

YFY Inc.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 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, 2020 and 2019 of Fidelis IT Solutions Co., Ltd., Sustainable Carbohydrate Innovation Co., Ltd., Taiwan Genome Science, Inc., 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 Corp., and the financial statements as of and for the year ended December 31, 2019 of Lotus Ecoscings & Engineering Co., Ltd., 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., 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 Corp., but such financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investments accounted for using the equity method and the net profit of investments, is based solely on the reports of other auditors. As of December 31, 2020 and 2019, the long-term equity investments of these investee companies were NT\$487,116 thousand and NT\$2,498,563 thousand, respectively, representing 0.7% and 3.9%, respectively, of the Company's total assets. As of and for the years ended December 31, 2020 and 2019, the net investment income of these investee companies were NT\$4,730 thousand and NT\$417,930 thousand, respectively, representing 0.1% and 8.8%, 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, 2020 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 Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash (Note 6)	\$ 4,381	-	\$ 6,496	-
Current financial assets at fair value through profit or loss (Note 7)	16,283	-	58,218	-
Accounts receivable due from related parties, net (Note 22)	129	-	426	-
Other receivables	5,549	-	117,291	-
Other current assets, others	<u>6,147</u>	-	<u>3,808</u>	-
Total current assets	<u>32,489</u>	-	<u>186,239</u>	-
NON-CURRENT ASSETS (Note 4)				
Non-current financial assets at fair value through profit or loss (Notes 7 and 22)	-	-	160,964	-
Non-current financial assets at fair value through other comprehensive income (Note 8)	12,140,404	18	11,801,339	19
Investments accounted for using equity method (Notes 9 and 22)	52,189,672	78	49,408,023	77
Property, plant and equipment (Notes 10, 16 and 22)	615,945	1	619,312	1
Right-of-use assets (Notes 11 and 16)	2,526	-	4,549	-
Investment property, net (Notes 12 and 16)	1,857,909	3	1,858,761	3
Deferred tax assets (Note 17)	-	-	101,728	-
Prepaid pension cost (Note 14)	37,265	-	-	-
Other non-current assets, others (Note 16)	<u>21,363</u>	-	<u>32,940</u>	-
Total non-current assets	<u>66,865,084</u>	<u>100</u>	<u>63,987,616</u>	<u>100</u>
TOTAL ASSETS	<u>\$ 66,897,573</u>	<u>100</u>	<u>\$ 64,173,855</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Current borrowings (Note 13)	\$ 805,000	1	\$ 1,977,000	3
Short-term notes and bills payable (Note 13)	929,046	2	1,128,937	2
Accounts payable to related parties (Note 22)	10,539	-	1,407	-
Other payables, others	85,367	-	58,609	-
Current tax liabilities	101,347	-	10,143	-
Current lease liabilities (Note 11)	1,264	-	1,835	-
Other current liabilities, others	<u>14,842</u>	-	<u>14,570</u>	-
Total current liabilities	<u>1,947,405</u>	<u>3</u>	<u>3,192,501</u>	<u>5</u>
NON-CURRENT LIABILITIES (Note 4)				
Non-current portion of non-current borrowings (Note 13)	19,544,992	29	20,624,915	32
Deferred tax liabilities (Note 17)	412,016	1	350,656	1
Non-current lease liabilities (Note 11)	1,279	-	2,704	-
Net defined benefit liability, non-current (Note 14)	-	-	746,342	1
Other non-current liabilities, others	<u>6,616</u>	-	<u>6,504</u>	-
Total non-current liabilities	<u>19,964,903</u>	<u>30</u>	<u>21,731,121</u>	<u>34</u>
Total liabilities	<u>21,912,308</u>	<u>33</u>	<u>24,923,622</u>	<u>39</u>
EQUITY (Notes 4 and 15)				
Share capital	16,603,715	25	16,603,715	26
Capital surplus	2,504,194	4	1,000,169	1
Retained earnings	20,756,081	31	15,879,283	25
Other equity interest	<u>5,121,275</u>	<u>7</u>	<u>5,767,066</u>	<u>9</u>
Total equity	<u>44,985,265</u>	<u>67</u>	<u>39,250,233</u>	<u>61</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 66,897,573</u>	<u>100</u>	<u>\$ 64,173,855</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2021)

