456)</u>	<u>\$ (74,256)</u>

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

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 12,386,227	\$ 15,004,779	\$ 63,796,253	\$ 12,866,364	\$ 1,835,666	\$ 105,889,289
Additions	1,598	207,131	842,999	318,679	1,584,506	2,954,913
Disposals	-	(234,149)	(933,808)	(404,864)	-	(1,572,821)
Transfer from prepayments for business facilities	-	23,809	632,968	94,968	-	751,745
Transfer from constructions	-	338,760	842,789	105,922	(1,287,471)	-
Outflow through business combinations	-	-	(32,067)	(1,123)	(91,610)	(124,800)
Effect of foreign currency exchange differences	-	(321,086)	(988,827)	(158,050)	12,778	(1,455,185)
Reclassification	-	-	-	-	(8,242)	(8,242)
Balance at December 31, 2019	<u>\$ 12,387,825</u>	<u>\$ 15,019,244</u>	<u>\$ 64,160,307</u>	<u>\$ 12,821,896</u>	<u>\$ 2,045,627</u>	<u>\$ 106,434,899</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ 2,597	\$ 6,782,131	\$ 41,101,708	\$ 9,055,841	\$ -	\$ 56,942,277
Depreciation expense	-	485,278	2,615,028	746,301	-	3,846,607
Disposals	-	(167,279)	(882,730)	(392,138)	-	(1,442,147)
Outflow through business combinations	-	-	(10,671)	(751)	-	(11,422)
Effect of foreign currency exchange differences	-	(105,576)	(500,238)	(100,775)	-	(706,589)
Balance at December 31, 2019	<u>\$ 2,597</u>	<u>\$ 6,994,554</u>	<u>\$ 42,323,097</u>	<u>\$ 9,308,478</u>	<u>\$ -</u>	<u>\$ 58,628,726</u>
Carrying amounts at December 31, 2019	<u>\$ 12,385,228</u>	<u>\$ 8,024,690</u>	<u>\$ 21,837,210</u>	<u>\$ 3,513,418</u>	<u>\$ 2,045,627</u>	<u>\$ 47,806,173</u>
<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 prepayments for business facilities	-	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	<u>\$ 12,386,227</u>	<u>\$ 15,004,779</u>	<u>\$ 63,796,253</u>	<u>\$ 12,866,364</u>	<u>\$ 1,835,666</u>	<u>\$ 105,889,289</u>
<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>

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, 2019 and 2018 were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Acquisition of property, plant and equipment	\$ 2,954,913	\$ 3,628,563
Changes in prepayments for business facilities	932,257	632,810
Changes in payment of payables on equipment (accounted for as other payables, others)	<u>3,470</u>	<u>(280,140)</u>
	<u>\$ 3,890,640</u>	<u>\$ 3,981,233</u>

For the amounts of collateral pledged for bank borrowings, refer to Note 30.

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 1,426,492
Buildings	404,535
Others	<u>92,859</u>
	<u>\$ 1,923,886</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 290,819</u>
Depreciation charge for right-of-use assets	
Land	\$ 44,160
Buildings	105,095
Others	<u>61,017</u>
	<u>\$ 210,272</u>

b. Lease liabilities - 2019

**December 31,  
2019**

Carrying amounts

Current	<u>\$ 156,949</u>
Non-current	<u>\$ 350,898</u>

Range of discount rate for lease liabilities was as follows:

**December 31,  
2019**

Land	1.21%-1.68%
Buildings	1.06%-11.70%
Others	1.06%-6.00%

c. Other lease information

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases and low-value asset leases	<u>\$ 225,339</u>
Total cash outflow for leases	<u>\$ 557,828</u>

**18. INVESTMENT PROPERTIES**

**Amount**

Cost

Balance at January 1, 2019	\$ 2,960,820
Disposals	(6,634)
Effect of foreign currency exchange differences	<u>(3,435)</u>

Balance at December 31, 2019	<u>\$ 2,950,751</u>
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Accumulated depreciation and impairment

Balance at January 1, 2019	\$ 201,664
Depreciation expense	6,866
Disposals	(3,259)
Effect of foreign currency exchange differences	<u>(1,004)</u>

Balance at December 31, 2019	<u>\$ 204,267</u>
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Carrying amounts at December 31, 2019	<u>\$ 2,746,484</u>
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(Continued)

	<b>Amount</b>
<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> (Concluded)

The fair values of the investment properties owned by the Group were \$7,150,310 thousand and \$7,055,951 thousand as of December 31, 2019 and 2018, 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 \$49,623 thousand for 2019 and \$80,226 thousand for 2018, respectively.

The investment properties held by the Group are 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.

## 19. BORROWINGS

### a. Current borrowings

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Bank credit loans	\$ 12,230,641	\$ 10,958,012
Bank secured loans	<u>293,804</u>	<u>519,175</u>
	<u>\$ 12,524,445</u>	<u>\$ 11,477,187</u>

Current borrowings include bank credit and bank secured loans. As of December 31, 2019 and 2018, the interest rate intervals of bank credit loans were 0.92%-5.56% per annum and 0.91%-5.74% per annum, respectively. As of December 31, 2019 and 2018, the interest rate of bank secured loans were 2.85%-3.15% per annum and 3.95%-5.8% per annum, respectively.

b. Short-term notes and bills payable

Short-term notes and bills payable are commercial paper due within one year. Interest rate intervals on these bills payable were 0.98%-1.17% per annum and 0.94%-1.19% per annum as of December 31, 2019 and 2018, respectively.

c. Non-current borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Syndicated loans	\$ 24,842,647	\$ 28,430,194
Long-term bank credit loans	3,858,000	4,684,000
Long-term bank secured loans	<u>699,079</u>	<u>620,641</u>
	29,399,726	33,734,835
Less: Current portion	<u>-</u>	<u>(120,000)</u>
	<u>\$ 29,399,726</u>	<u>\$ 33,614,835</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 0.98%-5.45% per annum and 0.95%-6.38% per annum as of December 31, 2019 and 2018, respectively; syndicated loans expire in November 2024 and have interest rate intervals of 1.79%-1.80% per annum and 1.79%-4.20% per annum as of December 31, 2019 and 2018, respectively.

## 20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 3,184,816	\$ 3,370,162
Fair value of plan assets	<u>(2,138,170)</u>	<u>(2,118,752)</u>
Net defined benefit liabilities	1,046,646	1,251,410
Defined benefit assets (accounted for as other non-current assets)	<u>15,402</u>	<u>5,192</u>
Defined benefit liabilities	<u>\$ 1,062,048</u>	<u>\$ 1,256,602</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 3,370,162</u>	<u>\$ (2,118,752)</u>	<u>\$ 1,251,410</u>
Service cost			
Current service cost	48,848	-	48,848
Net interest expense (income)	<u>48,327</u>	<u>(30,878)</u>	<u>17,449</u>
Recognized in profit or loss	<u>97,175</u>	<u>(30,878)</u>	<u>66,297</u>
Remeasurement			
Return on plan assets	-	(180,820)	(180,820)
Actuarial loss (gain)			
Changes in financial assumptions	105,276	-	105,276
Experience adjustments	1,104	-	1,104
Changes in demographic assumptions	<u>2</u>	<u>-</u>	<u>2</u>
Recognized in other comprehensive income (loss)	<u>106,382</u>	<u>(180,820)</u>	<u>(74,438)</u>
Contributions from the employer	-	(189,562)	(189,562)
Benefits paid	(381,842)	381,842	-
Liabilities extinguished on settlement	<u>(7,061)</u>	<u>-</u>	<u>(7,061)</u>
Balance at December 31, 2019	<u>\$ 3,184,816</u>	<u>\$ (2,138,170)</u>	<u>\$ 1,046,646</u>
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 (gain)			
Changes in financial assumptions	56,873	-	56,873
Experience adjustments	117,301	-	117,301
Changes in demographic assumptions	<u>6,193</u>	<u>-</u>	<u>6,193</u>
Recognized in other comprehensive income (loss)	<u>180,367</u>	<u>70,737</u>	<u>251,104</u>
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>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 38,223	\$ 40,228
Operating expenses	<u>28,074</u>	<u>29,223</u>
	<u>\$ 66,297</u>	<u>\$ 69,451</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 2 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	1.00%	1.50%
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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates		
0.125% increase	<u>\$ (26,871)</u>	<u>\$ (28,666)</u>
0.125% decrease	<u>\$ 27,227</u>	<u>\$ 29,257</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 27,583</u>	<u>\$ 29,253</u>
0.125% decrease	<u>\$ (26,777)</u>	<u>\$ (28,763)</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.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 110,861</u>	<u>\$ 150,468</u>
The average duration of the defined benefit obligation	4.1-10.5 years	5.9-10.7 years

## 21. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Numbers of shares authorized (in thousands)	<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 thousands)	<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 the 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 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 2018 and 2017 approved in the shareholders' meetings on June 25, 2019 and June 21, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 144,000	\$ 160,651		
Cash dividends	996,223	996,223	<u>\$0.6</u>	<u>\$0.6</u>

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 23, 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 263,411	
Cash and share dividends	1,162,260	\$0.7

The appropriations of earnings are subject to the resolution of the shareholders' meeting to be held on June 22, 2020.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 4,028,584	\$ 4,030,039
Reversal:		
Disposal of property, plant and equipment	<u>(1)</u>	<u>(1,455)</u>
Balance at December 31	<u>\$ 4,028,583</u>	<u>\$ 4,028,584</u>

e. Other equity items

	<b>Exchange Differences on Translation of Foreign Financial Statements</b>	<b>Unrealized Gains (Losses) on Available-for- sale Financial Assets</b>	<b>Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>Gains (Losses) on Effective Portion of Cash Flow Hedges</b>	<b>Gains (Losses) on Hedging Instruments</b>	<b>Total</b>
<u>2019</u>						
Balance at January 1	\$ (40,365)	\$ -	\$ 3,674,848	\$ -	\$ (7,010)	\$ 3,627,473
Exchange differences on translation of foreign financial statements	(876,616)	-	-	-	-	(876,616)
Unrealized gains on financial assets measured at FVTOCI	-	-	3,229,678	-	-	3,229,678
Gains on hedging instruments	-	-	-	-	633	633
Share of other comprehensive income (loss) of associates accounted for using equity method	(119,221)	-	193,948	-	-	74,727
Changes in equity of associates accounted for using equity method	-	-	(555)	-	-	(555)
Changes in ownership interest in subsidiaries	-	-	(61)	-	-	(61)
Cumulative unrealized gains of equity instruments transferred to retained earnings due to disposal	-	-	(288,213)	-	-	(288,213)
Balance at December 31	<u>\$ (1,036,202)</u>	<u>\$ -</u>	<u>\$ 6,809,645</u>	<u>\$ -</u>	<u>\$ (6,377)</u>	<u>\$ 5,767,066</u>

(Continued)

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Effective Portion of Cash Flow Hedges	Gains (Losses) 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	-	(1,964,407)	3,545,472	14,871	(14,871)	1,581,065
Balance at January 1, 2018 as restated	(263,411)	-	3,545,472	-	(14,871)	3,267,190
Exchange differences on translation of foreign financial statements	214,303	-	-	-	-	214,303
Unrealized gains on financial assets measured at FVTOCI	-	-	257,409	-	-	257,409
Gains on hedging instruments	-	-	-	-	7,861	7,861
Share of other comprehensive income (loss) of associates accounted for using equity method	8,743	-	(165,290)	-	-	(156,547)
Changes in equity of associates accounted for using equity method	-	-	(339)	-	-	(339)
Cumulative unrealized losses of equity instruments transferred to retained earnings due to disposal	-	-	37,596	-	-	37,596
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>

(Concluded)

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 11,470,524	\$ 10,295,146
Effects of retroactive application	-	42,799
Balance at January 1 as restated	11,470,524	10,337,945
Share of profit for the year	373,854	519,761
Other comprehensive income (loss) for the year:		
Effect of change in tax rate - remeasurement on defined benefit plan	-	5,955
Effect of change in tax rate - share of other comprehensive income (loss) of associates accounted for using the equity method	-	15
Exchange differences on translation of foreign financial statements	(126,756)	(12,235)
Unrealized gains on financial assets measured at FVTOCI	174,251	25,362
Gains (losses) on hedge instruments	501	(247)
Remeasurement on defined benefit plans	(1,624)	(13,707)
Share of other comprehensive income (loss) of associates accounted for using the equity method	2,570	(10,946)
Cash dividends	(377,401)	(481,966)
Changes in equity of associates accounted for using equity method	(439)	1,103
Changes in ownership interests in subsidiaries	10,612	45,641
Difference between consideration and carrying amount of subsidiaries acquired or disposed	7,209	315,830
Increase in non-controlling interests due to the acquisition of subsidiaries	-	738,013
Balance at December 31	<u>\$ 11,533,301</u>	<u>\$ 11,470,524</u>

## 22. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers - revenue from sale of goods	\$ 64,816,784	\$ 67,472,363
Other operating revenue	<u>9,943,703</u>	<u>8,967,320</u>
	<u>\$ 74,760,487</u>	<u>\$ 76,439,683</u>

### Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable, net	<u>\$ 2,874,640</u>	<u>\$ 3,700,326</u>	<u>\$ 3,775,601</u>
Accounts receivable, net	<u>\$ 11,559,561</u>	<u>\$ 11,676,010</u>	<u>\$ 10,952,498</u>
Accounts receivable due from related parties, net	<u>\$ 99,919</u>	<u>\$ 91,176</u>	<u>\$ 22,178</u>
Contract liabilities - sale of goods	<u>\$ 481,639</u>	<u>\$ 481,727</u>	<u>\$ 416,395</u>

## 23. NET PROFIT

### a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 926,238	\$ 1,025,592
Interest on lease liabilities	14,426	-
Less: Capitalization amount of interest	<u>(10,450)</u>	<u>(6,071)</u>
	<u>\$ 930,214</u>	<u>\$ 1,019,521</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalization rate	0.99%-3.60%	0.99%-1.62%

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 3,846,607	\$ 3,797,316
Investment properties	6,866	3,646
Right-of-use assets	210,272	-
Other non-current assets	<u>145,953</u>	<u>159,497</u>
	<u>\$ 4,209,698</u>	<u>\$ 3,960,459</u>
An analysis of depreciation by function		
Operating costs	\$ 3,647,509	\$ 3,548,583
Operating expenses	<u>416,236</u>	<u>252,379</u>
	<u>\$ 4,063,745</u>	<u>\$ 3,800,962</u>
An analysis of amortization by function		
Operating costs	\$ 40,635	\$ 46,893
Operating expenses	<u>105,318</u>	<u>112,604</u>
	<u>\$ 145,953</u>	<u>\$ 159,497</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post - employment benefits		
Defined contribution plans	\$ 176,494	\$ 178,093
Defined benefit plans	<u>66,297</u>	<u>69,451</u>
	242,791	247,544
Other employee benefits	<u>8,039,645</u>	<u>7,553,674</u>
Total employee benefits expense	<u>\$ 8,282,436</u>	<u>\$ 7,801,218</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,955,446	\$ 4,387,176
Operating expenses	<u>3,326,990</u>	<u>3,414,042</u>
	<u>\$ 8,282,436</u>	<u>\$ 7,801,218</u>

d. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 23, 2020 and March 22, 2019, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Employees' compensation	0.10%	0.10%
Remuneration of directors	0.56%	0.48%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 2,282	\$ 1,467
Remuneration of directors	12,500	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, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Current tax		
In respect of the current year	\$ 861,739	\$ 803,324
Income tax on unappropriated earnings	20,245	92,143
Adjustment for prior periods	28,540	9,066
Land value increment tax	1,520	-
Deferred tax		
In respect of the current year	(19,436)	81,939
Adjustment for prior periods	3,961	737
Effect of tax rate changes	-	(20,879)
Income tax expense recognized in profit or loss	<u>\$ 896,569</u>	<u>\$ 966,330</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Income before tax	<u>\$ 3,556,192</u>	<u>\$ 2,926,094</u>
Income tax expense calculated at the statutory rate (20%)	\$ 711,238	\$ 585,219
Nondeductible expenses in determining taxable income	36,533	31,362
Tax-exempt income (loss)	(320,545)	(281,485)
Land value increment tax	1,520	-
Additional income tax under the Alternative Minimum Tax Act	4,865	-
Unrecognized loss carryforwards and deductible temporary differences	279,181	357,794
Income tax on unappropriated earnings	20,245	92,143
Loss carryforwards	(11,892)	(11,567)
Investment tax credit	(2,209)	-
Overseas company withholding income taxes	67,369	114,729
Effect of tax rate changes	-	(20,879)
Effect of different tax rate of group entities operating in other jurisdictions	77,763	89,211
Adjustments for prior years' tax	<u>32,501</u>	<u>9,803</u>
Income tax expense recognized in profit or loss	<u>\$ 896,569</u>	<u>\$ 966,330</u>

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%. 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.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<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	(14,888)	(50,220)
Share of the other comprehensive income (loss) of associates	<u>(436)</u>	<u>(330)</u>
	<u>\$ (15,324)</u>	<u>\$ (79,203)</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, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Defined benefit plan	\$ 216,638	\$ (27,452)	\$ (15,181)	\$ -	\$ 174,005
Loss carryforwards	24,918	24,573	-	(51)	49,440
Allowance for impaired receivables	18,004	42	-	(326)	17,720
Payable for annual leave	29,297	(5,251)	-	(67)	23,979
Unrealized loss on inventories	17,118	19,735	-	(173)	36,680
Deferred revenue	16,111	5,126	-	-	21,237
Others	<u>87,326</u>	<u>14,174</u>	<u>-</u>	<u>(3,044)</u>	<u>98,456</u>
	<u>\$ 409,412</u>	<u>\$ 30,947</u>	<u>\$ (15,181)</u>	<u>\$ (3,661)</u>	<u>\$ 421,517</u>
<u>Deferred tax liabilities</u>					
Reserve for land revaluation increment tax	\$ 3,313,013	\$ -	\$ -	\$ -	\$ 3,313,013
Others	<u>98,573</u>	<u>15,472</u>	<u>(293)</u>	<u>(1,269)</u>	<u>112,483</u>
	<u>\$ 3,411,586</u>	<u>\$ 15,472</u>	<u>\$ (293)</u>	<u>\$ (1,269)</u>	<u>\$ 3,425,496</u>

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<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>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss carryforwards		
Expire in 2019	\$ -	\$ 501,610
Expire in 2020	1,551,615	1,773,337
Expire in 2021	1,641,281	1,752,729
Expire in 2022	165,038	226,173
Expire in 2023	1,412,769	1,177,147
Expire in 2024	781,212	68,695
Expire in 2025	145,022	49,791
Expire in 2026	14,028	25,125
Expire in 2027	32,207	32,188
Expire in 2028	900	22,647
Expire in 2029	<u>34,600</u>	<u>-</u>
	<u>\$ 5,778,672</u>	<u>\$ 5,629,442</u>

- e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 1,551,615	2020
1,641,281	2021
165,038	2022
1,412,769	2023
825,371	2024
154,496	2025
35,220	2026
32,207	2027
23,465	2028
170,804	2029
<u>10,889</u>	Unlimited (Note)
<u>\$ 6,023,155</u>	

Note: Generated from Hong Kong subsidiaries.

f. Income tax approved situation

	<u>Final Approved Year</u>
The Company	2013
Yuen Foong Yu Consumer Products Co., Ltd.	2013
Chung Hwa Pulp Corporation	2017
Hwa Fong Investments Co., Ltd.	2018
Effion Enertech Co., Ltd.	2018
Shin Foong Specialty and Applied Materials Co., Ltd.	2017
China Color Printing Co., Ltd.	2017
YFY Capital Co., Ltd.	2017
YFY Venture Capital Investment Co., Ltd.	2017
YFY Paradigm Investment Co., Ltd.	2017
Lotus Ecoscings & Engineering Co., Ltd.	2017
Yuen Yan Paper Container Co., Ltd.	2017
San Ying Enterprise Co., Ltd.	2017
Fidelis IT Solutions Co., Ltd.	2017
Ever Growing Agriculture Biotech Co., Ltd.	2017
YFY Biotech Management Company	2017
Genovella Renewables Inc. (originally named as Kuang Hwa Fertilizer Limited Company)	2017
YFY Holding Management Co., Ltd.	2017
Livebricks Inc.	2017
Yuen Foong Shop Co., Ltd.	2017
Pek Crown Paper Co., Ltd.	2017
YFY Packaging Inc.	2017
Union Paper Co., Ltd.	2016
Yeon Technologies Co., Ltd.	2016
Sustainable Carbohydrate Innovation Co., Ltd. (Note)	-

Note: Sustainable Carbohydrate Innovation Co., Ltd. was established in January 2019 and has been included in the consolidated financial statements since then.

## 25. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2019	2018
Basic earnings per share (NT\$)	<u>\$ 1.38</u>	<u>\$ 0.87</u>
Diluted earnings per share (NT\$)	<u>\$ 1.38</u>	<u>\$ 0.87</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

	<u>For the Year Ended December 31</u>	
	2019	2018
Profit for the year attributable to owners of the Company	<u>\$ 2,285,769</u>	<u>\$ 1,440,003</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,285,769</u>	<u>\$ 1,440,003</u>

## Number of Share (In Thousands)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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>197</u>	<u>159</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,660,569</u>	<u>1,660,531</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.

## 26. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

The Group acquired 10.4% ownership of Willpower Industries Ltd. in June 2018 and ownership increased from 44.8% to 55.2%, leading to the Group having actual control over them as they became a subsidiary of the Group and has been included in the consolidated financial statements since then. The Group acquired Willpower Industries Ltd. in order to continue the expansion of the Group's operations.

### b. Consideration transferred

	<b>Willpower Industries Ltd. and Its Subsidiaries</b>
Cash	<u>\$ 162,928</u>

### c. Assets acquired and liabilities assumed at the date of acquisition

	<b>Willpower Industries Ltd. and Its Subsidiaries</b>
Current assets	
Cash and cash equivalents	\$ 239,969
Accounts receivable	1,243,660
Inventories	494,048
Prepayments	177,565

(Continued)

**Willpower  
Industries Ltd.  
and Its  
Subsidiaries**

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)
Accounts payable	(988,570)
Other current liabilities	<u>(28,820)</u>
	<u>\$ 1,645,929</u>
	(Concluded)

d. Non-controlling interests

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

e. Gain on bargain purchases from the acquisition of subsidiaries

**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

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.