YFY INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Investment (Note 4)	\$ 5,481,543	100	\$ 2,414,115	100
OPERATING EXPENSES (Notes 14, 16 and 22)	<u>361,679</u>	<u>7</u>	<u>349,085</u>	<u>15</u>
NET OPERATING INCOME	<u>5,119,864</u>	<u>93</u>	<u>2,065,030</u>	<u>85</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 16)	(285,625)	(5)	(336,147)	(14)
Rent income (Notes 12 and 22)	50,745	1	50,057	2
Dividend income	415,469	8	366,404	15
Other income, others	30,378	-	29,066	2
Gain on disposal of investment properties	-	-	26,105	1
Miscellaneous disbursements	<u>(752)</u>	<u>-</u>	<u>(46)</u>	<u>-</u>
Total non-operating income and expenses	<u>210,215</u>	<u>4</u>	<u>135,439</u>	<u>6</u>
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	5,330,079	97	2,200,469	91
TAX BENEFIT (EXPENSE) (Notes 4 and 17)	<u>(121,000)</u>	<u>(2)</u>	<u>85,300</u>	<u>4</u>
PROFIT FROM CONTINUING OPERATIONS	<u>5,209,079</u>	<u>95</u>	<u>2,285,769</u>	<u>95</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 14, 15 and 17)				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Gains on remeasurements of defined benefit plans	583,663	11	81,766	3
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	413,634	7	2,050,269	85
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>(320,559)</u>	<u>(6)</u>	<u>1,351,107</u>	<u>56</u>
	<u>676,738</u>	<u>12</u>	<u>3,483,142</u>	<u>144</u>

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YFY INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Components of other comprehensive income that will be reclassified to profit or loss:				
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	\$ (525,143)	(9)	\$ (995,204)	(41)
	<u>(525,143)</u>	<u>(9)</u>	<u>(995,204)</u>	<u>(41)</u>
Other comprehensive income, net	<u>151,595</u>	<u>3</u>	<u>2,487,938</u>	<u>103</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,360,674</u>	<u>98</u>	<u>\$ 4,773,707</u>	<u>198</u>
EARNINGS PER SHARE (Note 18)				
Basic earnings per share	<u>\$ 3.14</u>		<u>\$ 1.38</u>	
Diluted earnings per share	<u>\$ 3.14</u>		<u>\$ 1.38</u>	

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

(With Deloitte & Touche auditors' report dated March 19, 2021)

(Concluded)

YFY INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus				Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	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 Hedging Instruments	
BALANCE AT JANUARY 1, 2019	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
Appropriation of the 2019 earnings														
Legal reserve appropriated	-	-	-	-	-	-	263,411	-	(263,411)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	(1,162,260)	(1,162,260)	-	-	-	(1,162,260)
Reversal of special reserve	-	-	-	-	-	-	-	(26,770)	26,770	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	-	(338)	(338)	-	-	(17)	(17)	-	-	-	(355)
Other changes in capital surplus	-	-	-	-	1,487	1,487	-	-	-	-	-	-	-	1,487
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	1,431,233	1,431,233	-	-	27	27	50,578	(27)	-	1,481,811
Changes in ownership interests in subsidiaries	-	-	-	-	71,643	71,643	-	-	(22,727)	(22,727)	2,827	(353)	2,285	53,675
Profit	-	-	-	-	-	-	-	-	5,209,079	5,209,079	-	-	-	5,209,079
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	552,880	552,880	(526,210)	123,858	1,067	151,595
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	5,761,959	5,761,959	(526,210)	123,858	1,067	5,360,674
Disposal of investments in equity instruments designated at fair value through other comprehensive income (loss)	-	-	-	-	-	-	-	-	299,816	299,816	-	(299,816)	-	-
BALANCE AT DECEMBER 31, 2020	<u>1,660,372</u>	<u>\$ 16,603,715</u>	<u>\$ 14,947</u>	<u>\$ 293,124</u>	<u>\$ 2,196,123</u>	<u>\$ 2,504,194</u>	<u>\$ 3,822,784</u>	<u>\$ 4,001,813</u>	<u>\$ 12,931,484</u>	<u>\$ 20,756,081</u>	<u>\$ (1,509,007)</u>	<u>\$ 6,633,307</u>	<u>\$ (3,025)</u>	<u>\$ 44,985,265</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2021)