## 27. 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).

## 28. 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Hybrid financial assets	\$ -	\$ 221,128	\$ -	\$ 221,128
Non-derivative financial assets	644,774	402,418	-	1,047,192
Derivative financial assets	<u>-</u>	<u>241,291</u>	<u>-</u>	<u>241,291</u>
	<u>\$ 644,774</u>	<u>\$ 864,837</u>	<u>\$ -</u>	<u>\$ 1,509,611</u>
Financial assets held for hedging (accounted for as other current assets, others)				
	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 24</u>
Financial assets at FVTOCI				
Listed shares	\$ 15,727,139	\$ -	\$ -	\$ 15,727,139
Unlisted shares	<u>-</u>	<u>-</u>	<u>4,064,346</u>	<u>4,064,346</u>
	<u>\$ 15,727,139</u>	<u>\$ -</u>	<u>\$ 4,064,346</u>	<u>\$ 19,791,485</u>
Financial liabilities at FVTPL - held for trading				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 137,460</u>	<u>\$ -</u>	<u>\$ 137,460</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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, others)				
	<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, others)				
	<u>\$ -</u>	<u>\$ 251</u>	<u>\$ -</u>	<u>\$ 251</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2019	\$ 3,390,158
Recognized in other comprehensive income (accounted for as unrealized gain (loss) on investments in equity instruments designated as at FVTOCI)	913,308
Purchases	5
Disposals	(167,940)
Return of capital upon investees' capital reduction	(66,769)
Effects of foreign currency exchange differences	<u>(4,416)</u>
Balance at December 31, 2019	<u>\$ 4,064,346</u>

For the year ended December 31, 2018

	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>
Balance at January 1, 2018	\$ -
Effects of retroactive application	3,171,938
Balance at January 1, 2018 as restated	<u>3,171,938</u>
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)
Effects of foreign currency exchange differences	<u>11,950</u>
Balance at December 31, 2018	<u>\$ 3,390,158</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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, combined option contracts and currency exchange 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

<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>2019</u>	<u>2018</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 1,509,611	\$ 1,687,721
FVTOCI		
Equity Instruments	19,791,485	16,744,308
Derivative instruments in designated hedge accounting relationships	24	101
Amortized cost (1)	23,868,076	21,622,972
<u>Financial liabilities</u>		
FVTPL		
Held for trading	137,460	135,316
Derivative instruments in designated hedge accounting relationships	-	251
Amortized cost (2)	61,038,240	64,030,601

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, net, accounts receivable, net, accounts receivables due from related parties, net and other financial assets.
- 2) The balances include financial liabilities measured at amortized cost, which comprise current borrowings, short-term notes and bills payable, notes and accounts payable, accounts payables to related parties, other payables, others, current portion of non-current borrowings and non-current 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 Group, and conduct related program to lower and hedge financial risk.

The Group seeks 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 denominated 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, combined option contracts and currency exchange contracts to eliminate the risk of foreign currency exposure. These foreign exchange forward contracts are intended to reduce the influence of the exchange rate fluctuations on the Group's income.

Sensitivity analysis

For the proportion 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, combined option contracts and currency exchange contracts that are undue.

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis included only outstanding foreign forward 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.

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Influence to profit or loss at 5% variance		
USD	<u>\$ 45,342</u>	<u>\$ 139,166</u>
RMB	<u>\$ (113,298)</u>	<u>\$ 86,483</u>

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 4,754,828	\$ 2,557,843
Financial liabilities	6,026,520	6,696,636
Lease liabilities	507,847	-
Cash flow interest rate risk		
Financial assets	4,470,772	3,468,017
Financial liabilities	41,924,171	45,212,022

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 point higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2019 and 2018 would have decreased/increased by \$74,907 and \$83,488 thousand, respectively.

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 years ended December 31, 2019 and 2018 would have increased/decreased by \$32,239 thousand and \$8,952 thousand, respectively, 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, 2019 and 2018 would have increased/decreased by \$989,574 thousand and \$837,215 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to price risk increased during the year, which was mainly due to the fair value of equity investments raised.

## 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, 2019 and 2018, the amount of unused financing facilities were \$48,530,126 thousand and \$31,126,422 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 cash flows paid at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

### December 31, 2019

	<b>Less than 1 Year</b>	<b>1 - 5 Years</b>
<u>Non-derivative financial liabilities</u>		
Floating interest rate liabilities	\$ 13,066,868	\$ 30,363,623
Fixed interest rate liabilities	6,029,000	-
Lease liabilities	<u>164,673</u>	<u>427,578</u>
	<u>\$ 19,260,541</u>	<u>\$ 30,791,201</u>

December 31, 2018

	<b>Less than 1 Year</b>	<b>1 - 5 Years</b>
<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>

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's discounted and received amount and the ranges of interest rates were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
The discounted amount	<u>\$ 1,251,178</u>	<u>\$ 1,675,911</u>
The received amount	<u>\$ 1,215,813</u>	<u>\$ 1,637,797</u>
Interest rates	2.80%-3.47%	3.58%-4.33%

## 29. 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 Optronics (Yangzhou) Co., Ltd.	Associate
Willpower Industries Ltd.	Associate (Note 2)
Chengdu JieLianDa Warehousing Co., Ltd.	Associate
Chengdu YongJunYu Environmental Protection Packing Co., Ltd.	Associate (Note 3)
Chengdu JingShiTong Packing Co., Ltd.	Associate (Note 4)
JLD Logistics Ltd.	Associate
YJY Packaging Ltd.	Associate
Yuen Foong Yu Catering Operation (Shanghai) Co., Ltd.	Associate
SinoPac Financial Holdings Co., Ltd.	Substantive related party
SinoPac Securities Corporation	Substantive related party
SinoPac Leasing Corporation	Substantive related party

(Continued)

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

(Concluded)

Note 1: YFY Paper Co., Ltd. was a substantive related party from January 1, 2018 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.

Note 3: YFY Jupiter (Shenzhen) Ltd. disposed of the entire equity interest in Chengdu YongJunYu Environmental Protection Packing Co., Ltd. in June 2019, and a change in identity of the latter from associate to non-related party. Therefore, only the transactions that occurred as of the end of June 2019 are listed.

Note 4: YFY Jupiter (Shenzhen) Ltd. acquired 35% ownership of Chengdu JingShiTong Packing Co., Ltd. in June 2019, and became an associate.

b. Operating revenue

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate	\$ 430,261	\$ 61,431
Substantive related party	286,297	364,704
Entities with key management personnel	<u>69,628</u>	<u>39,645</u>
	<u>\$ 786,186</u>	<u>\$ 465,780</u>

For sales of goods or providing services between related parties, the prices and terms of receivables were based on the agreements between parties.

c. Purchases of goods

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate	\$ 121,451	\$ 227,631
Substantive related party	9,288	11,843
Entities with key management personnel	<u>3,367</u>	<u>2,306</u>
	<u>\$ 134,106</u>	<u>\$ 241,780</u>

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

d. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Receivables from related parties	Substantive related party		
	Beautone Co., Ltd.	\$ 49,513	\$ 62,726
	Others	<u>3,356</u>	<u>3,912</u>
		52,869	66,638
	Associate		
	Taiwan Global BioFund Co., Ltd.	27,106	10,648
	Others	<u>4,447</u>	<u>5,938</u>
		31,553	16,586
	Entities with key management personnel	<u>15,497</u>	<u>7,952</u>
		<u>\$ 99,919</u>	<u>\$ 91,176</u>

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

e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Payables to related parties	Entities with key management personnel		
	Hsin-Yi Enterprise Co., Ltd.	\$ 5,211	\$ 4,954
	Others	<u>1,993</u>	<u>2,191</u>
		7,204	7,145
	Associate		
	JLD Logistics Ltd.	4,697	7,315
	YJY Packaging Ltd.	27,882	46,110
	Others	<u>2,267</u>	<u>967</u>
		34,846	54,392
	Substantive related party	<u>1,986</u>	<u>2,868</u>
	<u>\$ 44,036</u>	<u>\$ 64,405</u>	

The outstanding accounts payable to related parties were unsecured.

f. Others

Rental income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Entities with key management personnel		
Yuen Foong Paper Co., Ltd.	\$ 7,886	\$ 3,953
Others	<u>159</u>	<u>159</u>
	8,045	4,112
Substantive related party	7,238	11,380
Associate	<u>1,207</u>	<u>1,207</u>
	<u>\$ 16,490</u>	<u>\$ 16,699</u>

Rental expenses (accounted for as operating expenses)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Entities with key management personnel	\$ 43,903	\$ 44,079
Substantive related party	1,944	5,555
Associate	<u>246</u>	<u>250</u>
	<u>\$ 46,093</u>	<u>\$ 49,884</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 non-current financial assets at FVTPL) and had an interest rate of 3.9%. As of December 31, 2019 and 2018, the interest receivables were both \$2,418 thousand.

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

In June 2019, the Group purchased part of the shares of New Medical Imaging Co., Ltd., HenKan Pharmaceutical Co., Ltd., NeuroSky, Inc., Elixir Pharmaceuticals, ACM Medical Technologies, Inc. and Nereus Pharmaceuticals Inc. from Taiwan Global BioFund Co., Ltd. for \$2 thousand (accounted for as non-current financial assets at FVTOCI).

In June 2019, the Group disposed of the entire equity interest in Hanmore Investment Corporation (accounted for as non-current financial assets at FVTOCI) to Joway Investment Co., Ltd., the disposal price was \$126,619 thousand, accumulated profit or loss of \$130,139 thousand is transferred from the unrealized gains (losses) on financial assets measured at FVTOCI to retained earnings.

g. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Salaries and benefits	\$ 86,920	\$ 57,325
Bonuses and executive fees	<u>1,597</u>	<u>1,725</u>
	<u>\$ 88,517</u>	<u>\$ 59,050</u>

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

### 30. 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Notes receivable, net (Note)	\$ 1,558,197	\$ 1,977,658
Property, plant and equipment	1,645,813	1,068,814
Pledged time deposits (accounted for as other current financial assets and other non-current assets, others)	77,643	114,963
Land use rights (accounted for as right-of-use assets - 2019 and long-term prepayments for leases - 2018)	<u>112,288</u>	<u>121,056</u>
	<u>\$ 3,393,941</u>	<u>\$ 3,282,491</u>

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

### 31. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$375,497 thousand and \$791,019 thousand, respectively.

### 32. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<b>December 31, 2019</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 2,107,281	0.143 (RMB:USD)	\$ 9,055,977
RMB	522,249	4.297 (RMB:NTD)	2,244,350
USD	58,288	29.98 (USD:NTD)	1,747,485
VND	865,884,366	0.00004 (VND:USD)	1,120,235

#### Foreign currency liabilities

Monetary items			
USD	86,736	6.9762 (USD:RMB)	2,600,348

	<b>December 31, 2018</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency 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

#### Foreign currency liabilities

Monetary items			
USD	215,560	6.863 (USD:RMB)	6,620,924

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange loss were \$269,787 thousand and \$780,079 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.

### 33. 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 10)
  - 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)

### 34. 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, 2019</u>					
Revenue from external customers	\$ 16,801,826	\$ 33,415,834	\$ 11,262,332	\$ 13,280,495	\$ 74,760,487
Revenue from other internal operating segments	<u>3,887,571</u>	<u>1,800,881</u>	<u>187,774</u>	<u>1,236,018</u>	<u>7,112,244</u>
Segment revenue	<u>\$ 20,689,397</u>	<u>\$ 35,216,715</u>	<u>\$ 11,450,106</u>	<u>\$ 14,516,513</u>	81,872,731
Eliminations					<u>(7,112,224)</u>
Consolidated revenue					<u>\$ 74,760,487</u>
Total profit or loss for reportable segments	<u>\$ (383,777)</u>	<u>\$ 1,495,171</u>	<u>\$ 756,930</u>	<u>\$ 1,012,718</u>	\$ 2,881,042
Eliminations					<u>109,767</u>
Segment profit or loss					2,990,809
Finance costs					(930,214)
Net gain on fair value change of financial instruments at fair value through profit or loss					91,344
Net non-operating income and expenses					<u>1,404,253</u>
Profit before income tax					<u>\$ 3,556,192</u>
<u>For the year ended December 31, 2018</u>					
Revenue from external customers	\$ 19,053,842	\$ 31,935,151	\$ 12,402,074	\$ 13,048,616	\$ 76,439,683
Revenue from other internal operating segments	<u>4,971,379</u>	<u>2,198,455</u>	<u>238,751</u>	<u>1,405,677</u>	<u>8,814,292</u>
Segment revenue	<u>\$ 24,025,221</u>	<u>\$ 34,133,606</u>	<u>\$ 12,640,855</u>	<u>\$ 14,454,293</u>	85,253,975
Eliminations					<u>(8,814,292)</u>
Consolidated revenue					<u>\$ 76,439,683</u>
Total profit or loss for reportable segments	<u>\$ 592,042</u>	<u>\$ 889,677</u>	<u>\$ 250,564</u>	<u>\$ 547,999</u>	\$ 2,280,282
Eliminations					<u>79,548</u>
Segment profit or loss					2,359,830
Finance costs					(1,019,521)
Net gain on fair value change of financial instruments at fair value through profit or loss					619,430
Net non-operating income and expenses					<u>966,355</u>
Profit before income tax					<u>\$ 2,926,094</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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Segment assets</u>		
Business unit of pulp and fine paper	\$ 31,098,417	\$ 31,377,572
Business unit of containerboard and packaging	42,415,547	43,926,717
Business unit of consumer products	8,064,274	8,943,546
Other segments	77,372,146	72,673,596
Adjustment and elimination	<u>(37,861,371)</u>	<u>(38,713,057)</u>
Consolidated total assets	<u>\$ 121,089,013</u>	<u>\$ 118,208,374</u>

## Geographical Information

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

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

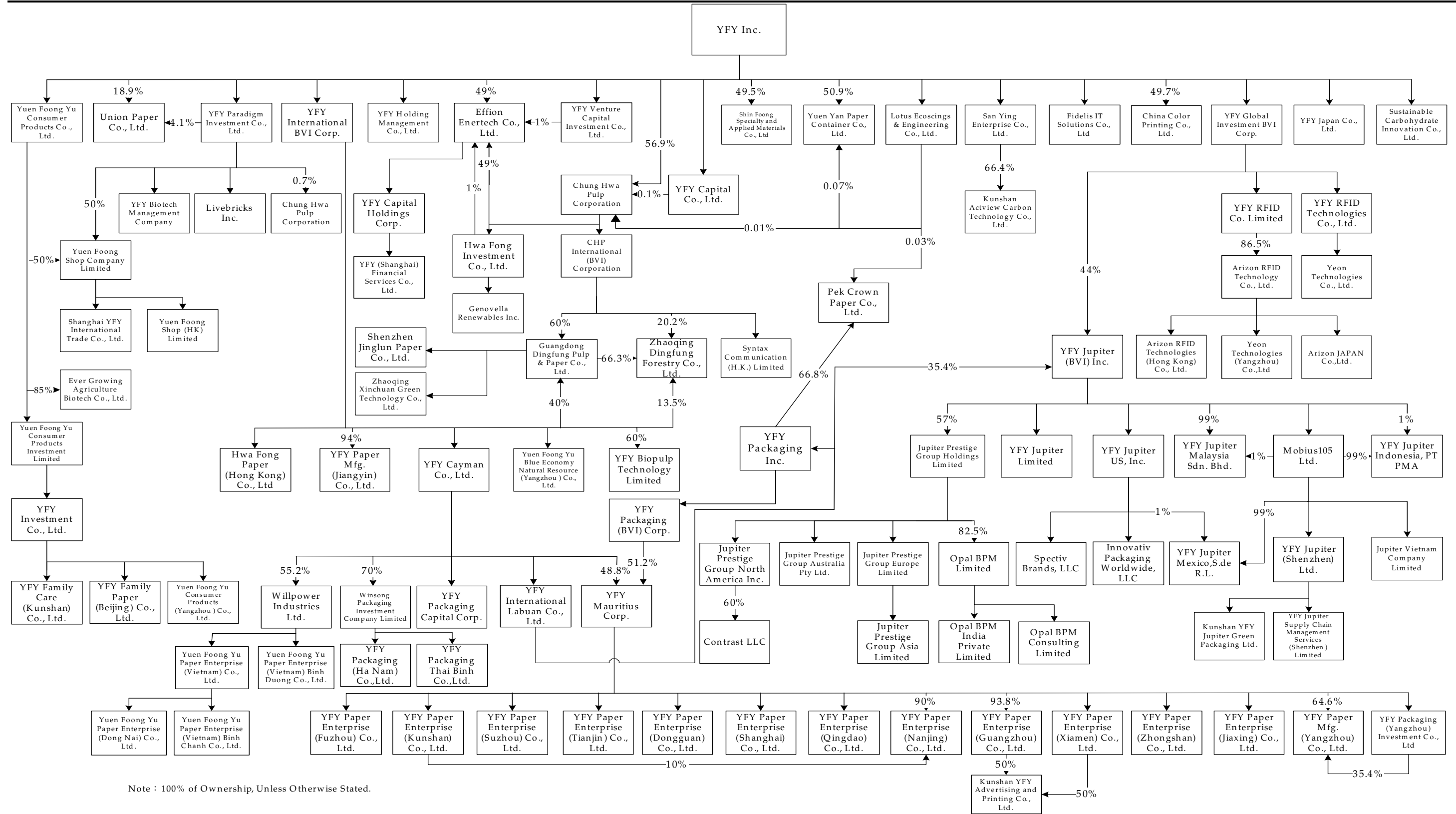
	<b>Revenue from</b>		<b>Non-current Assets</b>	
	<b>External Customers</b>			
	<b>For the Year Ended</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taiwan	\$ 37,249,337	\$ 40,209,640	\$ 32,865,318	\$ 31,919,849
Mainland China	27,062,033	28,856,016	18,906,865	20,792,571
Others	<u>10,449,117</u>	<u>7,374,027</u>	<u>3,167,702</u>	<u>2,767,456</u>
	<u>\$ 74,760,487</u>	<u>\$ 76,439,683</u>	<u>\$ 54,939,885</u>	<u>\$ 55,479,876</u>

## Information about Major Customers

No single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

YFY INC. AND SUBSIDIARIES

DIAGRAM OF INVESTMENT STRUCTURE  
DECEMBER 31, 2019



## YFY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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 Global Investment BVI Corp.	Yeon Technologies Co., Ltd.	Other receivables from related parties	Yes	\$ 30,895	\$ 14,990	\$ 14,990	2.00	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 541,327	\$ 2,165,309	Note 2	
		YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	790,000	119,920	119,920	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	10,826,543	10,826,543	Note 2	
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	1,327,200	659,560	659,560	3.00-3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	10,826,543	10,826,543	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	911,121	902,468	902,468	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	10,826,543	10,826,543	Note 2	
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	485,613	-	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	2,165,309	2,165,309	Note 2
2	YFY International BVI Corp.	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	379,200	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	461,550	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	988,640	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	558,013	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	30,371	30,082	30,082	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	84,145	81,652	81,652	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	128,924	128,924	128,924	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	8,067,656	8,067,656	Note 2	
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	157,932	157,932	157,932	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	216,934	214,873	214,873	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	229,967	214,873	214,873	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	262,409	256,774	256,774	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	289,758	270,741	270,741	4.35-4.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	3,711,393	3,432,861	3,432,861	2.00-2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	40,338,281	40,338,281	Note 2	
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	221,200	-	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	8,067,656	8,067,656	Note 2
		YFY Biopulp Technology Limited.	Other receivables from related parties	Yes	3,077	-	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	8,067,656	8,067,656	Note 2
3	YFY Paper Enterprise (Guangzhou) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	56,727	43,767	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	43,767	175,070	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	56,727	43,767	176	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	43,767	175,070	Note 2	
4	YFY Paper Enterprise (Kunshan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,055,969	862,529	2,224	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	991,453	991,453	Note 2	
		YFY (Shanghai) Financial Services Co., Ltd.	Other receivables from related parties	Yes	137,748	128,924	128,924	5.00	Short-term financing	-	Financing for working capital requirements	-	-	-	991,453	991,453	Note 2	
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,947,900	862,529	267,515	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	991,453	991,453	Note 2	
5	YFY Paper Enterprise (Qingdao) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,821,297	1,704,630	58,155	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,704,630	1,704,630	Note 2	
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,821,297	1,704,630	754,958	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,704,630	1,704,630	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			
6	YFY Paper Enterprise (Nanjing) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 760,426	\$ 711,416	\$ -	3.25	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 711,716	\$ 711,716	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	760,426	711,416	31,382	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	711,716	711,716	Note 2
7	YFY Paper Enterprise (Dongguan) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	867,445	811,879	112,812	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	811,879	811,879	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	867,445	811,879	288,691	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	811,879	811,879	Note 2
8	YFY Paper Enterprise (Tianjin) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,511,401	1,414,585	81,184	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,414,585	1,414,585	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,511,401	1,414,585	579,816	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,414,585	1,414,585	Note 2
9	YFY Paper Enterprise (Zhongshan) Co., Ltd.	YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,840,005	1,722,139	225,038	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,722,139	1,722,139	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,840,005	1,722,139	446,621	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,722,139	1,722,139	Note 2
		YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	275,136	-	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	344,428	344,428
10	YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	375,465	351,414	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	351,414	351,414	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	646,170	351,414	3,224	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	351,414	351,414	Note 2
11	YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	689,900	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	689,900	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	689,900	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	689,900	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	2,154,129	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	2,154,129	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	2,154,129	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	2,154,129	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,154,129	537,984	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	689,900	537,984	14,373	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	574,805	537,984	72,913	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,464,229	1,075,968	187,282	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Fuzhou) Co., Ltd.	Other receivables from related parties	Yes	689,900	537,984	189,251	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	1,075,968	1,075,968	Note 2
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	73,211	53,798	5,037	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	53,798	215,194	Note 2
12	YFY Paper Enterprise (Shanghai) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	582,269	544,971	3,865	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	544,971	544,971	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	836,806	544,971	73,133	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	544,971	544,971	Note 2
13	YFY Paper Enterprise (Jiaxing) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	312,145	292,150	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	292,150	292,150	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	603,352	292,150	3,379	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	292,150	292,150	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			
14	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 689,900	\$ 219,991	\$ -	3.50	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 4,399,820	\$ 4,399,820	Note 2
		Kunshan YFY Jupiter Green Packaging Ltd.	Other receivables from related parties	Yes	689,900	219,991	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Jupiter (Shenzhen) Ltd.	Other receivables from related parties	Yes	689,900	219,991	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Nanjing) Co., Ltd.	Other receivables from related parties	Yes	459,159	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Family Paper (Beijing) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	714	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		Shanghai YFY International Trade Co., Ltd.	Other receivables from related parties	Yes	2,709	2,536	2,144	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	2,815	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		Shenzhen Jinglun Paper Co., Ltd.	Other receivables from related parties	Yes	689,900	219,991	5,194	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	34,307	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2
YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	1,379,800	429,747	217,673	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2		
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	228,691	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2		
Kunshan YFY Advertising and Printing Co., Ltd.	Other receivables from related parties	Yes	689,900	429,747	361,610	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	4,399,820	4,399,820	Note 2		
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Other receivables from related parties	Yes	287,008	219,991	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	219,991	879,964	Note 2		
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	287,008	219,991	-	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	219,991	879,964	Note 2		
15	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	247,318	109,387	92,474	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	218,773	218,773	Note 2
16	YFY Jupiter (Shenzhen) Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	530,075	265,141	108,474	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	530,283	530,283	Note 2
17	Kunshan YFY Jupiter Green Packaging Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	196,333	135,657	123,182	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	271,314	271,314	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			
18	YFY Cayman Co., Ltd.	YFY Packaging (Ha Nam) Co., Ltd.	Other receivables from related parties	Yes	\$ 61,470	\$ -	\$ -	-	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 5,290,673	\$ 5,290,673	Note 2
		YFY Paper Enterprise (Zhongshan) Co., Ltd.	Other receivables from related parties	Yes	81,662	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Qingdao) Co., Ltd.	Other receivables from related parties	Yes	140,211	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	154,100	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Dongguan) Co., Ltd.	Other receivables from related parties	Yes	191,056	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Other receivables from related parties	Yes	462,233	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	169,486	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Other receivables from related parties	Yes	91,067	85,090	85,090	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Shanghai) Co., Ltd.	Long-term receivables from related parties	Yes	119,582	11,734	11,734	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Jiaxing) Co., Ltd.	Other receivables from related parties	Yes	126,627	118,181	118,181	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Enterprise (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	330,232	226,906	226,906	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,849,227	257,848	257,848	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Packaging (Yangzhou) Investment Co., Ltd.	Long-term receivables from related parties	Yes	938,264	584,456	584,456	4.35	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Long-term receivables from related parties	Yes	1,935,397	1,804,937	1,804,937	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	26,453,366	26,453,366	Note 2
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Other receivables from related parties	Yes	169,485	-	-	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	5,290,673	5,290,673	Note 2		
19	YFY RFID Co. Limited	YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	222,869	212,858	212,858	3.50	Short-term financing	-	Financing for working capital requirements	-	-	-	5,096,398	5,096,398	Note 2
20	Hwa Fong Paper (Hong Kong) Company Limited	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	97,960	92,938	92,938	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	187,551	187,551	Note 2
21	YFY Jupiter (BVI) Inc.	YFY Jupiter US, Inc.	Other receivables from related parties	Yes	32,232	30,580	30,580	3.80	Short-term financing	-	Financing for working capital requirements	-	-	-	232,333	232,333	Note 2
		YFY Jupiter Indonesia, PT PMA	Other receivables from related parties	Yes	47,400	44,970	44,970	9.00	Short-term financing	-	Financing for working capital requirements	-	-	-	232,333	232,333	Note 2
22	YFY Jupiter Limited	YFY Jupiter US, Inc.	Other receivables from related parties	Yes	31,829	30,400	30,400	3.70-3.80	Short-term financing	-	Financing for working capital requirements	-	-	-	123,581	123,581	Note 2
23	Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	521,007	487,633	121,243	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	487,633	1,950,533	Note 2
24	CHP International (BVI) Corporation	Zhaoqing Dingfung Forestry Co., Ltd.	Other receivables from related parties	Yes	379,200	359,760	359,760	2.50	Short-term financing	-	Financing for working capital requirements	-	-	-	2,098,863	2,098,863	Note 2
		Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,037,795	979,823	979,823	3.10	Short-term financing	-	Financing for working capital requirements	-	-	-	2,098,863	2,098,863	Note 2
		YFY International BVI Corp.	Other receivables from related parties	Yes	316,000	299,800	299,800	2.80	Short-term financing	-	Financing for working capital requirements	-	-	-	524,716	2,098,863	Note 2
25	Zhaoqing Dingfung Forestry Co., Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	91,023	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	1,132,240	1,132,240	Note 2
26	Shenzhen Jinglun Paper Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	10,737	10,049	-	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	10,049	49,198	Note 2
27	Yuen Foong Yu Consumer Products Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	59,791	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	1,005,704	1,005,704	Note 2
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	840,262	786,437	786,437	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	1,005,704	1,005,704	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			
28	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Long-term receivables from related parties	Yes	\$ 474,000	\$ 449,700	\$ 449,700	2.00	Short-term financing	\$ -	Financing for working capital requirements	\$ -	-	\$ -	\$ 4,866,867	\$ 4,866,867	Note 2
		YFY Investment Co., Ltd.	Long-term receivables from related parties	Yes	474,000	449,700	449,700	2.00	Short-term financing	-	Financing for working capital requirements	-	-	-	4,866,867	4,866,867	Note 2
29	YFY Family Care (Kunshan) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	466,014	436,163	19,688	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	872,326	872,326	Note 2
30	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,024,190	958,583	85,675	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	1,917,167	1,917,167	Note 2
31	YFY Family Paper (Beijing) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	491,409	449,040	27,130	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	898,081	898,081	Note 2
32	YFY Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,561,079	1,448,923	311,469	3.25	Short-term financing	-	Financing for working capital requirements	-	-	-	2,897,846	2,897,846	Note 2
33	YFY International Labuan Co., Ltd.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	110,600	101,932	101,932	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	13,876,040	13,876,040	Note 2
34	YFY Mauritius Corp.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	316,000	299,800	299,800	3.00	Short-term financing	-	Financing for working capital requirements	-	-	-	13,653,829	13,653,829	Note 2
35	Willpower Industries Ltd.	Vinh Phu Packing And Printing Company Limited	Other receivables from related parties	Yes	71,100	-	-	-	Short-term financing	-	Building factory	-	-	-	696,541	696,541	-
36	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Vinh Phu Packing And Printing Company Limited	Other receivables from related parties	Yes	58,219	58,219	-	5.50	Short-term financing	-	Building factory	-	-	-	501,145	501,145	-
37	YFY Packaging BVI Corp.	YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	41,080	38,974	38,974	1.50	Short-term financing	-	Financing for working capital requirements	-	-	-	7,066,233	7,066,233	Note 2
38	YFY Packaging Capital Corp.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Long-term receivables from related parties	Yes	412,222	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	12,000,928	12,000,928	Note 2
		YFY Cayman Co., Ltd.	Other receivables from related parties	Yes	264,815	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	12,000,928	12,000,928	Note 2
		YFY Cayman Co., Ltd.	Long-term receivables from related parties	Yes	5,849,160	-	-	-	Short-term financing	-	Financing for working capital requirements	-	-	-	12,000,928	12,000,928	Note 2
39	YFY Capital Co., Ltd.	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	-	-	-	152,879	152,879	Note 2
40	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	-	-	-	59,251	59,251	Note 2
41	Effion Enertech Co., Ltd.	Lotus Ecoscings & Engineering Co., Ltd.	Other receivables from related parties	Yes	75,000	75,000	75,000	1.10	Short-term financing	-	Financing for working capital requirements	-	-	-	275,108	275,108	Note 2
		YFY Venture Capital Investment Co., Ltd.	Other receivables from related parties	Yes	200,000	200,000	200,000	1.10	Short-term financing	-	Financing for working capital requirements	-	-	-	275,108	275,108	Note 2
42	YFY Japan Co., Ltd.	YFY International BVI Corp.	Other receivables from related parties	Yes	73,675	69,000	69,000	0.50	Short-term financing	-	Financing for working capital requirements	-	-	-	192,786	192,786	Note 2

- Note 1:
- In the provision of loans due to business dealings, total loans should not exceed 40% of the lender's net equity for the prior year while individual loans should not exceed the total purchases and sales between the lender and the borrower for the prior year. In the provision of short-term loans, both individual and total loans each should not exceed 40% of the lender's net equity for the prior year. To sum up, in the provision of business dealings and short-term financing, both aggregate loans and individual loans should not exceed 80% of the lender's net equity for the prior year.
  - 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 subsidiaries of YFY Inc., if the lending is for the borrower's business purposes or for 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.
  - 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.
  - For Guangdong Dingfung Pulp & Paper Co., Ltd. and CHP International (BVI) Corporation, individual loans and total loans provided 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, 2019  
(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 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 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	Endorsement/guarantee YFY Inc.	YFY Packaging (Yangzhou) Investment Co., Ltd. YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3 a. Note 3 a.	\$ 53,193,764 53,193,764	\$ 316,000 4,165,400	\$ 299,800 3,938,020	\$ - 1,296,213	\$ - -	0.76 10.03	\$ 70,925,018 70,925,018	Yes Yes	No No	Yes Yes
2	YFY Packaging Inc.	YFY Cayman Co., Ltd.	Note 3 b.	10,086,107	4,740,000	-	-	-	-	13,448,142	No	Yes	No
3	YFY Cayman Co., Ltd.	YFY Packaging (Ha Nam) Co., Ltd. YFY Paper Mfg. (Yangzhou) Co., Ltd. YFY Packaging (Yangzhou) Investment Co., Ltd.	Note 3 a. Note 3 a. Note 3 a.	19,840,025 19,840,025 19,840,025	489,800 691,400 239,300	464,690 167,950 227,910	338,763 29,980 -	- - -	3.37 1.22 1.65	26,453,366 26,453,366 26,453,366	Yes Yes Yes	No No No	No Yes Yes
4	Willpower Industries Ltd.	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd. Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd. Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd. Vinh Phu Packing And Printing Company Limited	Note 3 a. Note 3 a. Note 3 a. Note 3 c.	2,612,029 2,612,029 2,612,029 174,135	239,840 410,800 1,074,400 90,063	239,840 389,740 1,019,320 87,048	- 110,926 557,628 72,202	- - - -	12.01 19.51 51.03 4.36	3,482,706 3,482,706 3,482,706 174,135	Yes Yes Yes No	No No No No	No No No No
5	Winsong Packaging Investment Company Limited	YFY Packaging (Ha Nam) Co., Ltd.	Note 3 a.	548,874	152,500	149,900	-	-	40.09	731,832	Yes	No	No
1	Credit line (Note 4) YFY Inc.	Lotus Ecoscings & Engineering Co., Ltd. YFY (Shanghai) Financial Services Co., Ltd. YFY Global Investment BVI Corp. YFY Paradigm Investment Co., Ltd. YFY Venture Capital Investment Co., Ltd. YFY Capital Co., Ltd. YFY International BVI Corp. YFY Jupiter Limited YFY Jupiter (BVI) Inc.	Note 3 a. Note 3 a. Note 3 a. Note 3 a. Note 3 a. Note 3 a. Note 3 a. Note 3 a. Note 3 a. Note 3 a.	53,193,764 53,193,764 53,193,764 53,193,764 53,193,764 53,193,764 53,193,764 53,193,764 53,193,764 53,193,764	230,000 418,612 632,000 1,970,000 1,920,000 2,800,000 3,128,239 289,460 316,000	230,000 394,753 599,600 1,770,000 1,870,000 2,800,000 3,061,158 278,413 299,800	56,000 - - 784,000 529,000 1,640,000 168,646 64,964 299,800	- - - - - - - - -	0.59 1.01 1.53 4.51 4.76 7.13 7.80 0.71 0.76	70,925,018 70,925,018 70,925,018 70,925,018 70,925,018 70,925,018 70,925,018 70,925,018 70,925,018	No No No No No No No No No	No No No No No No No No No	No No No No No No No No No
2	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation Guangdong Dingfung Pulp & Paper Co., Ltd.	Note 3 a. Note 3 a.	23,432,565 23,432,565	869,250 183,973	704,530 171,899	38,546 -	- -	4.66 1.14	31,243,420 31,243,420	No No	No No	No No
3	YFY Packaging Inc.	YFY Paper Enterprise (Tianjin) Co., Ltd. YFY Paper Enterprise (Qingdao) Co., Ltd. YFY Cayman Co., Ltd.	Note 3 b. Note 3 b. Note 3 b.	10,086,107 10,086,107 10,086,107	91,605 91,605 1,959,200	85,949 85,949 1,918,720	- - 29,980	- - -	1.20 1.20 26.88	13,448,142 13,448,142 13,448,142	No No No	No No No	No No No

Note 1: Represents 150% of the prior year's net equity, except Vinh Phu Packaging And Printing Company Limited represents 10% of prior year's net equity of Willpower Industries Ltd.

Note 2: Represents 200% of the prior year's net equity, except Vinh Phu Packaging And Printing Company Limited represents 10% of prior year's net equity of Willpower Industries Ltd.

Note 3: The relationships between the guarantor and the guarantee are as follows:

- a. Subsidiary.
- b. Same ultimate parent company.
- c. Associate.

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

## YFY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2019

(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, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Inc.	<u>Ordinary shares</u>							
	SinoPac Financial Holdings Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	468,485,150	\$ 6,090,307	4.2	\$ 6,090,307	
	Boardtek Electronics Corporation	-	Non-current financial assets at fair value through other comprehensive income	37,323,087	940,542	16.7	940,542	
	TaiGen Biopharmaceuticals Holdings Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	84,509,502	1,554,975	11.8	1,554,975	
	Canada Investment and Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	20,826,000	167,239	12.9	167,239	
	Synmax Biochemical Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,999,371	71,529	13.9	71,529	
	Universal Investment Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,562,000	31,730	2.9	31,730	
	Fu Hwa Development Enterprise Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	4,200,000	55,251	14.0	55,251	
	Taiwan Creative Industry Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	1,600,000	19,288	8.0	19,288	
	Shin Taiwan Kubota Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,612	42,819	5.5	42,819	
	China Trade and Development Corp.	-	Non-current financial assets at fair value through other comprehensive income	377,634	1,677	0.6	1,677	
	Taiwan Stock Exchange Corporation	Note 1	Non-current financial assets at fair value through other comprehensive income	21,857,875	2,473,095	3.0	2,473,095	
	Sino Cell Technologies Ltd.	-	Non-current financial assets at fair value through other comprehensive income	995,313	11,717	10.0	11,717	
	Yuen Foong Paper Co., Ltd.	Note 3	Non-current financial assets at fair value through other comprehensive income	544,067	11,509	0.7	11,509	
	KHL IB Venture Capital Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	19,161,529	293,982	14.9	293,982	
	iXensor Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,955,000	35,679	4.0	35,679	
	<u>Subordinated bank debentures</u>							
	Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	Note 2	Non-current financial assets at fair value through profit or loss	-	160,964	-	160,964	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Paper Enterprise (Xiamen) Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	4,166,126	\$ 58,218	-	\$ 58,218	
	<u>Share certificate</u> Xiamen Taiwanese Investment Association Management Company	-	Non-current financial assets at fair value through other comprehensive income	-	RMB 70 thousand	-	RMB 70 thousand	
YFY Global Investment BVI Corp.	<u>Beneficiary certificates</u> WI Harper INC Fund VII LP	-	Non-current financial assets at fair value through other comprehensive income	-	US\$ 155 thousand	0.2	US\$ 155 thousand	
	<u>Special share</u> Neutron Innovation (BVI) Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	1,692,250	US\$ 2,665 thousand	6.6	US\$ 2,665 thousand	
	Micareo Inc.	-	Non-current financial assets at fair value through other comprehensive income	8,124,999	US\$ 2,897 thousand	19.9	US\$ 2,897 thousand	
Shin Foong Specialty and Applied Materials Co., Ltd.	Omni-ID Corporation Inc.	Note 1	Non-current financial assets at fair value through other comprehensive income	4,085,810	US\$ 1,353 thousand	5.7	US\$ 1,353 thousand	
	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	21,891,143	284,585	0.2	284,585	
	Foongtone Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,884,415	81,901	11.8	81,901	
China Color Printing Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	5,009,518	70,004	-	70,004	
	<u>Beneficiary certificates</u> Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	1,682,148	25,026	-	25,026	
	<u>Ordinary shares</u> China Development Financial Holding Corporation	-	Current financial assets at fair value through other comprehensive income	9,959,081	96,902	0.1	96,902	
	China Parcel Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	463,917	5,094	10.8	5,094	
YFY Capital Co., Ltd.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	106,496,565	1,384,455	0.9	1,384,455	
	Advance Materials Corporation Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,542,258	7,557	1.3	7,557	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Paradigm Investment Co., Ltd.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	113,222,824	\$ 1,471,897	1.0	\$ 1,471,897	
	Shen's Art Printing Co., Ltd.	Note 1	Current financial assets at fair value through other comprehensive income	43,109	584	0.1	584	
	Medeon Biodesign, Inc.	-	Current financial assets at fair value through other comprehensive income	118,791	7,508	0.2	7,508	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Non-current financial assets at fair value through other comprehensive income	17,654,353	324,840	2.5	324,840	
	Canada Investment and Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	2,574,000	20,670	1.6	20,670	
	Locus Publishing Company	Note 1	Non-current financial assets at fair value through other comprehensive income	1,402,386	14,612	13.4	14,612	
	Sino Cell Technologies Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	994,687	11,710	10.0	11,710	
	Foongtone Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	881,184	25,021	3.6	25,021	
	Taiwan Stock Exchange Corporation	-	Non-current financial assets at fair value through other comprehensive income	1,512	171	-	171	
		<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	3,220,520	45,004	-	45,004
YFY Venture Capital Investment Co., Ltd.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	105,793,320	1,375,313	0.9	1,375,313	
	Medeon Biodesign, Inc.	-	Current financial assets at fair value through other comprehensive income	203,484	12,860	0.3	12,860	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,265,000	23,276	0.2	23,276	
	Quan Yuan Investment Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	7,000,000	57,627	5.5	57,627	
	Taiwan Global BioFund Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,600,000	37,089	4.7	37,089	
	Everterminal Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,401,920	16,679	2.5	16,679	
	Echem Solutions Corp.	-	Non-current financial assets at fair value through other comprehensive income	780,652	9,367	1.4	9,367	
	Overseas Investment & Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,000,000	7,814	1.1	7,814	
	Somnics Inc.	-	Non-current financial assets at fair value through other comprehensive income	485,000	6,247	1.3	6,247	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fidelis IT Solutions Co., Ltd.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	7,455,438	\$ 96,921	0.1	\$ 96,921	
Lotus Ecoscings & Engineering Co., Ltd.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	30,220,080	392,861	0.3	392,861	
	Boardtek Electronics Corporation	Note 1	Current financial assets at fair value through other comprehensive income	2,335,530	58,855	1.0	58,855	
	Fu Hwa Development Enterprise Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,050,000	13,813	3.5	13,813	
	Foongtone Technology Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	489,546	13,900	2.0	13,900	
Chung Hwa Pulp Corporation	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	99,809,327	1,297,521	0.9	1,297,521	
	NTU Innovation & Incubation Co., Ltd.	Note 1	Non-current financial assets at fair value through profit or loss	800,000	-	6.3	-	
	Groundhog Technologies Inc.	-	Non-current financial assets at fair value through profit or loss	275,000	-	1.0	-	
	Direct Insight Inc.	-	Non-current financial assets at fair value through other comprehensive income	275,000	3	1.0	3	
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Non-current financial assets at fair value through other comprehensive income	15,315,356	281,803	2.1	281,803	
	KHL IB Venture Capital Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	19,161,529	293,982	14.9	293,982	
	<u>Subordinated bank debentures</u> Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Non-current financial assets at fair value through profit or loss	-	171,035	-	171,035	
Hwa Fong Investment Co., Ltd.	<u>Ordinary shares</u> Everest Technology Inc.	-	Non-current financial assets at fair value through profit or loss	150,000	-	0.2	-	
	SinoPac Financial Holdings Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	2,394,960	31,135	-	31,135	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Holding Management Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	3,204,401	\$ 44,779	-	\$ 44,779	
Union Paper Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	3,141,347	43,898	-	43,898	
	<u>Subordinated bank debentures</u> Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Non-current financial assets at fair value through profit or loss	-	20,117	-	20,117	
YFY Japan Co., Ltd.	<u>Ordinary shares</u> Beautone Japan Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	440	JPY 48,187 thousand	36.7	JPY 48,187 thousand	
Effion Eneritech Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	139,055	1,943	-	1,943	
	<u>Subordinated bank debentures</u> Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Non-current financial assets at fair value through profit or loss	-	50,301	-	50,301	
Genovella Renewables Inc. (originally named as Kuang Hwa Fertilizer Limited Company)	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	97,099	1,357	-	1,357	
San Ying Enterprise Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	366,642	5,124	-	5,124	
Kunshan Actview Carbon Technology Co., Ltd.	<u>Structured deposit</u> Fubon Bank (China) Financial Product No. 19010551	-	Current financial assets at fair value through profit or loss	-	RMB 2,705 thousand	-	RMB 2,705 thousand	
	Fubon Bank (China) Financial Product No. 19040565	-	Current financial assets at fair value through profit or loss	-	RMB 3,192 thousand	-	RMB 3,192 thousand	
	Fubon Bank (China) Financial Product No. 19120463	-	Current financial assets at fair value through profit or loss	-	RMB 3,310 thousand	-	RMB 3,310 thousand	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	<u>Structured deposit</u>							
	Bank of Communications Financial Product No. 151000513649		Current financial assets at fair value through profit or loss	-	RMB 45,558 thousand	-	RMB 45,558 thousand	
	Bank of Communications Financial Product No. 113000338706	-	Current financial assets at amortized cost	-	RMB 12,056 thousand	-	RMB 12,056 thousand	
	Bank of Communications Financial Product No. 113500347576	-	Current financial assets at amortized cost	-	RMB 45,214 thousand	-	RMB 45,214 thousand	
	Bank of Communications Financial Product No. 114900365798	-	Current financial assets at amortized cost	-	RMB 45,215 thousand	-	RMB 45,215 thousand	
	Bank of Communications Financial Product No. 112700368838	-	Current financial assets at amortized cost	-	RMB 45,038 thousand	-	RMB 45,038 thousand	
	Bank of Communications Financial Product No. 114100393531	-	Current financial assets at amortized cost	-	RMB 38,032 thousand	-	RMB 38,032 thousand	
	Bank of Communications Financial Product No. 110900372309	-	Current financial assets at amortized cost	-	RMB 46,009 thousand	-	RMB 46,009 thousand	
	Bank of Communications Financial Product No. 111800393547	-	Current financial assets at amortized cost	-	RMB 46,009 thousand	-	RMB 46,009 thousand	
	Bank of Communications Financial Product No. 110400360615	-	Current financial assets at amortized cost	-	RMB 12,002 thousand	-	RMB 12,002 thousand	
Arizon RFID Technologies (Hong Kong) Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	204,281	US\$ 95 thousand	-	US\$ 95 thousand	
Yeon Technologies Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	145,498	2,033	-	2,033	
Sustainable Carbohydrate Innovation Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	824,984	11,528	-	11,528	
YFY Biotech Management Company	<u>Ordinary shares</u>							
	New Medical Imaging Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	331,671	1	7.2	1	
	HenKan Pharmaceutical Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,500,000	1	10.2	1	
	Neuro Sky, Inc.	-	Non-current financial assets at fair value through other comprehensive income	48,308,183	-	10.3	-	
	Elixir Pharmaceuticals Inc.	-	Non-current financial assets at fair value through other comprehensive income	2,662,558	-	2.2	-	
	ACM Medical Technologies, Inc.	-	Non-current financial assets at fair value through other comprehensive income	760,000	-	7.3	-	
	Nereus Pharmaceuticals Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,682,602	-	0.9	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Packaging (Yangzhou) Investment Co., Ltd.	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	23,829,970	\$ 333,005	-	\$ 333,005	
	<u>Structured deposit</u> SinoPac Bank Financial Product No. 19120005	-	Current financial assets at fair value through profit or loss	-	RMB 19,324 thousand	-	RMB 19,324 thousand	
	SinoPac Bank Financial Product No. 19120002	-	Current financial assets at fair value through profit or loss	-	RMB 8,387 thousand	-	RMB 8,387 thousand	
	SinoPac Bank Financial Product No. 19110012	-	Current financial assets at fair value through profit or loss	-	RMB 10,033 thousand	-	RMB 10,033 thousand	
	SinoPac Bank Financial Product No. 19110005	-	Current financial assets at fair value through profit or loss	-	RMB 8,650 thousand	-	RMB 8,650 thousand	

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

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

Note 3: A member of the board of directors of the investor.