YFY INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES, INDIRECT METHOD		
Profit before tax	\$ 5,330,079	\$ 2,200,469
Adjustments to reconcile profit (loss)		
Depreciation and amortization expenses	12,081	13,357
Net gain on financial assets or liabilities at fair value through profit or loss	(5,528)	(6,354)
Finance costs	285,625	336,147
Interest income	(52)	(29)
Dividend income	(415,469)	(366,404)
Share-based payments	1,144	-
Share of profit of subsidiaries and associates accounted for using equity method	(5,481,543)	(2,414,115)
Gain on disposal of property, plant and equipment	(52)	-
Gain on disposal of investment properties	-	(26,105)
Gain on disposal of investments	-	(241)
Unrealized foreign exchange loss	1	-
Changes in operating assets and liabilities		
Decrease (increase) in current financial assets at fair value through profit or loss, mandatorily measured at fair value	202,000	(38,000)
Decrease (increase) in accounts receivable due from related parties, net	297	1,356
Decrease (increase) in other receivable	102,014	600
Decrease (increase) in other current assets, others	(2,336)	381
Increase (decrease) in accounts payable to related parties	9,132	(129)
Increase (decrease) in other payable, others	28,002	3,015
Increase (decrease) in other current liabilities, others	272	(3,106)
Increase (decrease) in net defined benefit liability, non-current	(54,028)	(42,000)
Cash outflow generated from (used in) operations	11,639	(341,158)
Interest received	6,479	6,269
Dividends received	2,209,417	1,147,338
Interest paid	(282,667)	(339,375)
Income taxes paid	(2,915)	(2,144)
Net cash flows generated from operating activities	<u>1,941,953</u>	<u>470,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(11,940)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	45,453	452
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	41,056	17,230

(Continued)

YFY INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Acquisition of investments accounted for using equity method	\$ (1,054,579)	\$ (30,000)
Proceeds from disposal of investments accounted for using equity method	2,613,810	-
Proceeds from capital reduction of investments accounted for using equity method	35,000	213,071
Acquisition of property, plant and equipment	(260)	(2,709)
Proceeds from disposal of property, plant and equipment	88	9
Proceeds from disposal of investment properties	-	26,106
Decrease (increase) in other non-current assets, others	<u>5,758</u>	<u>(2,947)</u>
Net cash flows generated from investing activities	<u>1,674,386</u>	<u>221,212</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Increase (decrease) in current borrowings	(1,172,000)	147,000
Decrease in short-term notes and bills payable	(200,000)	(270,000)
Proceeds from long-term debt	-	428,236
Repayments of long-term debt	(1,084,000)	-
Payments of lease liabilities	(1,792)	(1,725)
Increase (decrease) in other non-current liabilities, others	112	(1,946)
Cash dividends paid	(1,162,260)	(996,223)
Overdue dividends received	<u>1,487</u>	<u>3,085</u>
Net cash flows used in financing activities	<u>(3,618,453)</u>	<u>(691,573)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(1)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(2,115)	569
CASH AT THE BEGINNING OF THE YEAR	<u>6,496</u>	<u>5,927</u>
CASH AT THE END OF THE YEAR	<u>\$ 4,381</u>	<u>\$ 6,496</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2021)

(Concluded)

YFY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company was originally principally engaged in the manufacture and sale of paper and paper-related products and the design, manufacture and sale of equipment. To increase its sales and competitiveness, the Company carried out a restructuring of the organization and spin-off of its specialized divisions. The Company spun off the assets, liabilities, and operations of its consumer products and packaging segments to its subsidiaries, 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 February 26, 2021.

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

- a. Initial application of 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).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above 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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 4)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 5)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 6)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) 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.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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 that constitutes a business 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 of a subsidiary that constitutes a business 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.

Except for freehold land which is not depreciated, the depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. 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 property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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 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.

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 21.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

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. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in investments accounted for using equity method. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to investments accounted for using equity method.

p. Taxation

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

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for 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 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 Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect 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

	December 31	
	2020	2019
Cash on hand	\$ 281	\$ 343
Checking accounts and demand deposits	<u>4,100</u>	<u>6,153</u>
	<u>\$ 4,381</u>	<u>\$ 6,496</u>

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

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 16,283</u>	<u>\$ 58,218</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Subordinated bank debentures	<u>\$ -</u>	<u>\$ 160,964</u>

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

	December 31	
	2020	2019
<u>Investments in equity instruments at FVTOCI - non-current</u>		
Domestic investments		
Listed shares	\$ 8,146,163	\$ 8,585,824
Unlisted shares	<u>3,994,241</u>	<u>3,215,515</u>
	<u>\$ 12,140,404</u>	<u>\$ 11,801,339</u>