(Concluded)

## YFY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments (Note 2)	Ending Balance		Note
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal (Note 2)		Number of Shares	Amount	
YFY Packaging Inc.	Beneficiary certificates															
	SinoPac TWD Money Market Fund	Note 1	-	-	-	\$ -	163,952,728	\$ 2,284,000	163,952,728	\$ 2,284,230	\$ 2,284,000	\$ 230	\$ -	-	\$ -	-
	Yuanta Wan Tai Money Market Fund	Note 1	-	-	1,520,737	23,001	119,960,459	1,818,000	121,481,196	1,841,181	1,841,000	181	(1)	-	-	-
YFY Capital Co., Ltd.	Beneficiary certificates															
	SinoPac TWD Money Market Fund	Note 1	-	-	-	-	107,903,643	1,504,000	107,903,643	1,504,123	1,504,000	123	-	-	-	-
	FSITC Money Market Fund	Note 1	-	-	-	-	1,675,210	300,000	1,675,210	300,008	300,000	8	-	-	-	-
YFY Biotech Management Company	Beneficiary certificates															
	SinoPac TWD Money Market Fund	Note 1	-	-	-	-	23,829,970	333,000	-	-	-	-	5	23,829,970	333,005	-

Note 1: Accounted for as current financial assets at FVTPL.

Note 2: Accounted for as gain (loss) on the fair value change of financial instruments at FVTPL.

**TABLE 6**

**YFY INC. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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 Co., Ltd.	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 1 b	Sales	\$ 806,038	8	In agreed terms	\$ -	-	\$ 101,312	7	Note 2
	YFY Paper Enterprise (Tianjin) Co., Ltd.	Note 1 b	Sales	480,804	5	In agreed terms	-	-	43,985	3	Note 2
	YFY Paper Enterprise (Xiamen) Co., Ltd.	Note 1 b	Sales	449,774	5	In agreed terms	-	-	48,091	3	Note 2
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 1 b	Sales	216,976	2	In agreed terms	-	-	18,873	1	Note 2
	YFY Paper Enterprise (Zhongshan) Co., Ltd.	Note 1 b	Sales	432,086	4	In agreed terms	-	-	44,821	3	Note 2
	YFY Paper Enterprise (Qingdao) Co., Ltd.	Note 1 b	Sales	291,097	3	In agreed terms	-	-	23,909	2	Note 2
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Note 1 b	Sales	402,373	4	In agreed terms	-	-	25,214	2	Note 2
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 b	Sales	6,090,212	62	In agreed terms	-	-	924,619	60	Note 2
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Note 1 b	Sales	189,683	2	In agreed terms	-	-	25,498	2	Note 2
	YFY Paper Enterprise (Nanjing) Co., Ltd.	Note 1 b	Sales	171,667	2	In agreed terms	-	-	25,936	2	Note 2
	YFY Paper Enterprise (Fuzhou) Co., Ltd.	Note 1 b	Sales	169,137	2	In agreed terms	-	-	13,105	1	Note 2
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Note 1 b	Sales	163,246	2	In agreed terms	-	-	16,213	1	Note 2
YFY Packaging Inc.	Pek Crown Paper Co., Ltd.	Note 1 a	Sales	715,416	6	3 months after transaction months	-	-	142,931	6	Note 2
	Chung Hwa Pulp Corporation	Note 1 b	Sales	1,500,942	12	2 months after transaction months	-	-	267,075	11	Note 2
	Yuen Foong Yu Consumer Products Co., Ltd.	Note 1 b	Sales	128,106	1	In agreed terms	-	-	45,980	2	Note 2
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 b	Sales	1,302,076	11	In agreed terms	-	-	569,085	23	Note 2
Chung Hwa Pulp Corporation	YFY Capital Co., Ltd.	Note 1 b	Sales	822,562	4	Half month after transaction month	-	-	53,914	2	Note 2
	Yuen Foong Yu Consumer Products Co., Ltd.	Note 1 b	Sales	584,410	3	2 months after transaction months	-	-	49,565	2	Note 2
	Shenzhen Jinglun Paper Co., Ltd.	Note 1 b	Sales	1,106,237	6	5 months after transaction month	-	-	727,224	26	Note 2
	Union Paper Co., Ltd.	Note 1 b	Sales	860,847	5	1 month after transaction month	-	-	54,999	2	Note 2
	YFY Packaging Inc.	Note 1 b	Sales	315,693	2	2 months after transaction months	-	-	69,428	2	Note 2
	Beautone Co., Ltd.	Note 1 c	Sales	264,584	1	1 month after transaction month	-	-	49,142	2	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Note 1 a	Sales	1,466,997	23	In agreed terms	-	-	70,884	8	Note 2
	Guangdong Dingfung Pulp & Paper Co., Ltd.	Note 1 b	Sales	170,750	3	2 months after transaction months	-	-	11,630	1	Note 2
YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Enterprise (Kunshan) Co., Ltd.	Note 1 b	Sales	408,080	80	In agreed terms	-	-	40,056	15	Note 2
Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Note 1 b	Sales	283,308	100	In agreed terms	-	-	141,658	100	Note 2
Zhaoqing Dingfung Forestry Co., Ltd	Guangdong Dingfung Pulp & Paper Co., Ltd.	Note 1 b	Sales	180,434	85	In agreed terms	-	-	61,882	94	Note 2
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b	Sales	694,916	99	In agreed terms	-	-	104,730	83	Note 2
YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b	Sales	511,688	100	In agreed terms	-	-	513	-	Note 2
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b	Sales	2,298,958	87	In agreed terms	-	-	431,731	81	Note 2
	YFY Family Care (Kunshan) Co., Ltd.	Note 1 b	Sales	334,697	13	In agreed terms	-	-	99,030	19	Note 2

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Note s/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Note 1 a	Sales	\$ 1,120,077	18	In agreed terms	\$ -	-	\$ 35,038	5	Note 2
Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Note 1 b	Sales	1,057,936	49	2 months after transaction months	-	-	107,284	26	Note 2
YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Enterprise (Nanjing) Co., Ltd.	Note 1 b	Sales	483,659	4	In agreed terms	-	-	50,005	1	Note 2
	YFY Paper Enterprise (Suzhou) Co., Ltd.	Note 1 b	Sales	511,637	5	In agreed terms	-	-	54,515	1	Note 2
	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Note 1 b	Sales	125,944	1	In agreed terms	-	-	-	-	Note 2
	YFY Paper Enterprise (Shanghai) Co., Ltd.	Note 1 b	Sales	422,179	4	In agreed terms	-	-	43,950	1	Note 2
	YFY Paper Enterprise (Jiaxing) Co., Ltd.	Note 1 b	Sales	169,874	2	In agreed terms	-	-	30,082	1	Note 2
	YFY Paper Enterprise (Dongguan) Co., Ltd.	Note 1 b	Sales	143,474	1	In agreed terms	-	-	20,369	1	Note 2
	Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Note 1 a	Sales	112,453	6	In agreed terms	-	-	22,430	8
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 1 b	Sales	124,521	100	In agreed terms	-	-	9,059	9	Note 2
Union Paper Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b	Sales	143,206	7	In agreed terms	-	-	11,857	5	Note 2
Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b	Sales	219,279	7	4 months after transaction months	-	-	97,603	28	Note 2
YFY Japan Co., Ltd.	Chung Hwa Pulp Corporation	Note 1 b	Sales	376,522	80	In agreed terms	-	-	-	-	Note 2
San Ying Enterprise Co., Ltd.	Union Paper Co., Ltd.	Note 1 b	Sales	100,603	95	In agreed terms	-	-	8,713	69	Note 2
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Note 1 b	Sales	177,080	10	In agreed terms	-	-	5,814	2	Note 2
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Note 1 b	Sales	268,587	13	In agreed terms	-	-	50,076	12	Note 2
YFY Packaging (Ha Nam) Co., Ltd.	YFY Packaging Thai Binh Co., Ltd.	Note 1 b	Sales	236,040	27	In agreed terms	-	-	30,266	10	Note 2
YFY Packaging Thai Binh Co., Ltd.	YFY Packaging (Ha Nam) Co., Ltd.	Note 1 b	Sales	248,841	85	In agreed terms	-	-	38,912	39	Note 2
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Note 1 b	Sales	135,585	8	In agreed terms	-	-	-	-	Note 2
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Note 1 b	Sales	128,324	33	In agreed terms	-	-	5,459	7	Note 2
YFY Biotech Management Company	Taiwan Global BioFund Co., Ltd.	Note 1 d	Other operating revenue	409,558	100	In agreed terms	-	-	27,106	100	-
YFY Jupiter (BVI) Inc.	YJY Packaging Ltd.	Note 1 d	Purchases	106,012	2	In agreed terms	-	-	27,882	3	-

(Continued)

Note 1: The relationships are as follows:

- a. Subsidiary.
- b. Parent company or the same ultimate parent company.
- c. Substantive related party.
- d. Associate.

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

(Concluded)

## YFY INC. AND SUBSIDIARIES

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

DECEMBER 31, 2019

(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	Note
					Amount	Actions Taken			
YFY Packaging Inc.	Chung Hwa Pulp Corporation	Same ultimate parent company	\$ 267,075	4.89	\$ -	-	\$ 253,032	\$ -	Note
	Pek Crown Paper Co., Ltd.	Subsidiary	142,931	5.23	-	-	139,777	-	Note
	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Same ultimate parent company	569,085	3.86	-	-	-	-	Note
Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Same ultimate parent company	727,224	1.65	-	-	173,105	-	Note
YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	Subsidiary	924,619	4.94	-	-	542,476	-	Note
	YFY Paper Enterprise (Guangzhou) Co., Ltd.	Subsidiary	101,312	9.29	-	-	101,312	-	Note
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	431,731	6.99	-	-	137,519	-	Note
FY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	104,730	6.86	-	-	104,730	-	Note
Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	141,658	2.13	-	-	70,530	-	Note
Guangdong Ding Fung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Same ultimate parent company	107,284	9.91	-	-	34,929	-	Note

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, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 8,661,522	\$ (245,098)	\$ (137,691)	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	3,419,509	3,083,789	363,421	-
	YFY International BVI Corp.	British Virgin Islands	Investment and holding	18,124,434	18,124,434	580,098,758	100.00	20,714,487	574,927	575,409	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	5,658,396	399,621	399,621	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	241,636,021	100.00	2,888,148	464,682	464,682	
	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	49.50	1,758,646	525,375	260,193	Notes 1 and 3
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	169,700	310,125	16,970,040	23.00	366,606	(229,750)	(53,443)	-
	China Color Printing Co., Ltd.	Taipei, Taiwan	Design and printing of magazines, posters and books	190,068	190,068	32,896,330	49.70	447,269	7,662	3,804	Notes 1 and 3
	YFY Venture Capital Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	200,000	200,000	69,827,600	100.00	1,468,764	109,486	109,486	Notes 1 and 3
	Effion Energetech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.00	272,617	(96,377)	(45,213)	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	713,821	59,033	59,033	Notes 1 and 3
	YFY Holding Management Co., Ltd.	Taipei, Taiwan	Consulting	30,000	30,000	3,000,000	100.00	38,474	4,699	4,699	Notes 1 and 3
	Union Paper Co., Ltd.	Yunlin, Taiwan	Manufacture and sale of paper	200,700	200,700	19,584,000	18.90	222,958	(27,227)	(5,150)	Notes 1 and 3
	YFY Paradigm Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	231,357	231,357	84,880,000	100.00	1,931,247	328,347	328,347	Notes 1 and 3
	San Ying Enterprise Co., Ltd.	Taipei, Taiwan	Design and construction of water processing and environmental facilities	60,000	100,003	6,000,000	100.00	128,487	56,591	56,591	Notes 1 and 3
	Lotus Ecoscings & Engineering Co., Ltd.	Taipei, Taiwan	Construction of sewage treatment plants and incinerators	152,944	152,944	28,545,000	100.00	431,459	20,699	20,699	Notes 1 and 3
	YFY Japan Co., Ltd.	Japan	Trade of paper, chemical material and machinery	2,099	2,099	200	100.00	101,211	5,475	5,475	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	71,585	6,415	3,268	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	68,351	(540)	(540)	Notes 1 and 3
	Taiwan Genome Science, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing.	5,613	12,260	561,291	19.40	12,368	(3,327)	(644)	-
Sustainable Carbohydrate Innovation Co., Ltd.	Taipei, Taiwan	Researching and development	30,000	-	3,000,000	100.00	32,098	2,098	2,098	Notes 1 and 3	
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\$ 459,899 thousand	US\$ 18,200 thousand	US\$ 18,200 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\$ 3,188 thousand	US\$ 59 thousand	US\$ 59 thousand	Notes 1 and 3
	Syntax Communication (H.K.) Limited	Hong Kong, China	Sale and print of paper merchandise	-	US\$ 6,388 thousand	-	-	US\$ 19 thousand	US\$ 19 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	US\$ 8 thousand	US\$ 97 thousand	US\$ 58 thousand	Notes 1 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\$ 251,849 thousand	US\$ 19,117 thousand	US\$ 19,064 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\$ 105,630 thousand	US\$ (8,099) thousand	US\$ (3,911) thousand	Notes 1 and 3
	Willpower Industries Ltd.	British Virgin Islands	Sale of various paper products	US\$ 16,338 thousand	US\$ 16,338 thousand	8,550,000	55.20	US\$ 36,754 thousand	US\$ 8,547 thousand	US\$ 4,715 thousand	Notes 1 and 3
	YFY Packaging Capital Corp.	British Virgin Islands	Investment and holding	-	US\$ 200,000 thousand	200	100.00	US\$ 1 thousand	US\$ 4,485 thousand	US\$ 4,485 thousand	Notes 1 and 3
	Winsong Packaging Investment Company Limited	Hong Kong, China	Investment and holding	US\$ 9,520 thousand	US\$ 9,520 thousand	9,520,000	70.00	US\$ 8,730 thousand	US\$ (891) thousand	US\$ (624) 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	US\$ 12,400 thousand	12,400,000	100.00	US\$ 11,156 thousand	US\$ (995) thousand	US\$ (995) thousand	Notes 1 and 3
	YFY Packaging Thai Binh Co., Ltd.	Vietnam	Manufacture and sale of paper and cardboard	US\$ 1,200 thousand	-	1,200,000	100.00	US\$ 1,413 thousand	US\$ 203 thousand	US\$ 203 thousand	Notes 1 and 3

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
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	US\$ 10,500 thousand	10,500,000	100.00	US\$ 10,983 thousand	US\$ 734 thousand	US\$ 734 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	US\$ 5,100 thousand	5,100,000	100.00	US\$ 45,493 thousand	US\$ 6,903 thousand	US\$ 6,903 thousand	Notes 1 and 3
	Perpetual Prosperity Printing Technology Co., Ltd.	British Virgin Islands	Sale of various paper products	US\$ 4,500 thousand	US\$ 4,500 thousand	4,500,000	45.00	US\$ 3,273 thousand	US\$ (2,541) thousand	US\$ (1,144) thousand	-
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	US\$ 1,200 thousand	1,200,000	100.00	US\$ 2,097 thousand	US\$ 326 thousand	US\$ 326 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	US\$ 6,285 thousand	10,000,000	100.00	US\$ 24,354 thousand	US\$ 3,690 thousand	US\$ 3,690 thousand	Notes 1 and 3
YFY International Labuan Co., Ltd.	YFY Jupiter (BVI) Inc.	British Virgin Islands	Investment and holding	US\$ 4,557 thousand	US\$ 4,444 thousand	4,629,723	35.40	US\$ 10,360 thousand	US\$ 2,560 thousand	US\$ 897 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\$ 238,110 thousand	US\$ 18,168 thousand	US\$ 18,168 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\$ 10,188 thousand	US\$ 6,679 thousand	US\$ 6,679 thousand	Notes 1 and 3
	YFY Jupiter Limited	Hong Kong, China	Design of packaging and sale of paper	-	-	3	100.00	US\$ 2,560 thousand	US\$ 479 thousand	US\$ 479 thousand	Notes 1 and 3
	Jupiter Prestige Group Holdings Limited	United Kingdom	Investment and holding	GBP 100 thousand	GBP 100 thousand	86,163	57.00	US\$ 4,357 thousand	US\$ 1,584 thousand	US\$ 907 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\$ (765) thousand	US\$ (765) thousand	Notes 1, 2 and 3
	YFY Jupiter Malaysia Sdn. Bhd.	Malaysia	Design of packaging and sale of paper	-	-	99	99.00	US\$ 107 thousand	US\$ 88 thousand	US\$ 87 thousand	Notes 1 and 3
	YFY Jupiter Indonesia, PT PMA	Indonesia	Design of packaging	IDR 25,000 thousand	IDR 25,000 thousand	25	1.00	US\$ 1 thousand	US\$ 568 thousand	US\$ 6 thousand	Note 3
YFY Jupiter US, Inc.	Innovativ Packaging Worldwide, LLC	USA	Design of packaging and sale of paper	-	-	100,000	100.00	-	US\$ (137) thousand	US\$ (137) thousand	Notes 1, 2 and 3
	YFY Jupiter Mexico, S. de R.L.	Mexico	Design of packaging and sale of paper	-	-	-	1.00	-	US\$ (480) thousand	US\$ (5) thousand	Notes 2 and 3
	Spectiv Brands, LLC	USA	General trade	-	-	-	100.00	-	US\$ (781) thousand	US\$ (781) thousand	Notes 1, 2 and 3
Mobius105 Ltd.	GST Packaging Ltd.	Hong Kong, China	General trade	-	HK\$ 4 thousand	-	-	-	-	-	Note 4
	YJY Packaging Ltd.	Hong Kong, China	General trade	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 81 thousand	US\$ 149 thousand	US\$ 22 thousand	-
	JLD Logistics Ltd.	Hong Kong, China	General trade	HK\$ 4 thousand	HK\$ 4 thousand	3,500	35.00	US\$ 58 thousand	US\$ (15) thousand	US\$ (5) thousand	-
	YFY Jupiter Malaysia Sdn. Bhd.	Malaysia	Design of packaging and sale of paper	-	-	1	1.00	US\$ 1 thousand	US\$ \$88 thousand	US\$ \$1 thousand	Note 3
	YFY Jupiter Mexico, S. de R.L.	Mexico	Design of packaging and sale of paper	MXN 3 thousand	MXN 3 thousand	-	99.00	-	US\$ (480) thousand	US\$ (491) thousand	Notes 1, 2 and 3
	YFY Jupiter Indonesia, PT PMA	Indonesia	Design of packaging	IDR 2,475,000 thousand	IDR 2,475,000 thousand	2,475	99.00	US\$ 75 Thousand	US\$ 568 thousand	US\$ 597 thousand	Notes 1 and 3
	Jupiter Vietnam Company Limited	Vietnam	Design of packaging	VND1,129,700 thousand	VND1,129,700 thousand	-	100.00	US\$ 40 Thousand	US\$ 38 thousand	US\$ 44 thousand	Notes 1 and 3
Jupiter Prestige Group Holdings Limited	Jupiter Prestige Group Europe Limited	United Kingdom	Graphic design	GBP 30 thousand	GBP 30 thousand	30,000	100.00	US\$ 6,739 Thousand	US\$ 2,776 thousand	US\$ 2,089 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\$ (855) thousand	US\$ (855) thousand	Notes 1, 2 and 3
	Jupiter Prestige Group Australia Pty Ltd.	Australia	Graphic design	-	-	100	100.00	-	US\$ 46 thousand	US\$ 46 thousand	Notes 1, 2 and 3
	Opal BPM Limited	United Kingdom	Design of process system and assistance in graphic design	GBP 1 thousand	GBP 1 thousand	825	82.50	US\$ 1,175 Thousand	US\$ 515 thousand	US\$ 425 thousand	Notes 1 and 3
	Foster and Balyis (Prestige) Limited	United Kingdom	Graphic design	-	-	300	33.30	US\$ 227 Thousand	US\$ (375) thousand	US\$ (125) thousand	-
Jupiter Prestige Group Europe Limited	Jupiter Prestige Group Asia Limited	Hong Kong, China	Graphic design	-	-	100	100.00	US\$ 4,204 thousand	US\$ 2,570 thousand	US\$ 2,570 thousand	Notes 1 and 3
Jupiter Prestige Group North America, Inc.	Contrast LLC (originally named as Clemtel LLC)	USA	Brand Design	US\$ 173 thousand	US\$ 1 thousand	-	60.00	US\$ 527 thousand	US\$ 784 thousand	US\$ 470 thousand	Notes 1 and 3

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Opal BPM Limited	Opal BPM India Private Limited	India	Workflow system coding	INR 100 thousand	INR 100 thousand	10,000	100.00	US\$ 96 thousand	US\$ 61 thousand	US\$ 61 thousand	Notes 1 and 3
	Opal BPM Consulting Limited	United Kingdom	Consulting services of workflow system coding	GBP 1 thousand	GBP 1 thousand	1,000	100.00	US\$ 1 thousand	-	-	Notes 1 and 3
YFY Packaging Inc.	YFY Packaging (BVI) Corp. Pek Crown Paper Co., Ltd.	British Virgin Islands Taichung, Taiwan	Investment and holding Manufacture and sale of containers	5,263,223	5,263,223	165,050,000	100.00	3,358,429	(126,057)	(126,057)	Notes 1 and 3
				234,666	234,666	20,027,557	66.80	283,362	21,020	13,004	Notes 1 and 3
YFY Packaging (BVI) Corp.	YFY Mauritius Corp.	Mauritius	Investment and holding	US\$ 165,000 thousand	US\$ 165,000 thousand	165,000,000	51.20	US\$ 110,658 thousand	US\$ (8,009) thousand	US\$ (4,098) 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\$ 95,362 thousand	US\$ 11,691 thousand	US\$ 11,691 thousand	Notes 1 and 3
	YFY Jupiter (BVI) Inc.	British Virgin Islands	Investment and holding	US\$ 6,062 thousand	US\$ 5,764 thousand	5,742,619	44.00	US\$ 12,608 thousand	US\$ 2,560 thousand	US\$ 1,115 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\$ (30) thousand	US\$ (30) 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\$ 1,187 thousand	US\$ 2,035 thousand	2,500,001	100.00	-	US\$ (29) thousand	US\$ (29) thousand	Notes 1, 2 and 3
Arizon RFID Technology Co., Ltd. (originally named as 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\$ 3,000 thousand	3,000,000	100.00	RMB 21,121 thousand	RMB (2,112) thousand	RMB (2,112) thousand	Notes 1 and 3
	Arizon JAPAN Co., Ltd.	Japan	Product distribution and technical consulting services	JPY 50,000 thousand	-	1,000	100.00	RMB 2,662 thousand	RMB (538) thousand	RMB (538) 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	2,442,215	33,863	33,863	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	241,122	41,758	35,709	Notes 1 and 3
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	Sale of paper	25,000	25,000	2,500,000	50.00	22,291	20,446	6,375	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 E Ink Holdings Inc.	Hualien, Taiwan	Pulp and paper production, trading and forestry business	16,809	16,809	1,181,633	0.10	16,191	(245,098)	(262)	Note 3
		Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	15,672	15,672	267,000	-	17,037	3,083,789	727	-
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	635,174	3,083,789	62,786	-
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	29,073	53,130	2,907,274	3.90	62,921	(229,750)	(9,024)	-
	Effion Energetech Co., Ltd. Taiwan Genome Sciences, Inc.	Taipei, Taiwan Taipei, Taiwan	To operate cogeneration and provide power technology 1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing. Hualien, Taiwan	7,000 760	7,000 1,660	700,000 75,988	1.00 2.60	5,806 1,675	(96,377) (3,327)	(964) (87)	Note 3 -
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	48,764	(27,227)	(1,126)	Note 3
	YFY Biotech Management Company	Taipei, Taiwan	Consulting	10,000	10,000	3,570,000	100.00	298,589	253,926	253,926	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	311,088	3,083,789	16,592	-
	Chung Hwa Pulp Corporation Yuen Foong Shop Co., Ltd. Livebricks Inc.	Hualien, Taiwan Taipei, Taiwan Taipei, Taiwan	Pulp and paper production, trading and forestry business Sale of paper Information processing services	77,666 25,000 77,000	77,666 25,000 77,000	7,635,485 2,500,000 7,700,002	0.70 50.00 100.00	104,672 30,041 2,295	(245,098) 20,446 459	(1,697) 10,223 459	Note 3 Note 3 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.	214	450	19,874	0.70	438	(3,327)	(23)	-
		Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	73,961	73,961	1,778,000	0.20	80,456	3,083,789	4,841	-
		Miaoli, Taiwan	Sale and manufacture of corrugated paper and materials	107	107	9,000	0.07	104	6,415	5	Note 3
	Pek Crown Paper Co., Ltd. Chung Hwa Pulp Corporation	Taichung, Taiwan Hualien, Taiwan	Manufacture and sale of containers Pulp and paper production, trading and forestry business	141 1,226	141 1,226	10,000 117,247	0.03 0.01	143 1,602	21,020 (245,098)	7 (26)	Note 3 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	5,136,558	(57,213)	(53,850)	Notes 1 and 3
	Effion Energetech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.00	284,522	(96,377)	(47,224)	Note 3
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	32,832	60,000	3,283,200	4.40	80,460	(229,750)	(10,255)	-
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	3,600,000	100.00	52,908	2,893	2,893	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	417,192	3,083,789	54,456	-

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
CHP International (BVI) Corporation	Syntax Communication (H.K.) Limited	Hong Kong, China	Sale and print of paper merchandise	US\$ 466 thousand	\$ -	34,000,000	100.00	US\$ 460 thousand	US\$ 19 thousand	US\$ 19 thousand	Notes 1 and 3
Hwa Fong Investment Co., Ltd.	Effion Enertech Co., Ltd. Genovella Renewables Inc. (originally named as Kuang Hwa Fertilizer Limited Company)	Taipei, Taiwan Hualien, Taiwan	To operate cogeneration and provide power technology Fertilizer production, sale of fertilizer, retail sale of food products and groceries, special crop and edible fungus cultivation, refractory materials manufacturing, cement and concrete products manufacturing, ready-mixed concrete manufacturing, refractory materials wholesale and sale of building material	7,000	7,000	700,000	1.00	5,807	(96,377)	(964)	Note 3
				5,000	5,000	500,000	100.00	9,429	2,453	2,453	Notes 1 and 3
Effion Enertech Co., Ltd.	YFY Capital Holdings Corp. YFY Biotech Co., Ltd.	British Virgin Islands Taipei, Taiwan	Investment and holding Wholesale of seeds, oil and agricultural products	243,625	243,625	8,060	100.00	196,165	(100,447)	(100,447)	Notes 1 and 3
				36,000	36,000	3,600,000	36.00	-	(65,853)	-	-

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.

Note 4: GST Packaging Ltd. was dissolved after liquidation in January 2019.

(Concluded)

## YFY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

## 1. Information 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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 149,000 (US\$ 5,000 thousand)	a.(a)	\$ 44,970 (US\$ 1,500 thousand)	\$ -	\$ -	\$ 44,970 (US\$ 1,500 thousand)	\$ (13,547)	100.0	\$ (13,547) (Note 2)	\$ -	\$ -
YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and cardboard	329,780 (US\$ 11,000 thousand)	a.(a)	209,860 (US\$ 7,000 thousand)	-	-	209,860 (US\$ 7,000 thousand)	51,594	100.0	51,594 (Note 2)	545,195	-
YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	209,860 (US\$ 7,000 thousand)	a.(a)	209,860 (US\$ 7,000 thousand)	-	-	209,860 (US\$ 7,000 thousand)	55,876	100.0	55,876 (Note 2)	229,281	-
YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and cardboard	239,840 (US\$ 8,000 thousand)	a.(a)	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	60,709	100.0	60,709 (Note 2)	765,501	-
YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and cardboard	179,880 (US\$ 6,000 thousand)	a.(a)	59,960 (US\$ 2,000 thousand)	-	-	59,960 (US\$ 2,000 thousand)	43,219	100.0	43,219 (Note 2)	447,378	-
YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and cardboard	239,840 (US\$ 8,000 thousand)	a.(a)	243,228 (US\$ 8,113 thousand)	-	-	243,228 (US\$ 8,113 thousand)	71,833	100.0	71,833 (Note 2)	341,359	-
YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and cardboard	239,840 (US\$ 8,000 thousand)	a.(a)	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	103,260	100.0	103,260 (Note 2)	951,320	-
YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and cardboard	298,571 (US\$ 9,959 thousand)	a.(q)	269,820 (US\$ 9,000 thousand)	-	-	269,820 (US\$ 9,000 thousand)	56,101	100.0	56,101 (Note 2)	409,648	-
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	284,810 (US\$ 9,500 thousand)	a.(a)	224,850 (US\$ 7,500 thousand)	-	-	224,850 (US\$ 7,500 thousand)	52,148	93.8	48,889 (Note 2)	457,195,	-
YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and cardboard	194,870 (US\$ 6,500 thousand)	a.(a)	194,870 (US\$ 6,500 thousand)	-	-	194,870 (US\$ 6,500 thousand)	(14,492)	100.0	(14,492) (Note 2)	-	-
YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and cardboard	179,880 (US\$ 6,000 thousand)	a.(a)	143,904 (US\$ 4,800 thousand)	-	-	143,904 (US\$ 4,800 thousand)	85,346	100.0	85,346 (Note 2)	942,900	-

(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 149,900 (US\$ 5,000 thousand)	a.(a)	\$ 149,900 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 149,900 (US\$ 5,000 thousand)	\$ (17,141)	100.0	\$ (17,141) (Note 2)	\$ 129,640	\$ -
YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding.	2,599,476 (US\$ 86,707 thousand)	a.(a)	2,608,260 (US\$ 87,000 thousand)	-	-	2,608,260 (US\$ 87,000 thousand)	(303,592)	100.0	(303,592) (Note 2)	246,899	-
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	7,335,956 (US\$ 244,695 thousand)	a.(b)	7,345,100 (US\$ 245,000 thousand)	-	-	7,345,100 (US\$ 245,000 thousand)	(725,684)	100.0	(725,684) (Note 2)	1,504,121	-
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and paper	446,702 (US\$ 14,900 thousand)	a.(c)	419,900 (US\$ 14,006 thousand)	-	-	419,900 (US\$ 14,006 thousand)	(18,245)	94.0	(17,150) (Note 2)	-	-
YFY Firstpak Packaging (Yangzhou) Co., Ltd.	Manufacture and sale of product packaging; design, manufacture and sale of packaging equipment and molding equipment	-	a.(d)	-	-	-	-	(24,306)	-	(17,014) (Note 8)	-	-
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Technological development of agricultural resource recycling	239,840 (US\$ 8,000 thousand)	a.(c)	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	(16,448)	100.0	(16,448) (Note 2)	93,616	-
Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	89,940 (US\$ 3,000 thousand)	a.(f)	-	-	-	-	(13,257)	100.0	(13,257) (Note 2)	-	-
Shanghai YFY Advertising and Printing Co., Ltd.	Printing of publications	-	a.(g)	-	-	-	-	(209)	-	(107) (Note 8)	-	-
Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Sale and design of RFID (radio frequency identification) products	834,955 (RMB 194,290 thousand)	a.(h)	761,252 (US\$ 25,392 thousand)	-	-	761,252 (US\$ 25,392 thousand)	409,632	86.5	354,386 (Note 2)	2,638,372	-
Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	\$ 34,380 (RMB 8,000 thousand)	a.(i)	-	-	-	-	735	86.5	636 (Note 2)	45,133	-
YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	10,493 (US\$ 350 thousand)	a.(j)	-	-	-	-	196,091	79.4	155,731 (Note 2)	242,624	-
Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	8,595 (RMB 2,000 thousand)	a.(k)	-	-	-	-	55,484	79.4	44,064 (Note 2)	97,214	-
YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	-	a.(k)	-	-	-	-	11,167	79.4	8,868 (Note 2)	13,690	-
Chengdu JieLianDa Warehousing Co., Ltd.	General trade	6,446 (RMB 1,500 thousand)	a.(k)	-	-	-	-	678	27.8	188 (Note 6)	2,280	-

(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Chengdu JieLianDa Supply Chain Co., Ltd.	Management of supply chain	\$ -	a.(k)	\$ -	\$ -	\$ -	\$ -	\$ 317	27.8	\$ 88 (Note 6)	\$ -	\$ -
Chengdu YongJunYu Environmental Protection packing Co., Ltd.	General trade	8,595 (RMB 2,000 thousand)	a.(k)	-	-	-	-	13	-	4 (Notes 6 and 9)	975	-
ChengDu JingShiTong Packing Co., Ltd.	General trade	6,446 (RMB 1,500 thousand)	a.(k)	-	-	-	-	3,118	27.8	867 (Notes 6 and 9)	3,644	-
YFY Investment Co., Ltd.	Investment and holding and sale of paper	3,447,700 (US\$ 115,000 thousand)	a.(l)	3,447,700 (US\$ 115,000 thousand)	-	-	3,447,700 (US\$ 115,000 thousand)	18,515	100.0	18,515 (Note 2)	1,466,675	-
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	899,400 (US\$ 30,000 thousand)	a.(m)	899,400 (US\$ 30,000 thousand)	-	-	899,400 (US\$ 30,000 thousand)	(27,292)	100.0	(27,292) (Note 2)	409,995	-
YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	1,049,300 (US\$ 35,000 thousand)	a.(m)	1,049,300 (US\$ 35,000 thousand)	-	-	1,049,300 (US\$ 35,000 thousand)	(9,620)	100.0	(9,620) (Note 2)	439,817	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	899,400 (US\$ 30,000 thousand)	a.(m)	899,400 (US\$ 30,000 thousand)	-	-	899,400 (US\$ 30,000 thousand)	146,002	100.0	146,002 (Note 2)	1,098,571	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,297 (RMB 1,000 thousand)	b.(a)	4,297 (RMB 1,000 thousand)	-	-	4,297 (RMB 1,000 thousand)	(134)	100.0	(134) (Note 2)	-	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	2,567,187 (US\$ 85,630 thousand)	a.(n)	659,560 (US\$ 22,000 thousand)	-	-	659,560 (US\$ 22,000 thousand)	(144,885)	74.6	(108,147) (Note 2)	3,536,158	-
Zhaoqing Dingfung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	655,962 (US\$ 21,880 thousand)	a.(o)	221,252 (US\$ 7,380 thousand)	-	-	221,252 (US\$ 7,380 thousand)	7,175	74.6	5,355 (Note 2)	2,117,984	-
Zhaoqing Xinchuan Green Technology Co., Ltd.	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	8,595 (RMB 2000 thousand)	a.(e)	-	-	-	-	700	74.6	522 (Note 2)	6,916	-

(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	\$ 13,752 (RMB 3,200 thousand)	a.(e)	\$ -	\$ -	\$ -	\$ -	\$ 17,390	74.6	\$ 12,981 (Note 2)	\$ 87,458	\$ -
YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, development of credit risk management platform	214,873 (RMB 50,000 thousand)	a.(p)	214,873 (RMB 50,000 thousand)	-	-	214,873 (RMB 50,000 thousand)	(100,448)	78.9	(79,222) (Note 2)	154,513	-
Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	37,775 (US\$ 1,260 thousand)	b.(b)	25,063 (US\$ 836 thousand)	-	-	25,063 (US\$ 836 thousand)	3,658	66.4	2,427 (Note 2)	32,448	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Notes 1 and 5)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$17,368,599	\$20,139,855	\$39,098,034

Note 1: Except for investment gain or loss which were translated at exchange rates of US\$1=NT\$30.911917 or RMB1=NT\$4.482115 or EUR1=NT\$34.6125, the rest were translated at exchange rates of US\$1=NT\$29.98 or RMB1=NT\$4.297469 or EUR1=NT\$33.59 as of December 31, 2019.

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 exports from Taiwan at the end of year: Guangdong Dingfung Pulp & Paper Co., Ltd. and YFY Paper Enterprise (Guangzhou) Co., Ltd. capitalized 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. was acquired indirectly 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 investors are as follow:

(a) YFY Mauritius Corp. (b) YFY Mauritius 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 Dingfung 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 Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.). (j) Mobius 105 Ltd. (k) YFY Jupiter (Shenzhen) Ltd. (l) Yuen Foong Yu Consumer Products Investment Limited (m) YFY investment Co., Ltd. (n) YFY International BVI Corp. and CHP International (BVI) Corporation (o) YFY International BVI Corp., CHP International (BVI) Corporation and Guangdong Dingfung Pulp & Paper Co., Ltd. (p) YFY Capital Holdings Corp. (q) YFY Mauritius Corp. and YFY Paper Enterprise (Kunshan) Co., Ltd

b. Direct investment in mainland China and the investors are as follows:

(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 \$3,657,500 thousand made by investor of mainland China has been deducted.

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

Note 7: Except Chengdu JieLianDa Warehousing Co., Ltd., Chengdu JieLianDa Supply Chain Co., Ltd., Chengdu YongJunYu Environmental Protection packing Co., Ltd., and Chengdu JingShiTong Packing Co., Ltd. are associates accounted for using the equity method, other investments have been eliminated in preparing the consolidated financial statements.

Note 8: YFY Firstpak Packaging (Yangzhou) Co., Ltd. entered into bankruptcy process in May 2019; therefore, the profit (loss) was only recognized until the end of April. Shanghai YFY Advertising and Printing Co., Ltd. entered the cancellation of registration in October 2019; therefore, the profit (loss) was only recognized until the end of September.

Note 9: YFY Jupiter (Shenzhen) Ltd. disposed of the entire equity interest in Chengdu YongJunYu Environmental Protection Packing Co., Ltd. in June 2019. Therefore, the profit (loss) was only recognized until the end of June 2019. YFY Jupiter (Shenzhen) Ltd. acquired 35% ownership of Chengdu JingShiTong Packing Co., Ltd. originally owned by Chengdu YongJunYu Environmental Protection Packing Co., Ltd. in June 2019.

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

(Concluded)

## YFY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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	\$ 715,406	By market price	1.0
				Accounts receivable	142,931	3 months after transaction month	0.1
		Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	1,500,942	By market price	2.0
				Accounts receivable	267,075	2 months after transaction month	0.2
		Yuen Foong Yu Consumer Products Co., Ltd. YFY Paper Mfg. (Yangzhou) Co., Ltd.	The same ultimate parent company	Sales	128,106	By market price	0.2
			The same ultimate parent company	Sales	1,302,076	By market price	1.7
		Accounts receivable	569,085	In agreed terms	0.5		
2	Chung Hwa Pulp Corporation	YFY Packaging Inc. YFY Capital Co., Ltd. Shenzhen Jinglun Paper Co., Ltd.	The same ultimate parent company	Sales	315,693	By market price	0.4
			The same ultimate parent company	Sales	822,562	By market price	1.1
			The same ultimate parent company	Sales	1,106,237	By market price	1.5
		Yuen Foong Yu Consumer Products Co., Ltd. Union Paper Co., Ltd.	The same ultimate parent company	Accounts receivable	727,224	5 months after transaction month	0.6
			The same ultimate parent company	Sales	584,410	By market price	0.8
			The same ultimate parent company	Sales	860,847	By market price	1.2
3	Shin Foong Specialty and Applied Materials Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	219,279	By market price	0.3
4	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	694,916	By market price	0.9
				Accounts receivable	104,730	In agreed terms	0.1
5	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd. Guangdong Dingfung Pulp & Paper Co., Ltd.	Subsidiary	Sales	1,466,997	By market price	2.0
			The same ultimate parent company	Sales	170,750	By market price	0.2
6	YFY Paper Enterprise (Suzhou) Co., Ltd.	YFY Paper Enterprise (Kunshan) Co., Ltd.	The same ultimate parent company	Sales	408,080	By market price	0.5
7	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	2,298,958	By market price	3.1
				Accounts receivable	431,560	In agreed terms	0.4
		YFY Family Care (Kunshan) Co., Ltd.	The same ultimate parent company	Sales	334,697	By market price	0.4
8	YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	511,688	By market price	0.7
9	YFY Packaging (Yangzhou) Investment Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	The same ultimate parent company	Sales	6,090,212	By market price	8.1
				Accounts receivable	924,619	In agreed terms	0.8
		YFY Paper Enterprise (Guangzhou) Co., Ltd.	The same ultimate parent company	Sales	806,038	By market price	1.1
				Accounts receivable	101,312	By market price	0.1
		YFY Paper Enterprise (Tianjin) Co., Ltd. YFY Paper Enterprise (Xiamen) Co., Ltd. YFY Paper Enterprise (Dongguan) Co., Ltd.	The same ultimate parent company	Sales	480,804	By market price	0.6
			The same ultimate parent company	Sales	449,774	By market price	0.6
	The same ultimate parent company	Sales	402,373	By market price	0.5		

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details (Note)			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
		YFY Paper Enterprise (Qingdao) Co., Ltd. YFY Paper Enterprise (Zhongshan) Co., Ltd. YFY Paper Enterprise (Suzhou) Co., Ltd. YFY Paper Enterprise (Shanghai) Co., Ltd. YFY Paper Enterprise (Nanjing) Co., Ltd. YFY Paper Enterprise (Fuzhou) Co., Ltd. YFY Paper Enterprise (Jiaxing) Co., Ltd.	The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company	Sales Sales Sales Sales Sales Sales Sales	\$ 291,097 432,086 216,976 189,683 171,667 169,137 163,246	By market price By market price By market price By market price By market price By market price By market price	0.4 0.6 0.3 0.3 0.2 0.2 0.2
10	Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	Sales	1,120,077	By market price	1.5
11	Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	The same ultimate parent company	Sales Accounts receivable	1,057,936 107,284	By market price 2 months after transaction month	1.4 0.1
12	Zhaoqing Dingfung Forestry Co., Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Parent company	Sales	180,434	By market price	0.2
13	YFY Japan Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	376,522	By market price	0.5
14	YFY Paper Mfg. (Yangzhou) Co., Ltd.	YFY Paper Enterprise (Nanjing) Co., Ltd. YFY Paper Enterprise (Shanghai) Co., Ltd. YFY Paper Enterprise (Suzhou) Co., Ltd. YFY Paper Enterprise (Guangzhou) Co., Ltd. YFY Paper Enterprise (Jiaxing) Co., Ltd. YFY Paper Enterprise (Dongguan) Co., Ltd.	The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company	Sales Sales Sales Sales Sales Sales	483,659 422,179 511,637 125,944 169,874 143,474	By market price By market price By market price By market price By market price By market price	0.6 0.6 0.7 0.2 0.2 0.2
15	Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	Sales Accounts receivable	283,308 141,658	By market price In agreed terms	0.4 0.1
16	Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Subsidiary	Sales	112,453	By market price	0.2
17	Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	YFY Paper Mfg. (Yangzhou) Co., Ltd.	The same ultimate parent company	Sales	124,521	By market price	0.2
18	Union Paper Co., Ltd.	Chung Hwa Pulp Corporation	The same ultimate parent company	Sales	143,206	By market price	0.2
19	San Ying Enterprise Co., Ltd.	Union Paper Co., Ltd.	The same ultimate parent company	Sales	100,603	By market price	0.1
20	Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Parent company	Sales	177,080	By market price	0.2
21	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Subsidiary	Sales	268,587	By market price	0.4
22	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	The same ultimate parent company	Sales	135,585	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
23	YFY Packaging (Ha Nam) Co., Ltd.	YFY Packaging Thai Binh Co., Ltd.	The same ultimate parent company	Sales	\$ 236,040	By market price	0.3
24	YFY Packaging Thai Binh Co., Ltd.	YFY Packaging (Ha Nam) Co., Ltd.	The same ultimate parent company	Sales	248,841	By market price	0.3
25	Yuen Foong Yu Paper Enterprise (Vietnam) Binh Chanh Co., Ltd.	Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Parent company	Sales	128,324	By market price	0.2

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

(Concluded)

**YFY Inc.**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **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, 2019 and 2018, 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, 2019 and 2018, 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 based on our audits and the report of other auditors.

### **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, 2019. 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 matters of the Company's financial statements for the year ended December 31, 2019 are stated as follows:

#### The Valuation of Investments Accounted for Using the Equity Method

Under the investments accounted for using the equity method, the financial position and performance of some significant components of the Company will significantly affect the Company. The accounts receivable of significant components of the Company are 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 receivable 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 9 to the accompanying financial statements.

The key audit procedures that we performed in respect of the valuation of investments accounted for using the equity method included the following:

1. We obtained and assessed the reasonableness of the method and the information used by management for the estimation of expected credit loss recognized on accounts receivable.
2. We tested sample items in the aging report on the balance sheet date and verified the correctness of the calculation of the expected credit loss.
3. We analyzed overdue receivables and performed sampling on the collection of overdue receivables after the balance sheet date. We assessed the reasonableness of the expected credit loss recognized on accounts receivable based on customers' historical payment records, credit line control and overdue receivables tracking.

#### **Other Matter**

We did not audit the financial statements as of and for the years ended December 31, 2019 and 2018 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 Chung Hwa Pulp 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 and Livebricks Inc., which are accounted for using the equity method by YFY Paradigm Investment Co., Ltd., Jupiter Prestige Group Holdings Limited and its subsidiaries, which are accounted for using the equity method by YFY Global Investment BVI Corp., Perpetual Prosperity Printing Technology Co., Ltd., the subsidiaries of Willpower Industries Ltd. and the subsidiaries of Wingsong Packaging Investment Company Ltd., which are accounted for using the equity method by YFY International BVI Corp., and the financial statements as of and for the year ended December 31, 2019 of Sustainable Carbohydrate Innovation Co., Ltd., 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, is based solely on the reports of other auditors. As of December 31, 2019 and 2018, the long-term equity investments of these investee companies were NT\$2,498,563 thousand and NT\$2,062,364 thousand, respectively, representing 3.9% and 3.4%, respectively, of the Company's total assets. As of and for the years ended December 31, 2019 and 2018, the net investment income of these investee companies were NT\$417,930 thousand and NT\$156,851 thousand, respectively, representing 8.8% and 9.8%, respectively, 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, 2019 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 Ching-Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2020

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, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS (Note 4)</b>				
Cash (Note 6)	\$ 6,496	-	\$ 5,927	-
Current financial assets at fair value through profit or loss (Note 7)	58,218	-	20,104	-
Accounts receivable due from related parties, net (Note 21)	426	-	1,782	-
Other receivables	117,291	-	56,715	-
Other current assets, others	<u>3,808</u>	-	<u>3,916</u>	-
Total current assets	<u>186,239</u>	-	<u>88,444</u>	-
<b>NON-CURRENT ASSETS (Note 4)</b>				
Non-current financial assets at fair value through profit or loss (Notes 7 and 21)	160,964	-	160,964	1
Non-current financial assets at fair value through other comprehensive income (Notes 8 and 21)	11,801,339	19	9,768,752	16
Investments accounted for using equity method (Note 9)	49,408,023	77	47,594,614	79
Property, plant and equipment (Notes 10 and 16)	619,312	1	620,320	1
Right-of-use assets (Notes 3, 11 and 16)	4,549	-	-	-
Investment property, net (Notes 12 and 16)	1,858,761	3	1,859,815	3
Deferred tax assets (Note 17)	101,728	-	137,339	-
Other non-current assets, others (Note 16)	<u>32,940</u>	-	<u>36,874</u>	-
Total non-current assets	<u>63,987,616</u>	<u>100</u>	<u>60,178,678</u>	<u>100</u>
<b>TOTAL ASSETS</b>	<u>\$ 64,173,855</u>	<u>100</u>	<u>\$ 60,267,122</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current borrowings (Note 13)	\$ 1,977,000	3	\$ 1,830,000	3
Short-term notes and bills payable (Note 13)	1,128,937	2	1,399,570	2
Accounts payable to related parties (Note 21)	1,407	-	1,536	-
Other payables, others	58,609	-	57,916	-
Current tax liabilities (Notes 4 and 17)	10,143	-	51,567	-
Current lease liabilities (Notes 3, 4 and 11)	1,835	-	-	-
Other current liabilities, others	<u>14,570</u>	-	<u>17,676</u>	-
Total current liabilities	<u>3,192,501</u>	<u>5</u>	<u>3,358,265</u>	<u>5</u>
<b>NON-CURRENT LIABILITIES</b>				
Non-current portion of non-current borrowings (Note 13)	20,624,915	32	20,196,679	34
Deferred tax liabilities (Notes 4 and 17)	350,656	1	350,670	1
Non-current lease liabilities (Notes 3, 4 and 11)	2,704	-	-	-
Net defined benefit liability, non-current (Notes 4 and 14)	746,342	1	890,549	1
Other non-current liabilities, others	<u>6,504</u>	-	<u>8,450</u>	-
Total non-current liabilities	<u>21,731,121</u>	<u>34</u>	<u>21,446,348</u>	<u>36</u>
Total liabilities	<u>24,923,622</u>	<u>39</u>	<u>24,804,613</u>	<u>41</u>
<b>EQUITY (Notes 4 and 15)</b>				
Share capital	16,603,715	26	16,603,715	27
Capital surplus	1,000,169	1	989,929	2
Retained earnings	15,879,283	25	14,241,392	24
Other equity interest	<u>5,767,066</u>	<u>9</u>	<u>3,627,473</u>	<u>6</u>
Total equity	<u>39,250,233</u>	<u>61</u>	<u>35,462,509</u>	<u>59</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 64,173,855</u>	<u>100</u>	<u>\$ 60,267,122</u>	<u>100</u>

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

(With Deloitte &amp; Touche auditors' report dated March 23, 2020)

# YFY INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Investment (Note 4)	\$ 2,414,115	100	\$ 1,773,764	100
OPERATING EXPENSES (Notes 14, 16 and 21)	<u>349,085</u>	<u>15</u>	<u>334,364</u>	<u>19</u>
NET OPERATING INCOME	<u>2,065,030</u>	<u>85</u>	<u>1,439,400</u>	<u>81</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 16)	(336,147)	(14)	(355,192)	(20)
Rent income (Notes 12 and 21)	50,057	2	49,785	3
Dividend income	366,404	15	296,088	17
Other income, others	29,066	2	21,034	1
Gain on disposal of investment properties	26,105	1	3,948	-
Miscellaneous disbursements	<u>(46)</u>	<u>-</u>	<u>(60)</u>	<u>-</u>
Total non-operating income and expenses	<u>135,439</u>	<u>6</u>	<u>15,603</u>	<u>1</u>
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	2,200,469	91	1,455,003	82
TAX BENEFIT (EXPENSE) (Notes 4 and 17)	<u>85,300</u>	<u>4</u>	<u>(15,000)</u>	<u>(1)</u>
PROFIT FROM CONTINUING OPERATIONS	<u>2,285,769</u>	<u>95</u>	<u>1,440,003</u>	<u>81</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 14 and 17)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	81,766	3	(126,468)	(7)
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	2,050,269	85	77,210	4
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>1,351,107</u>	<u>56</u>	<u>(24,374)</u>	<u>(1)</u>
	<u>3,483,142</u>	<u>144</u>	<u>(73,632)</u>	<u>(4)</u>

(Continued)

# YFY INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2019		2018	
	Amount	%	Amount	%
Components of other comprehensive income that will be reclassified to profit or loss				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	\$ (995,204)	(41)	\$ 230,907	13
	<u>(995,204)</u>	<u>(41)</u>	<u>230,907</u>	<u>13</u>
Other comprehensive income, net	<u>2,487,938</u>	<u>103</u>	<u>157,275</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,773,707</u>	<u>198</u>	<u>\$ 1,597,278</u>	<u>90</u>
EARNINGS PER SHARE (Note 18)				
Basic earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	
Diluted earnings per share	<u>\$ 1.38</u>		<u>\$ 0.87</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

YFY INC.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus				Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Equity Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Effective Portion of Cash Flow Hedges	Gains (Losses) on Hedging Instruments	Total Equity
	Shares (In Thousands)	Amount	Treasury Shares	Consolidation Excess	Other	Total	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Total						
	BALANCE AT JANUARY 1, 2018	1,660,372	\$ 16,603,715	\$ 14,947	\$ 293,124	\$ 738,729	\$ 1,046,800	\$ 3,254,722	\$ 4,030,039	\$ 6,609,773						
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	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 appropriated	-	-	-	-	-	-	160,651	-	(160,651)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1,455)	1,455	-	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	-	(40,151)	(40,151)	-	-	50,004	50,004	-	-	(339)	-	-	9,514
Other changes in capital surplus	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-	-	-	(18)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(29,430)	(29,430)	-	-	-	-	-	-	-	-	-	(29,430)
Changes in ownership interests in subsidiaries	-	-	-	-	12,728	12,728	-	-	(55,614)	(55,614)	-	-	-	-	-	(42,886)
Profit	-	-	-	-	-	-	-	-	1,440,003	1,440,003	-	-	-	-	-	1,440,003
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(165,751)	(165,751)	223,046	-	92,119	-	7,861	157,275
Total comprehensive income	-	-	-	-	-	-	-	-	1,274,252	1,274,252	223,046	-	92,119	-	7,861	1,597,278
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	(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
Appropriation of the 2018 earnings																
Legal reserve appropriated	-	-	-	-	-	-	144,000	-	(144,000)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(996,223)	(996,223)	-	-	-	-	-	(996,223)
Reversal of special reserve	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	-	(6,123)	(6,123)	-	-	555	555	-	-	(555)	-	-	(6,123)
Other changes in capital surplus	-	-	-	-	3,085	3,085	-	-	-	-	-	-	-	-	-	3,085
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(962)	(962)	-	-	-	-	-	-	-	-	-	(962)
Changes in ownership interests in subsidiaries	-	-	-	-	14,240	14,240	-	-	61	61	-	-	(61)	-	-	14,240
Profit	-	-	-	-	-	-	-	-	2,285,769	2,285,769	-	-	-	-	-	2,285,769
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	59,516	59,516	(995,837)	-	3,423,626	-	633	2,487,938
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,345,285	2,345,285	(995,837)	-	3,423,626	-	633	4,773,707
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	288,213	288,213	-	-	(288,213)	-	-	-
BALANCE AT DECEMBER 31, 2019	1,660,372	16,603,715	14,947	293,124	692,098	1,000,169	3,559,373	4,028,583	8,291,327	15,879,283	(1,036,202)	-	6,809,645	-	(6,377)	39,250,233

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

# YFY INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES, INDIRECT METHOD		
Profit before tax	\$ 2,200,469	\$ 1,455,003
Adjustments to reconcile profit (loss)		
Depreciation and amortization expenses	13,357	10,850
Net gain on financial assets or liabilities at fair value through profit or loss	(6,354)	(6,323)
Finance costs	336,147	355,192
Interest income	(29)	(65)
Dividend income	(366,404)	(296,088)
Share of profit of subsidiaries and associates accounted for using equity method	(2,414,115)	(1,773,764)
Gain on disposal of investment properties	(26,105)	(3,948)
Gain on disposal of investments	(241)	(376)
Unrealized foreign exchange gain	-	(93)
Changes in operating assets and liabilities		
Decrease (increase) in current financial assets at fair value through profit or loss, mandatorily measured at fair value	(38,000)	(14,000)
Decrease (increase) in accounts receivable due from related parties, net	1,356	4,956
Decrease (increase) in other receivable	600	9,295
Decrease (increase) in other current assets, others	381	1,019
Increase (decrease) in accounts payable to related parties	(129)	(685)
Increase (decrease) in other payable, others	3,015	(4,663)
Increase (decrease) in other current liabilities, others	(3,106)	(3,060)
Increase (decrease) in net defined benefit liability, non-current	(42,000)	(36,000)
Cash outflow used in operations	(341,158)	(302,750)
Interest received	6,269	6,309
Dividends received	1,147,338	1,054,908
Interest paid	(339,375)	(358,125)
Income taxes paid	(2,144)	(624)
Net cash flows generated from operating activities	<u>470,930</u>	<u>399,718</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(36,642)
Proceeds from disposal of financial assets at fair value through other comprehensive income	452	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	17,230	18,655
Acquisition of investments accounted for using equity method	(30,000)	-
Proceeds from capital reduction of investments accounted for using equity method	213,071	426,750
Acquisition of property, plant and equipment	(2,709)	(8,174)

(Continued)

# YFY INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 9	\$ 3,416
Proceeds from disposal of investment properties	26,106	6,133
Increase in other non-current assets	<u>(2,947)</u>	<u>(2,943)</u>
Net cash flows generated from investing activities	<u>221,212</u>	<u>407,195</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Increase in current borrowings	147,000	491,000
Decrease in short-term notes and bills payable	(270,000)	(440,000)
Proceeds from long-term debt	428,236	132,451
Payments of lease liabilities	(1,725)	-
Increase (decrease) in other non-current liabilities, others	(1,946)	931
Cash dividends paid	(996,223)	(996,223)
Overdue dividends received (paid)	<u>3,085</u>	<u>(18)</u>
Net cash flows used in financing activities	<u>(691,573)</u>	<u>(811,859)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>-</u>	<u>93</u>
NET INCREASE (DECREASE) IN CASH	569	(4,853)
CASH AT THE BEGINNING OF THE YEAR	<u>5,927</u>	<u>10,780</u>
CASH AT THE END OF THE YEAR	<u>\$ 6,496</u>	<u>\$ 5,927</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

# YFY INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

The Company 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, Yuen Foong Yu 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 Corporation (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 23, 2020.

### 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, 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 did not have any material impact on the Company’s accounting policies:

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the notes of the statements of comprehensive income, the Company presents 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 statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Before applying IFRS 16, payments under operating lease contracts were 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 elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

The lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.56%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 3,511
Less: Recognition exemption for short-term leases and leases of low-value assets	<u>(218)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 3,293</u>
Discounted amounts using the incremental borrowing rate and lease liabilities recognized on January 1, 2019	<u>\$ 3,217</u>

### The Company as lessor

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

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
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

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Issued by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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.

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

<b>New IFRSs</b>	<b>Effective Date Issued by IASB (Note)</b>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

#### Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

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 and 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 an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the 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 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.

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 (i.e., 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

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (i.e., 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 the financial asset. Fair value is determined in the manner described in Note 20.

##### 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

b) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (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.

For internal credit risk management purposes, the Company determines that the following situation indicate that a financial asset is in default (without taking into account any collateral held by the Company) when internal or external information show that the debtor is unlikely to pay its creditors.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

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.

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 an equity instrument at FVTOCI, 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

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. Leases

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

## 2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at present value of the lease payments and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

### 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

## 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.

## 6. CASH

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 343	\$ 300
Checking accounts and demand deposits	<u>6,153</u>	<u>5,627</u>
	<u>\$ 6,496</u>	<u>\$ 5,927</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ <u>58,218</u>	\$ <u>20,104</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>160,964</u>

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)**

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Investments in equity instruments at FVTOCI - non-current</u>		
Domestic investments		
Listed shares	\$ 8,585,824	\$ 7,445,201
Unlisted shares	<u>3,215,515</u>	<u>2,323,551</u>
	<u>\$ 11,801,339</u>	<u>\$ 9,768,752</u>

The Company invested in listed and unlisted on domestic equity securities, and elected to designate these investments in equity instruments as at FVTOCI.

**9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Investments in subsidiaries	\$ 45,609,540	\$ 43,699,557
Investments in associates	<u>3,798,483</u>	<u>3,895,057</u>
	<u>\$ 49,408,023</u>	<u>\$ 47,594,614</u>

a. Investment in subsidiaries

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Listed company		
Chung Hwa Pulp Corporation	\$ 8,661,522	\$ 8,946,875
Shin Foong Specialty and Applied Materials Co., Ltd.	1,758,646	1,628,076
Unlisted company		
YFY International BVI Corp.	20,714,487	20,659,509
YFY Global Investment BVI Corp.	5,658,396	5,545,985
Yuen Foong Yu Consumer Products Co., Ltd.	2,888,148	2,514,260
YFY Paradigm Investment Co., Ltd.	1,931,247	1,252,690
YFY Venture Capital Investment Co., Ltd.	1,468,764	1,020,101
YFY Capital Co., Ltd.	713,821	382,197
China Color Printing Co., Ltd.	447,269	452,350
Lotus Ecoscings & Engineering Co., Ltd.	431,459	339,620
Effion Eneritech Co., Ltd.	272,617	323,089
Union Paper Co., Ltd.	222,958	227,969
San Ying Enterprise Co., Ltd.	128,487	148,128
YFY Japan Co., Ltd.	101,211	97,161
Yuen Yan Paper Container Co., Ltd.	71,585	71,258
Fidelis IT Solutions Co., Ltd.	68,351	48,761
YFY Holding Management Co., Ltd.	38,474	41,528
Sustainable Carbohydrate Innovation Co., Ltd.	<u>32,098</u>	<u>-</u>
	<u>\$ 45,609,540</u>	<u>\$ 43,699,557</u>

The percentage of ownership and voting rights held by the Company are as follows:

Name of Corporation	December 31	
	2019	2018
Chung Hwa Pulp Corporation	56.9%	56.9%
Shin Foong Specialty and Applied Materials Co., Ltd.	49.5%	49.6%
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%
YFY Capital Co., Ltd.	100.0%	100.0%
China Color Printing Co., Ltd.	49.7%	49.7%
Lotus Ecoscings & Engineering Co., Ltd.	100.0%	100.0%
Effion Eneritech 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%
Sustainable Carbohydrate Innovation Co., Ltd.	100.0%	-

Shin Foong Specialty and Applied Materials Co., Ltd. had equity changes such as employee stock options conversion in 2019, which reduced its shareholding ratio to 49.5% on December 31, 2019. The above transaction was accounted for as equity transactions since the Company did not cease to have control over this subsidiary; China Color Printing Co., Ltd., Effion Eneritech 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	
	2019	2018
Material associates		
E Ink Holdings Inc.	\$ 3,419,509	\$ 3,305,527
Associates that are not individually material	<u>378,974</u>	<u>589,530</u>
	<u>\$ 3,798,483</u>	<u>\$ 3,895,057</u>
	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
Name of Associate	2019	2018
E Ink Holdings Inc.	11.8%	11.8%

1) Material associates

Refer to Table 3 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

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 23, 2020, the report date. The other rights and obligations are the same as those of ordinary shares.

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<u>\$ 3,546,028</u>	<u>\$ 3,421,208</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 21,634,060	\$ 18,870,925
Non-current assets	19,986,889	18,043,183
Current liabilities	(9,206,675)	(6,569,117)
Non-current liabilities	<u>(2,961,490)</u>	<u>(2,030,547)</u>
Equity	29,452,784	28,314,444
Non-controlling interests	<u>(452,645)</u>	<u>(385,799)</u>
	<u>\$ 29,000,139</u>	<u>\$ 27,928,645</u>
Proportion of the Company’s ownership	11.8%	11.8%
Equity attributable to the Company	\$ 3,412,244	\$ 3,298,262
Goodwill	<u>7,265</u>	<u>7,265</u>
Carrying amount	<u>\$ 3,419,509</u>	<u>\$ 3,305,527</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenue	\$ <u>13,601,676</u>	\$ <u>14,208,661</u>
Net profit for the year	\$ 3,173,597	\$ 2,692,076
Other comprehensive income (loss)	<u>199,613</u>	<u>(380,558)</u>
Total comprehensive income (loss) for the year	<u>\$ 3,373,210</u>	<u>\$ 2,311,518</u>

2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Company's share of:		
Net profit (loss) for the year	\$ (54,087)	\$ 26,006
Other comprehensive income (loss)	<u>31,220</u>	<u>(78,255)</u>
Total comprehensive income (loss) for the year	<u>\$ (22,867)</u>	<u>\$ (52,249)</u>

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 accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 was based on the associates' financial statements which have been audited for the same years.

All the associates were accounted for using the equity method.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2019	\$ 591,951	\$ 180,205	\$ 141,677	\$ 89,621	\$ 1,003,454
Additions	1,598	-	-	1,111	2,709
Disposals	<u>-</u>	<u>(22,308)</u>	<u>-</u>	<u>(899)</u>	<u>(23,207)</u>
Balance at December 31, 2019	<u>\$ 593,549</u>	<u>\$ 157,897</u>	<u>\$ 141,677</u>	<u>\$ 89,833</u>	<u>\$ 982,956</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 155,077	\$ 141,416	\$ 86,641	\$ 383,134
Depreciation expense	-	2,565	86	1,057	3,708
Disposals	<u>-</u>	<u>(22,308)</u>	<u>-</u>	<u>(890)</u>	<u>(23,198)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 135,334</u>	<u>\$ 141,502</u>	<u>\$ 86,808</u>	<u>\$ 363,644</u>
Carrying amounts at December 31, 2019	<u>\$ 593,549</u>	<u>\$ 22,563</u>	<u>\$ 175</u>	<u>\$ 3,025</u>	<u>\$ 619,312</u>

(Continued)

	Land	Buildings	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	-	-	(5,970)	(118,242)	(124,212)
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>
<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> (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	3-50 years

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 1,018
Others	<u>3,531</u>
	<u>\$ 4,549</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 3,047</u>
Depreciation charge for right-of-use assets	
Land	\$ 80
Others	<u>1,635</u>
	<u>\$ 1,715</u>

b. Lease liabilities - 2019

**December 31,  
2019**

Carrying amounts

Current	<u>\$ 1,835</u>
Non-current	<u>\$ 2,704</u>

The discount rate for lease liabilities adopted by the Company's assets was 1.68% ◦

**12. INVESTMENT PROPERTIES**

**Amount**

Cost

Balance at January 1, 2019	\$ 1,958,326
Disposals	<u>(2,390)</u>
Balance at December 31, 2019	<u>\$ 1,955,936</u>

Accumulated depreciation

Balance at January 1, 2019	\$ 98,511
Depreciation expense	1,053
Disposals	<u>(2,389)</u>
Balance at December 31, 2019	<u>\$ 97,175</u>
Carrying amounts at December 31, 2019	<u>\$ 1,858,761</u>

Cost

Balance at January 1, 2018	\$ 1,960,969
Disposals	<u>(2,643)</u>
Balance at December 31, 2018	<u>\$ 1,958,326</u>

Accumulated depreciation

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>

The fair values of the investment properties owned by the Company were \$6,078,540 thousand and \$6,003,411 thousand as of December 31, 2019 and 2018, 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 \$38,463 thousand and \$38,191 thousand for the years ended December 31, 2019 and 2018, 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.

### 13. BORROWINGS

#### a. Current borrowings

Current borrowings are bank credit loans. As of December 31, 2019 and 2018, the interest rate intervals of bank credit loans were 0.98%-1.00% per annum and 0.98%-1.06% per annum, respectively.

#### b. Short-term notes and bills payable

Short-term notes and bills payable are commercial paper due within one year. Interest rate intervals on these notes and bills payable were 1.00%-1.02% per annum and 0.96%-1.03% per annum as of December 31, 2019 and 2018, respectively.

#### c. Non-current borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Syndicated loans	\$ 19,124,915	\$ 18,496,679
Long-term bank credit loans	<u>1,500,000</u>	<u>1,700,000</u>
	<u>\$ 20,624,915</u>	<u>\$ 20,196,679</u>

Long-term bank loans included credit and syndicated loans. Credit loans expire on maturity date and have interest rate intervals of 1.02%-1.34% per annum and 0.99%-1.33% per annum as of December 31, 2019 and 2018, respectively; syndicated loans expire in December 2023 and have interest rate intervals of 1.79% per annum as of December 31, 2019 and 2018.

### 14. 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 1,690,148	\$ 1,817,828
Fair value of plan assets	<u>(943,806)</u>	<u>(927,279)</u>
Net defined benefit liabilities	<u>\$ 746,342</u>	<u>\$ 890,549</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 1,817,828</u>	<u>\$ (927,279)</u>	<u>\$ 890,549</u>
Service cost			
Current service cost	182	-	182
Net interest expense (income)	<u>26,042</u>	<u>(13,051)</u>	<u>12,991</u>
Recognized in profit or loss	<u>26,224</u>	<u>(13,051)</u>	<u>13,173</u>
Remeasurement			
Return on plan assets	-	(143,115)	(143,115)
Actuarial loss (gain)			
Changes in financial assumptions	53,654	-	53,654
Experience adjustments	<u>(12,746)</u>	<u>-</u>	<u>(12,746)</u>
Recognized in other comprehensive loss (income)	<u>40,908</u>	<u>(143,115)</u>	<u>(102,207)</u>
Contributions from the employer	-	(55,173)	(55,173)
Benefits paid	<u>(194,812)</u>	<u>194,812</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 1,690,148</u>	<u>\$ (943,806)</u>	<u>\$ 746,342</u>
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 (gain)			
Changes in financial assumptions	29,666	-	29,666
Experience adjustments	42,137	-	42,137
Changes in demographic assumptions	<u>3,714</u>	<u>-</u>	<u>3,714</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>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	<u>\$ 13,173</u>	<u>\$ 12,477</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	1.00%	1.50%
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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates		
0.125% increase	<u>\$ (13,692)</u>	<u>\$ (14,938)</u>
0.125% decrease	<u>\$ 13,884</u>	<u>\$ 15,152</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 13,870</u>	<u>\$ 15,211</u>
0.125% decrease	<u>\$ (13,712)</u>	<u>\$ (15,032)</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
The expected contributions to the plan for the next year	<u>\$ 56,001</u>	<u>\$ 48,962</u>
The average duration of the defined benefit obligation	6.6 years	7.7 years

## 15. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
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 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 2018 and 2017, approved in the shareholders' meetings on June 25, 2019 and June 21, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 144,000	\$ 160,651		
Cash dividends	996,223	996,223	<u>\$ 0.6</u>	<u>\$ 0.6</u>

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 23, 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 263,411	
Cash and share dividends	1,162,260	<u>\$ 0.7</u>

The appropriations of earnings are subject to the resolution of the shareholders' meeting to be held on June 22, 2020.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 4,028,584	\$ 4,030,039
Reversal:		
Disposal of property, plant and equipment	<u>(1)</u>	<u>(1,455)</u>
Balance at December 31	<u>\$ 4,028,583</u>	<u>\$ 4,028,584</u>

e. Other equity items

	Exchange of Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Effective Portion of Cash Flow Hedges	Gains (Losses) on Hedging Instruments	Total
<u>2019</u>						
Balance at January 1	\$ (40,365)	\$ -	\$ 3,674,848	\$ -	\$ (7,010)	\$ 3,627,473
Unrealized gain on financial assets measured at FVTOCI	-	-	2,050,269	-	-	2,050,269
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(995,837)	-	1,373,357	-	633	378,153
Changes in equity of associates accounted for using equity method	-	-	(555)	-	-	(555)
Changes in ownership interest in subsidiaries	-	-	(61)	-	-	(61)
Cumulative unrealized gains of equity instruments transferred to retained earnings due to disposal	-	-	(288,213)	-	-	(288,213)
Balance at December 31	<u>\$ (1,036,202)</u>	<u>\$ -</u>	<u>\$ 6,809,645</u>	<u>\$ -</u>	<u>\$ (6,377)</u>	<u>\$ 5,767,066</u>
<u>2018</u>						
Balance at January 1 (IAS 39)	\$ (263,411)	\$ 1,964,407	\$ -	\$ (14,871)	\$ -	\$ 1,686,125
Effect of retroactive application	-	(1,964,407)	3,545,472	14,871	(14,871)	1,581,065
Balance at January 1, 2018 as restated	(263,411)	-	3,545,472	-	(14,871)	3,267,190
Unrealized gain on financial assets measured at FVTOCI	-	-	77,210	-	-	77,210
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	223,046	-	14,909	-	7,861	245,816
Changes in equity of associates accounted for using equity method	-	-	(339)	-	-	(339)
Cumulative unrealized losses of equity instruments transferred to retained earnings due to disposal	-	-	37,596	-	-	37,596
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>

**16. NET PROFIT**

a. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Interest on bank loans	\$ 336,066	\$ 355,192
Interest on lease liabilities	<u>81</u>	<u>-</u>
	<u>\$ 336,147</u>	<u>\$ 355,192</u>

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 3,708	\$ 2,899
Right-of-use assets	1,715	-
Investment properties	1,053	1,261
Other non-current assets	<u>6,881</u>	<u>6,690</u>
	<u>\$ 13,357</u>	<u>\$ 10,850</u>
 An analysis of deprecation by function		
Operating expenses	<u>\$ 6,476</u>	<u>\$ 4,160</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 6,881</u>	<u>\$ 6,690</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 154,663	\$ 134,266
Post-employment benefits		
Defined contribution plans	2,573	2,579
Defined benefit plans	<u>13,173</u>	<u>12,477</u>
Total employee benefits expense	<u>\$ 170,409</u>	<u>\$ 149,322</u>
 An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 170,409</u>	<u>\$ 149,322</u>

d. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 23, 2020 and March 22, 2019, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	0.10%	0.10%
Remuneration of directors	0.56%	0.48%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 2,282	\$ 1,467
Remuneration of directors	12,500	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, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 17. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 110,928	\$ 52,067
Income tax on unappropriated earnings	(10,143)	(51,567)
Adjustment for prior periods	1,191	-
Land value increment tax	(1,520)	-
Deferred tax		
In respect of the current year	(15,156)	(28,785)
Effect of tax rate changes	-	13,285
Income tax benefit (expense) recognized in profit or loss	<u>\$ 85,300</u>	<u>\$ (15,000)</u>

A reconciliation of accounting profit and income tax benefit (expense) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Income before tax	<u>\$ 2,200,469</u>	<u>\$ 1,455,003</u>
Income tax expense calculated at the statutory rate	\$ (440,094)	\$ (291,001)
Nondeductible expenses in determining taxable income	(1,769)	(1,759)
Tax-exempt income	561,639	414,597
Income tax on unappropriated earnings	(10,143)	(51,567)
Land value increment tax	(1,520)	-
Unrecognized deductible temporary differences	(134,686)	(150,622)

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Tax receivables from subsidiary accounted for using the consolidated tax return system	\$ 110,682	\$ 52,067
Effect of tax rate changes	-	13,285
Adjustments for prior years' tax	<u>1,191</u>	<u>-</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 85,300</u>	<u>\$ (15,000)</u>

(Concluded)

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%.

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<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	20,411	(33,982)
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(5,563)</u>	<u>(13,126)</u>
	<u>\$ 14,878</u>	<u>\$ (69,792)</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, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit plan	<u>\$ 137,339</u>	<u>\$ (15,170)</u>	<u>\$ (20,441)</u>	<u>\$ 101,728</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Temporary difference				
Reserve for land revaluation increment tax	\$ 350,116	\$ -	\$ -	\$ 350,116
Others	<u>554</u>	<u>(14)</u>	<u>-</u>	<u>540</u>
	<u>\$ 350,670</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 350,656</u> (Concluded)

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<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>

Deferred tax liabilities

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>

d. Income tax approved situation

The application case for the year end of 2013 has been approved by taxing authority.

**18. EARNINGS PER SHARE**

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Basic earnings per share (NT\$)	<u>\$ 1.38</u>	<u>\$ 0.87</u>
Diluted earnings per share (NT\$)	<u>\$ 1.38</u>	<u>\$ 0.87</u>

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

**Net Profit for the Year**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit for the year	<u>\$ 2,285,769</u>	<u>\$ 1,440,003</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,285,769</u>	<u>\$ 1,440,003</u>

**Number of Share (In Thousands)**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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>197</u>	<u>159</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,660,569</u>	<u>1,660,531</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.

**19. 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).

**20. 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, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets	<u>\$ 58,218</u>	<u>\$ 160,964</u>	<u>\$ -</u>	<u>\$ 219,182</u>
Financial assets at FVTOCI				
Listed shares	\$ 8,585,824	\$ -	\$ -	\$ 8,585,824
Unlisted shares	<u>-</u>	<u>-</u>	<u>3,215,515</u>	<u>3,215,515</u>
	<u>\$ 8,585,824</u>	<u>\$ -</u>	<u>\$ 3,215,515</u>	<u>\$ 11,801,339</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets	<u>\$ 20,104</u>	<u>\$ 160,964</u>	<u>\$ -</u>	<u>\$ 181,068</u>
Financial assets at FVTOCI				
Listed shares	\$ 7,445,201	\$ -	\$ -	\$ 7,445,201
Unlisted shares	<u>-</u>	<u>-</u>	<u>2,323,551</u>	<u>2,323,551</u>
	<u>\$ 7,445,201</u>	<u>\$ -</u>	<u>\$ 2,323,551</u>	<u>\$ 9,768,752</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2019	\$ 2,323,551
Recognized in other comprehensive income (accounted for as unrealized gain (loss) on investments in equity instruments designated as at FVTOCI)	909,646
Disposals	(452)
Return of capital upon investees' capital reduction	<u>(17,230)</u>
Balance at December 31, 2019	<u>\$ 3,215,515</u>

For the year ended December 31, 2018

	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>
Balance at January 1, 2018 (IAS 39)	\$ -
Effects of retroactive application of IFRS 9	<u>2,052,779</u>
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	<u>(18,655)</u>
Balance at December 31, 2018	<u>\$ 2,323,551</u>

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>2019</u>	<u>2018</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 219,182	\$ 181,068
FVTOCI		
Equity Instruments	11,801,339	9,768,752
Amortized cost (1)	124,213	64,424
<u>Financial liabilities</u>		
Amortized cost (2)	23,790,868	23,485,701

- 1) The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable due from related parties, net and other receivables.
- 2) The balances include financial liabilities measured at amortized cost, which comprise current borrowings, short-term notes and bills payable, accounts payables to related parties, other payables, others, and non-current 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial liabilities	\$ 1,128,937	\$ 1,399,570
Lease liabilities	4,539	-
Cash flow interest rate risk		
Financial assets	6,153	5,627
Financial liabilities	22,601,915	22,026,679

#### 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, 2019 and 2018 would decreased/increased by \$45,192 thousand and \$44,042 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 years ended December 31, 2019 and 2018 would have increased/decreased by \$2,911 thousand and \$1,005 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income (loss) for the year ended December 31, 2019 and 2018 would have increased/decreased by \$590,067 thousand and \$488,438 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to price risk increased during the year, which was mainly due to the fair value of equity investments raised.

#### 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 Company has sufficient financial flexibility.

As of December 31, 2019 and 2018, the amount of unused financing facilities were \$12,728,040 thousand and \$6,025,000 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 cash flows paid at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2019

	<b>Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>		
Floating interest rate liabilities	\$ 2,330,481	\$ 21,309,327
Fixed interest rate liabilities	1,130,000	-
Lease liabilities	<u>1,898</u>	<u>2,827</u>
	<u>\$ 3,462,379</u>	<u>\$ 21,312,154</u>

#### December 31, 2018

	<b>Less than 1 Year</b>	<b>1-5 Years</b>
<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>

## 21. 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
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
Pek Crown Paper Co., Ltd.	Subsidiary
China Color Printing Co., Ltd.	Subsidiary
Genovella Renewables Inc. (originally named as Kuang Hwa Fertilizer Limited Company)	Subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	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 Corporation	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

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	
		2019	2018
Receivables from related parties	Subsidiaries		
	Chung Hwa Pulp Corporation	\$ 260	\$ 260
	Others	<u>-</u>	<u>143</u>
		260	403
	Associates		
	YFY Biotech Co., Ltd.	<u>166</u>	<u>1,379</u>
		<u>\$ 426</u>	<u>\$ 1,782</u>

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	
		2019	2018
Payables to related parties	Entities with key management personnel		
	Hsin-Yi Enterprise Co., Ltd.	\$ 697	\$ 704
	Others	<u>10</u>	<u>-</u>
		707	704
	Substantive related party		
	SinoPac Securities Corporation	272	272
	Others	<u>3</u>	<u>5</u>
		275	277
	Subsidiaries		
	Fidelis IT Solutions Co., Ltd.	77	263
	Others	<u>168</u>	<u>282</u>
		245	545
	Associates		
	YFY Biotech Co., Ltd.	<u>180</u>	<u>10</u>
		<u>\$ 1,407</u>	<u>\$ 1,536</u>

The outstanding accounts payable to related parties are unsecured.

d. Others

Rental income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
Chung Hwa Pulp Corporation	\$ 10,885	\$ 10,885
Others	<u>709</u>	<u>709</u>
	11,594	11,594
Entities with key management personnel		
Yuen Foong Paper Co., Ltd.	7,885	3,953
Others	<u>159</u>	<u>159</u>
	8,044	4,112
Substantive related party		
Yuen Foong Paper Co., Ltd.	-	3,953
Others	<u>7,177</u>	<u>7,415</u>
	7,177	11,368
Associate	<u>1,207</u>	<u>1,207</u>
	<u>\$ 28,022</u>	<u>\$ 28,281</u>

Rental expenses (accounted for as operating expenses)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Entities with key management personnel	\$ 6,670	\$ 6,674
Subsidiary	114	114
Substantive related party	<u>31</u>	<u>31</u>
	<u>\$ 6,815</u>	<u>\$ 6,819</u>

Agency fee expense (accounted for as operating expenses)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiary		
YFY Holding Management Co., Ltd.	<u>\$ 46,630</u>	<u>\$ 46,699</u>

Information service fee expense (accounted for as operating expenses)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiary	<u>\$ 5,520</u>	<u>\$ 4,940</u>

Service agency fee expenses (accounted for as operating expenses)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Substantive related party	<u>\$ 3,801</u>	<u>\$ 3,761</u>

Depending on the agreements, rental income and expenses, agency fee income and expense, as well as information service fee and service agency 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 non-current financial assets at FVTPL) and had an interest rate of 3.9%. As of December 31, 2019 and 2018, the interest receivables were both \$964 thousand.

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

e. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Salaries and benefits	\$ 71,935	\$ 42,925
Executive fees	<u>696</u>	<u>696</u>
	<u>\$ 72,631</u>	<u>\$ 43,621</u>

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

**22. SIGNIFICANT 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:

	<u>December 31, 2019</u>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Investments in subsidiaries			
USD	\$ 879,803	29.98 (USD:NTD)	\$ 26,372,883
	<u>December 31, 2018</u>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Investments in subsidiaries			
USD	\$ 853,316	30.715 (USD:NTD)	\$ 26,205,494

## 23. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 2)
- 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 3)
- 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 4)
- 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 1)
  - 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)

#### **24. SEGMENT INFORMATION**

The Company has disclosed related segment information in accordance with IFRS 8 in consolidated financial statement.

## YFY INC.

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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 Packaging (Yangzhou) Investment Co., Ltd.	Note 3	\$ 53,193,764	\$ 316,000	\$ 299,800	\$ -	\$ -	0.76	\$ 70,925,018	Yes	No	Yes
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3	53,193,764	4,165,400	3,938,020	1,296,213	-	10.03	70,925,018	Yes	No	Yes
	<u>Credit line (Note 4)</u> YFY Inc.	Lotus Ecoscings & Engineering Co., Ltd.	Note 3	53,193,764	230,000	230,000	56,000	-	0.59	70,925,018	No	No	No
		YFY (Shanghai) Financial Services Co., Ltd.	Note 3	53,193,764	418,612	394,753	-	-	1.01	70,925,018	No	No	No
		YFY Global Investment BVI Corp.	Note 3	53,193,764	632,000	599,600	-	-	1.53	70,925,018	No	No	No
		YFY Paradigm Investment Co., Ltd.	Note 3	53,193,764	1,970,000	1,770,000	784,000	-	4.51	70,925,018	No	No	No
		YFY Venture Capital Investment Co., Ltd.	Note 3	53,193,764	1,920,000	1,870,000	529,000	-	4.76	70,925,018	No	No	No
		YFY Capital Co., Ltd.	Note 3	53,193,764	2,800,000	2,800,000	1,640,000	-	7.13	70,925,018	No	No	No
		YFY International BVI Corp.	Note 3	53,193,764	3,128,239	3,061,158	168,646	-	7.80	70,925,018	No	No	No
		YFY Jupiter Limited	Note 3	53,193,764	289,460	278,413	64,964	-	0.71	70,925,018	No	No	No
		YFY Jupiter (BVI) Inc.	Note 3	53,193,764	316,000	299,800	299,800	-	0.76	70,925,018	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 relationship between guarantor and guarantee is subsidiary.

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

## YFY INC.

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2019

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company (Note)	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Inc.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	468,485,150	\$ 6,090,307	4.2	\$ 6,090,307	
	Boardtek Electronics Corporation	-	Non-current financial assets at fair value through other comprehensive income	37,323,087	940,542	16.7	940,542	
	TaiGen Biopharmaceuticals Holdings Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	84,509,502	1,554,975	11.8	1,554,975	
	Canada Investment and Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	20,826,000	167,239	12.9	167,239	
	Synmax Biochemical Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,999,371	71,529	13.9	71,529	
	Universal Investment Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,562,000	31,730	2.9	31,730	
	Fu Hwa Development Enterprise Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	4,200,000	55,251	14.0	55,251	
	Taiwan Creative Industry Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	1,600,000	19,288	8.0	19,288	
	Shin Taiwan Kubota Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,612	42,819	5.5	42,819	
	China Trade and Development Corp.	-	Non-current financial assets at fair value through other comprehensive income	377,634	1,677	0.6	1,677	
	Taiwan Stock Exchange Corporation	Note 1	Non-current financial assets at fair value through other comprehensive income	21,857,875	2,473,095	3.0	2,473,095	
	Sino Cell Technologies Ltd.	-	Non-current financial assets at fair value through other comprehensive income	995,313	11,717	10.0	11,717	
	Yuen Foong Paper Co., Ltd.	Note 3	Non-current financial assets at fair value through other comprehensive income	544,067	11,509	0.7	11,509	
	KHL IB Venture Capital Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	19,161,529	293,982	14.9	293,982	
	iXensor Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,955,000	35,679	4.0	35,679	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company (Note)	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Subordinated bank debentures</u> Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	Note 2	Non-current financial assets at fair value through profit or loss	-	\$ 160,964	-	\$ 160,964	
	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	4,166,126	58,218	-	58,218	

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

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.

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 8,661,522	\$ (245,098)	\$ (137,691)	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	3,419,509	3,083,789	363,421	2.
	YFY International BVI Corp.	British Virgin Islands	Investment and holding	18,124,434	18,124,434	580,098,758	100.0	20,714,487	574,927	575,409	1.
	YFY Global Investment BVI Corp.	British Virgin Islands	Investment and holding	2,153,335	2,153,335	79,000,000	100.0	5,658,396	399,621	399,621	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	241,636,021	100.0	2,888,148	464,682	464,682	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	49.5	1,758,646	525,375	260,193	1.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	169,700	310,125	16,970,040	23.0	366,606	(229,750)	(53,443)	2.
	China Color Printing Co., Ltd.	Taipei, Taiwan	Design and printing of magazines, posters and books	190,068	190,068	32,896,330	49.7	447,269	7,662	3,804	1.
	YFY Venture Capital Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	200,000	200,000	69,827,600	100.0	1,468,764	109,486	109,486	1.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	272,617	(96,377)	(45,213)	1.
	YFY Capital Co., Ltd.	Taipei, Taiwan	Sale of paper and paper-related merchandise	189,759	189,759	26,840,000	100.0	713,821	59,033	59,033	1.
	YFY Holding Management Co., Ltd.	Taipei, Taiwan	Consulting	30,000	30,000	3,000,000	100.0	38,474	4,699	4,699	1.
	Union Paper Co., Ltd.	Yunlin, Taiwan	Manufacture and sale of paper	200,700	200,700	19,584,000	18.9	222,958	(27,227)	(5,150)	1.
	YFY Paradigm Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	231,357	231,357	84,880,000	100.0	1,931,247	328,347	328,347	1.
	San Ying Enterprise Co., Ltd.	Taipei, Taiwan	Design and construction of water processing and environmental facilities	60,000	100,003	6,000,000	100.0	128,487	56,591	56,591	1.
	Lotus Ecoscings & Engineering Co., Ltd.	Taipei, Taiwan	Construction of sewage treatment plants and incinerators	152,944	152,944	28,545,000	100.0	431,459	20,699	20,699	1.
	YFY Japan Co., Ltd.	Japan	Trade of paper, chemical material and machinery	2,099	2,099	200	100.0	101,211	5,475	5,475	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	71,585	6,415	3,268	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	68,351	(540)	(540)	1.
	Taiwan Genome Science, Inc.	Taipei, Taiwan	1. Develop skills in genome medicine. 2. Manufacture and wholesale of chemical material. 3. Medicine testing.	5,613	12,260	561,291	19.4	12,368	(3,327)	(644)	2.
Sustainable Carbohydrate Innovation Co., Ltd.	Taipei, Taiwan	Researching and development	30,000	-	3,000,000	100.0	32,098	2,098	2,098	1.	

Note: The relationships are as follows:

1. Subsidiary.
2. Associate.

## YFY INC.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 149,900 (US\$ 5,000 thousand)	a.(a)	\$ 44,970 (US\$ 1,500 thousand)	\$ -	\$ -	\$ 44,970 (US\$ 1,500 thousand)	\$ (13,547)	100.0	\$ (13,547) (Note 2)	\$ -	\$ -
YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and cardboard	329,780 (US\$ 11,000 thousand)	a.(a)	209,860 (US\$ 7,000 thousand)	-	-	209,860 (US\$ 7,000 thousand)	51,594	100.0	51,594 (Note 2)	545,195	-
YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	209,860 (US\$ 7,000 thousand)	a.(a)	209,860 (US\$ 7,000 thousand)	-	-	209,860 (US\$ 7,000 thousand)	55,876	100.0	55,876 (Note 2)	229,281	-
YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and cardboard	239,840 (US\$ 8,000 thousand)	a.(a)	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	60,709	100.0	60,709 (Note 2)	765,501	-
YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and cardboard	179,880 (US\$ 6,000 thousand)	a.(a)	59,960 (US\$ 2,000 thousand)	-	-	59,960 (US\$ 2,000 thousand)	43,219	100.0	43,219 (Note 2)	447,378	-
YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and cardboard	239,840 (US\$ 8,000 thousand)	a.(a)	243,228 (US\$ 8,113 thousand)	-	-	243,228 (US\$ 8,113 thousand)	71,833	100.0	71,833 (Note 2)	341,359	-
YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and cardboard	239,840 (US\$ 8,000 thousand)	a.(a)	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	103,260	100.0	103,260 (Note 2)	951,320	-
YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and cardboard	298,571 (US\$ 9,959 thousand)	a.(q)	269,820 (US\$ 9,000 thousand)	-	-	269,820 (US\$ 9,000 thousand)	56,101	100.0	56,101 (Note 2)	409,648	-
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	284,810 (US\$ 9,500 thousand)	a.(a)	224,850 (US\$ 7,500 thousand)	-	-	224,850 (US\$ 7,500 thousand)	52,148	93.8	48,889 (Note 2)	457,195,	-
YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and cardboard	194,870 (US\$ 6,500 thousand)	a.(a)	194,870 (US\$ 6,500 thousand)	-	-	194,870 (US\$ 6,500 thousand)	(14,492)	100.0	(14,492) (Note 2)	-	-
YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and cardboard	179,880 (US\$ 6,000 thousand)	a.(a)	143,904 (US\$ 4,800 thousand)	-	-	143,904 (US\$ 4,800 thousand)	85,346	100.0	85,346 (Note 2)	942,900	-

(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 149,900 (US\$ 5,000 thousand)	a.(a)	\$ 149,900 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 149,900 (US\$ 5,000 thousand)	\$ (17,141)	100.0	\$ (17,141) (Note 2)	\$ 129,640	\$ -
YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding.	2,599,476 (US\$ 86,707 thousand)	a.(a)	2,608,260 (US\$ 87,000 thousand)	-	-	2,608,260 (US\$ 87,000 thousand)	(303,592)	100.0	(303,592) (Note 2)	246,899	-
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	7,335,956 (US\$ 244,695 thousand)	a.(b)	7,345,100 (US\$ 245,000 thousand)	-	-	7,345,100 (US\$ 245,000 thousand)	(725,684)	100.0	(725,684) (Note 2)	1,504,121	-
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and paper	446,702 (US\$ 14,900 thousand)	a.(c)	419,900 (US\$ 14,006 thousand)	-	-	419,900 (US\$ 14,006 thousand)	(18,245)	94.0	(17,150) (Note 2)	-	-
YFY Firstpak Packaging (Yangzhou) Co., Ltd.	Manufacture and sale of product packaging; design, manufacture and sale of packaging equipment and molding equipment	-	a.(d)	-	-	-	-	(24,306)	-	(17,014) (Note 7)	-	-
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Technological development of agricultural resource recycling	239,840 (US\$ 8,000 thousand)	a.(c)	239,840 (US\$ 8,000 thousand)	-	-	239,840 (US\$ 8,000 thousand)	(16,448)	100.0	(16,448) (Note 2)	93,616	-
Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	89,940 (US\$ 3,000 thousand)	a.(f)	-	-	-	-	(13,257)	100.0	(13,257) (Note 2)	-	-
Shanghai YFY Advertising and Printing Co., Ltd.	Printing of publications	-	a.(g)	-	-	-	-	(209)	-	(107) (Note 7)	-	-
Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Sale and design of RFID (radio frequency identification) products	834,955 (RMB 194,290 thousand)	a.(h)	761,252 (US\$ 25,392 thousand)	-	-	761,252 (US\$ 25,392 thousand)	409,632	86.5	354,386 (Note 2)	2,638,372	-
Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	34,380 (RMB 8,000 thousand)	a.(i)	-	-	-	-	735	86.5	636 (Note 2)	45,133	-
YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	10,493 (US\$ 350 thousand)	a.(j)	-	-	-	-	196,091	79.4	155,731 (Note 2)	242,624	-
Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	8,595 (RMB 2,000 thousand)	a.(k)	-	-	-	-	55,484	79.4	44,064 (Note 2)	97,214	-
YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	-	a.(k)	-	-	-	-	11,167	79.4	8,868 (Note 2)	13,690	-

(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Chengdu JieLianDa Warehousing Co., Ltd.	General trade	\$ 6,446 (RMB 1,500 thousand)	a.(k)	\$ -	\$ -	\$ -	\$ -	\$ 678	27.8	\$ 188 (Note 6)	\$ 2,280	\$ -
Chengdu JieLianDa Supply Chain Co., Ltd.	Management of supply chain	-	a.(k)	-	-	-	-	317	27.8	88 (Note 6)	-	-
Chengdu YongJunYu Environmental Protection packing Co., Ltd.	General trade	8,595 (RMB 2,000 thousand)	a.(k)	-	-	-	-	13	-	4 (Notes 6 and 8)	975	-
ChengDu JingShiTong Packing Co., Ltd.	General trade	6,446 (RMB 1,500 thousand)	a.(k)	-	-	-	-	3,118	27.8	867 (Notes 6 and 8)	3,644	-
YFY Investment Co., Ltd.	Investment and holding and sale of paper	3,447,700 (US\$ 115,000 thousand)	a.(l)	3,447,700 (US\$ 115,000 thousand)	-	-	3,447,700 (US\$ 115,000 thousand)	18,515	100.0	18,515 (Note 2)	1,466,675	-
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	899,400 (US\$ 30,000 thousand)	a.(m)	899,400 (US\$ 30,000 thousand)	-	-	899,400 (US\$ 30,000 thousand)	(27,292)	100.0	(27,292) (Note 2)	409,995	-
YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	1,049,300 (US\$ 35,000 thousand)	a.(m)	1,049,300 (US\$ 35,000 thousand)	-	-	1,049,300 (US\$ 35,000 thousand)	(9,620)	100.0	(9,620) (Note 2)	439,817	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	899,400 (US\$ 30,000 thousand)	a.(m)	899,400 (US\$ 30,000 thousand)	-	-	899,400 (US\$ 30,000 thousand)	146,002	100.0	146,002 (Note 2)	1,098,571	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,297 (RMB 1,000 thousand)	b.(a)	4,297 (RMB 1,000 thousand)	-	-	4,297 (RMB 1,000 thousand)	(134)	100.0	(134) (Note 2)	-	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	2,567,187 (US\$ 85,630 thousand)	a.(n)	659,560 (US\$ 22,000 thousand)	-	-	659,560 (US\$ 22,000 thousand)	(144,885)	74.6	(108,147) (Note 2)	3,536,158	-
Zhaoqing Dingfung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	655,962 (US\$ 21,880 thousand)	a.(o)	221,252 (US\$ 7,380 thousand)	-	-	221,252 (US\$ 7,380 thousand)	7,175	74.6	5,355 (Note 2)	2,117,984	-
Zhaoqing Xinchuan Green Technology Co., Ltd.	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	8,595 (RMB 2000 thousand)	a.(e)	-	-	-	-	700	74.6	522 (Note 2)	6,916	-

(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	\$ 13,752 (RMB 3,200 thousand)	a.(e)	\$ -	\$ -	\$ -	\$ -	\$ 17,390	74.6	\$ 12,981 (Note 2)	\$ 87,458	\$ -
YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, development of credit risk management platform.	214,873 (RMB 50,000 thousand)	a.(p)	214,873 (RMB 50,000 thousand)	-	-	214,873 (RMB 50,000 thousand)	(100,448)	78.9	(79,222) (Note 2)	154,513	-
Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	37,775 (US\$ 1,260 thousand)	b.(b)	25,063 (US\$ 836 thousand)	-	-	25,063 (US\$ 836 thousand)	3,658	66.4	2,427 (Note 2)	32,448	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Notes 1 and 5)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$17,368,599	\$20,139,855	\$39,098,034

Note 1: Except for investment gain or loss which were translated at exchange rates of US\$1=NT\$30.911917 or RMB1=NT\$4.482115 or EUR1=NT\$34.6125, the rest were translated at exchange rates of US\$1=NT\$29.98 or RMB1=NT\$4.297469 or EUR1=NT\$33.59 as of December 31, 2019.

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 exports from Taiwan at the end of year: Guangdong Dingfung Pulp & Paper Co., Ltd. and YFY Paper Enterprise (Guangzhou) Co., Ltd. capitalized 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. was acquired indirectly 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 investors 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 Dingfung 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 Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.). (j) Mobius 105 Ltd. (k) YFY Jupiter (Shenzhen) Ltd. (l) Yuen Foong Yu Consumer Products Investment Limited (m) YFY investment Co., Ltd. (n) YFY International BVI Corp. and CHP International (BVI) Corporation (o) YFY International BVI Corp., CHP International (BVI) Corporation and Guangdong Dingfung Pulp & Paper Co., Ltd. (p) YFY Capital Holdings Corp. (q) YFY Maruitius Corp. and YFY Paper Enterprise (Kunshan) Co., Ltd

b. Direct investment in mainland China and the investors are as follows:

(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 \$3,657,500 thousand made by investor of mainland China has been deducted.

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

Note 7: YFY Firstpak Packaging (Yangzhou) Co., Ltd. entered into bankruptcy process in May 2019; therefore, the profit (loss) was only recognized until the end of April 2019. Shanghai YFY Advertising and Printing Co., Ltd. entered the cancellation of registration in October 2019; therefore, the profit (loss) was only recognized until the end of September 2019.

Note 8: YFY Jupiter (Shenzhen) Ltd. disposed of the entire equity interest in Chengdu YongJunYu Environmental Protection Packing Co., Ltd. in June 2019. Therefore, the profit (loss) was only recognized until the end of June 2019. YFY Jupiter (Shenzhen) Ltd. acquired 35% ownership of Chengdu JingShiTong Packing Co., Ltd. originally owned by Chengdu YongJunYu Environmental Protection Packing Co., Ltd. in June 2019.

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.

(Concluded)

# YFY INC.

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**YFY INC.**

**STATEMENT OF FINANCIAL ASSETS AT FVTOCI  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Securities Name	Balance, December 31, 2018		Increase in 2019		Decrease in 2019		The Amount of This Year's Evaluation (Note 1)	Fair Value at the End of the Year			
	Shares	Amount	Shares	Amount	Shares (Note 3)	Amount		Shares	Percentage of Ownership (%)	Amount	Note
Ordinary Shares - listed company											
SinoPac Financial Holdings Co., Ltd.	468,485,150	\$ 4,825,397	-	\$ -	-	\$ -	\$ 1,264,910	468,485,150	4.2	\$ 6,090,307	(Note 2)
TaiGen Biopharmaceuticals Holdings Ltd.	84,509,502	1,436,662	-	-	-	-	118,313	84,509,502	11.8	1,554,975	(Note 2)
Boardtek Electronics Corporation	37,323,087	1,183,142	-	-	-	-	(242,600)	37,323,087	16.7	940,542	(Note 2)
		<u>7,445,201</u>		<u>-</u>		<u>-</u>	<u>1,140,623</u>			<u>8,585,824</u>	
Ordinary Shares - unlisted company											
KHL IB Venture Capital Co., Ltd.	20,884,500	300,123	-	-	(1,722,971)	(17,230)	11,089	19,161,529	14.9	293,982	
Canada Investment and Development Co., Ltd.	20,826,000	167,785	-	-	-	-	(546)	20,826,000	12.9	167,239	
Synmax Biochemical Co., Ltd.	5,999,371	63,877	-	-	-	-	7,652	5,999,371	13.9	71,529	
Universal Investment Co., Ltd.	5,562,000	31,436	-	-	-	-	294	5,562,000	2.9	31,730	
Fu Hwa Development Enterprise Co., Ltd.	4,200,000	56,950	-	-	-	-	(1,699)	4,200,000	14.0	55,251	
Taiwan Creative Industry Development Co., Ltd.	1,600,000	22,593	-	-	-	-	(3,305)	1,600,000	8.0	19,288	
Sino Cell Technologies Ltd.	995,313	7,193	-	-	-	-	4,524	995,313	10.0	11,717	
Shin Taiwan Kubota Co., Ltd.	5,612	32,064	-	-	-	-	10,755	5,612	5.5	42,819	
China Trade and Development Corp.	377,634	1,726	-	-	-	-	(49)	377,634	0.6	1,677	
Taiwan Stock Exchange Corporation	20,817,024	1,590,763	1,040,851	-	-	-	882,332	21,857,875	3.0	2,473,095	
Yuen Foong Paper Co., Ltd.	544,067	12,399	-	-	-	-	(890)	544,067	0.7	11,509	
iXensor Inc.	1,970,000	36,642	-	-	(15,000)	(452)	(511)	1,955,000	4.0	35,679	
		<u>2,323,551</u>		<u>-</u>		<u>(17,682)</u>	<u>909,646</u>			<u>3,215,515</u>	
		<u>\$ 9,768,752</u>		<u>\$ -</u>		<u>\$ (17,682)</u>	<u>\$ 2,050,269</u>			<u>\$ 11,801,339</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, 2019.

Note 3: The decreases are due to selling shares of iXensor Inc. and KHL IB Venture Capital Co., Ltd. executed cash capital reduction.

## YFY INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investee Company (Note 1)	Balance, December 31, 2018		Increase in 2019 (Note 2)		Decrease in 2019 (Note 3)		Share of Profit or Loss of Subsidiaries and Associates	Equity Adjustments (Note 4)	Balance, December 31, 2019			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	\$ 8,946,875	-	\$ -	-	\$ (219,740)	\$ (137,691)	\$ 72,078	627,827,088	56.9	\$ 8,661,522	\$ 8.98	\$ 5,637,887	
Shin Foong Specialty and Applied Materials Co., Ltd.	51,914,248	<u>1,628,076</u>	-	<u>-</u>	-	<u>(186,508)</u>	<u>260,193</u>	<u>56,885</u>	51,914,248	49.5	<u>1,758,646</u>	57.60	2,990,261	
		<u>10,574,951</u>		<u>-</u>		<u>(406,248)</u>	<u>122,502</u>	<u>128,963</u>			<u>10,420,168</u>			
OTC company														
E Ink Holdings Inc.	133,472,904	<u>3,305,527</u>	-	<u>-</u>	-	<u>(279,267)</u>	<u>363,421</u>	<u>29,828</u>	133,472,904	11.8	<u>3,419,509</u>	31.25	3,546,028	
Unlisted company														
YFY International BVI Corp.	580,098,758	20,659,509	-	-	-	-	575,409	(520,431)	580,098,758	100.0	20,714,487			
YFY Global Investment BVI Corp.	79,000,000	5,545,985	-	-	-	-	399,621	(287,210)	79,000,000	100.0	5,658,396			
Yuen Foong Yu Consumer Products Co., Ltd.	227,299,406	2,514,260	14,336,615	-	-	-	464,682	(90,794)	241,636,021	100.0	2,888,148			
Taiwan Global BioFund Co., Ltd.	31,012,500	569,730	-	-	(14,042,460)	(173,297)	(53,443)	23,616	16,970,040	23.0	366,606			
China Color Printing Co., Ltd.	32,896,330	452,350	-	-	-	(9,869)	3,804	984	32,896,330	49.7	447,269			
YFY Venture Capital Investment Co., Ltd.	59,496,600	1,020,101	10,331,000	-	-	-	109,486	339,177	69,827,600	100.0	1,468,764			
Effion Enertech Co., Ltd.	34,300,000	323,089	-	-	-	(1,356)	(45,213)	(3,903)	34,300,000	49.0	272,617			
YFY Capital Co., Ltd.	26,840,000	382,197	-	-	-	(32,000)	59,033	304,591	26,840,000	100.0	713,821			
YFY Holding Management Co., Ltd.	3,000,000	41,528	-	-	-	(7,480)	4,699	(273)	3,000,000	100.0	38,474			
Union Paper Co., Ltd.	19,584,000	227,969	-	-	-	-	(5,150)	139	19,584,000	18.9	222,958			
YFY Paradigm Investment Co., Ltd.	80,012,500	1,252,690	4,867,500	-	-	-	328,347	350,210	84,880,000	100.0	1,931,247			
San Ying Enterprise Co., Ltd.	12,600,000	148,128	-	-	(6,600,000)	(74,900)	56,591	(1,332)	6,000,000	100.0	128,487			
Lotus Ecoscings & Engineering Co., Ltd.	26,914,000	339,620	1,631,000	-	-	-	20,669	71,170	28,545,000	100.0	431,459			
YFY Japan Co., Ltd.	200	97,161	-	-	-	-	5,475	(1,425)	200	100.0	101,211			
Yuen Yan Paper Container Co., Ltd.	6,178,500	71,258	-	-	-	(2,941)	3,268	-	6,178,500	50.9	71,585			
Fidelis IT Solutions Co., Ltd.	2,857,000	48,671	-	-	-	-	(540)	20,130	2,857,000	100.0	68,351			
Taiwan Genome Science, Inc.	1,225,956	19,800	-	-	(664,665)	(6,647)	(644)	(141)	561,291	19.4	12,368			
Sustainable Carbohydrate Innovation Co., Ltd.	-	-	3,000,000	<u>30,000</u>	-	<u>-</u>	<u>2,098</u>	<u>-</u>	3,000,000	100.0	<u>32,098</u>			
		<u>33,714,136</u>		<u>30,000</u>		<u>(308,490)</u>	<u>1,928,192</u>	<u>204,508</u>			<u>35,568,346</u>			
		<u>\$ 47,594,614</u>		<u>\$ 30,000</u>		<u>\$ (994,005)</u>	<u>\$ 2,414,115</u>	<u>\$ 363,299</u>			<u>\$ 49,408,023</u>			

Note 1: Except for YFY Japan Co., Ltd., the rest were calculated according to the audited annual financial statements.

Note 2: Except for Sustainable Carbohydrate Innovation Co., Ltd. acquired in January, 2019, other companies issued stock dividends.

Note 3: Except for Taiwan Genome Science, Inc. which executed cash capital reduction, Taiwan Global BioFund Co., Ltd. and San Ying Enterprise Co., Ltd. which executed cash capital reduction and issued cash dividends, other companies 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 2019.

**YFY INC.****STATEMENT OF CURRENT BORROWING****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Type of Loan and Creditor</b>	<b>Deadline of the Loan</b>	<b>Rate (%)</b>	<b>Balance, December 31, 2019</b>	<b>Amount of the Financing</b>
Credit loan of the bank				
Mega Bank	2019.11.14-2020.05.12	0.98	\$ 767,000	\$ 900,000
HSBC Bank	2019.10.16-2020.01.16	0.99	300,000	300,000
Taishin Bank	2019.12.20-2020.02.04	1.00	300,000	600,000
Yuanta Bank	2019.11.27-2020.02.25	0.98	300,000	300,000
Hua Nan Bank	2019.12.27-2020.01.16	0.99	200,000	200,000
Fubon Bank	2019.12.05-2020.03.04	0.98	100,000	110,000
First Bank	2019.12.24-2020.01.16	1.00	<u>10,000</u>	<u>470,000</u>
			<u>\$ 1,977,000</u>	<u>\$ 2,880,000</u>

**YFY INC.**

**STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Guarantee Agency	Deadline of Issue	Discount Rate (%)	Amount of Commercial Principal			
			Amount of Issue	Unamortized Short-term Notes and Bills Payable Discount	Book Value	Mortgage or Guarantee
Mega Bills	2019.12.13-2020.02.11	1.02	\$ 480,000	\$ 549	\$ 479,451	-
Dah Chung Bills	2019.12.13-2020.01.10	1.00	250,000	62	249,938	-
Taiwan Bills	2019.12.13-2020.02.11	1.01	200,000	226	199,774	-
Ta Ching Bills	2019.12.13-2020.02.11	1.01	<u>200,000</u>	<u>226</u>	<u>199,774</u>	-
			<u>\$ 1,130,000</u>	<u>\$ 1,063</u>	<u>\$ 1,128,937</u>	

**YFY INC.**

**STATEMENT OF NON-CURRENT BORROWING  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Bank of Loan	Period of the Contract	Repayment Method	Rate (%)	Balance, December 31, 2019			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	\$ -	\$ 8,104,000	\$ 8,104,000	-
Taiwan Bank	2018.12.24-2023.12.24	Due repayment, monthly interest payment	1.79	-	6,860,000	6,860,000	-
Mega Bank	2017.12.25-2022.12.25	Due repayment, monthly interest payment	1.79	-	4,200,000	4,200,000	-
Less: Hosting fee of bank joint loan				-	(39,085)	(39,085)	
				-	19,124,915	19,124,915	
Bank credit loans							
Taiwan Bank	2019.08.29-2021.08.29	Due repayment, monthly interest payment	1.02	-	800,000	800,000	-
O-Bank	2016.12.28-2021.12.28	Due repayment, monthly interest payment	1.34	-	700,000	700,000	-
				-	1,500,000	1,500,000	
				\$ -	\$ 20,624,915	\$ 20,624,915	

**YFY INC.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Payroll expense	\$ 170,409
Agency fee expenses	46,630
Tax	36,444
Professional service expenses	28,074
Others (Note)	<u>67,528</u>
	<u>\$ 349,085</u>

Note: The amount of each item does not exceed 5% of the account balance.

**YFY INC.**

**STATEMENT OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION BY  
FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	For the Year Ended December 31					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expense	Total	Classified as Operating Costs	Classified as Operating Expense	Total
Employee benefits expense						
Salary	\$ -	\$ 135,178	\$ 135,178	\$ -	\$ 120,277	\$ 120,277
Labor and health insurance	-	5,901	5,901	-	5,832	5,832
Pension	-	15,746	15,746	-	15,056	15,056
Board compensation	-	12,500	12,500	-	7,000	7,000
Others	-	1,084	1,084	-	1,157	1,157
	<u>\$ -</u>	<u>\$ 170,409</u>	<u>\$ 170,409</u>	<u>\$ -</u>	<u>\$ 149,322</u>	<u>\$ 149,322</u>
Depreciation	<u>\$ -</u>	<u>\$ 6,476</u>	<u>\$ 6,476</u>	<u>\$ -</u>	<u>\$ 4,160</u>	<u>\$ 4,160</u>
Amortization	<u>\$ -</u>	<u>\$ 6,881</u>	<u>\$ 6,881</u>	<u>\$ -</u>	<u>\$ 6,690</u>	<u>\$ 6,690</u>

Note 1: For the years of 2019 and 2018, the Company had average 43 and 47 employees, respectively, which included 6 and 7 non-employee directors.

Note 2: a. Average employee benefits expense for the years ended December 31, 2019 and 2018 were \$4,268 thousand and \$3,558 thousand, respectively.

b. Average salary for the years ended December 31, 2019 and 2018 were \$3,653 thousand and \$3,007 thousand, respectively.

c. The average salary changed by 21% year over year.