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

The Company acquired Zhen Ding Technology Holding Limited (“ZDTHL”) through stock exchange. The Company’s board of directors approved the stock exchange of all of its ownership of Boardtek Electronics Corporation (“BEC”) for ownership of “ZDTHL” in May 2020. The stock exchange was conducted at an exchange ratio of 1 ordinary share of “BEC” for 0.2 newly issued ordinary share of “ZDTHL”. The above stock exchange has been completed on November 4, 2020.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 48,151,353	\$ 45,609,540
Investments in associates	<u>4,038,319</u>	<u>3,798,483</u>
	<u>\$ 52,189,672</u>	<u>\$ 49,408,023</u>

a. Investment in subsidiaries

	December 31	
	2020	2019
Listed company		
Chung Hwa Pulp Corporation	\$ 8,596,617	\$ 8,661,522
Shin Foong Specialty and Applied Materials Co., Ltd.	2,367,344	1,758,646
Unlisted company		
YFY International Limited	15,737,977	20,714,487
YFY Packaging Inc.	7,124,383	-
YFY Global Investment Limited	5,973,380	5,658,396
Yuen Foong Yu Consumer Products Co., Ltd.	2,602,532	2,888,148
YFY Paradigm Investment Co., Ltd.	2,332,943	1,931,247
YFY Development Corp. (originally named as YFY Capital Co., Ltd.)	2,133,843	713,821
China Color Printing Co., Ltd.	449,718	447,269
Union Paper Co., Ltd.	232,759	222,958
Effion Enertech Co., Ltd.	215,659	272,617
YFY Japan Co., Ltd.	116,122	101,211

(Continued)

	December 31	
	2020	2019
Yuen Yan Paper Container Co., Ltd.	\$ 74,701	\$ 71,585
San Ying Enterprise Co., Ltd.	62,966	128,487
Fidelis IT Solutions Co., Ltd.	56,959	68,351
YFY Corporate Advisory & Service Co., Ltd.	42,197	38,474
Sustainable Carbohydrate Innovation Co., Ltd.	31,253	32,098
YFY Venture Capital Investment Co., Ltd.	-	1,468,764
Lotus Ecoscings & Engineering Co., Ltd.	-	431,459
	<u>\$ 48,151,353</u>	<u>\$ 45,609,540</u>
		(Concluded)

The percentage of ownership and voting rights held by the Company are as follows:

	December 31	
Name of Corporation	2020	2019
Chung Hwa Pulp Corporation	57.8%	56.9%
Shin Foong Specialty and Applied Materials Co., Ltd.	48.9%	49.5%
YFY International Limited	100.0%	100.0%
YFY Packaging Inc.	100.0%	-
YFY Global Investment Limited	100.0%	100.0%
Yuen Foong Yu Consumer Products Co., Ltd.	64.5%	100.0%
YFY Paradigm Investment Co., Ltd.	100.0%	100.0%
YFY Development Corp. (originally named as YFY Capital Co., Ltd.)	100.0%	100.0%
China Color Printing Co., Ltd.	49.7%	49.7%
Union Paper Co., Ltd.	18.9%	18.9%
Effion Enertech Co., Ltd.	49.0%	49.0%
YFY Japan Co., Ltd.	100.0%	100.0%
Yuen Yan Paper Container Co., Ltd.	50.9%	50.9%
San Ying Enterprise Co., Ltd.	100.0%	100.0%
Fidelis IT Solutions Co., Ltd.	100.0%	100.0%
YFY Corporate Advisory & Service Co., Ltd.	100.0%	100.0%
Sustainable Carbohydrate Innovation Co., Ltd.	100.0%	100.0%
YFY Venture Capital Investment Co., Ltd.	-	100.0%
Lotus Ecoscings & Engineering Co., Ltd.	-	100.0%

Shin Foong Specialty and Applied Materials Co., Ltd. had equity changes such as employee share options conversion and the Company's partial disposal of shares of Shin Foong Specialty and Applied Materials Co., Ltd., which reduced its shareholding ratio to 48.9%. Shin Foong Specialty and Applied Materials Co., Ltd. was deemed a subsidiary since the Company did not cease to have control over this subsidiary; China Color Printing Co., Ltd., Effion Enertech Co., Ltd. and Union Paper Co., Ltd. were deemed subsidiaries because the Company had substantial control over them even though the Company held less than 50% equity interests in each of the subsidiaries' voting shares.

The Company sold 2.1% and 6.5% of its shares in Yuen Foong Yu Consumer Products Co., Ltd. to YFY Development Corp. (originally named as YFY Capital Co., Ltd.) and YFY Paradigm Investment Co., Ltd., respectively, in June 2020. Due to equity changes such as employee share options conversion of Yuen Foong Yu Consumer Products Co., Ltd. and the Company's partial disposal of shares in Yuen Foong Yu Consumer Products Co., Ltd. to designated persons and financial investors from July through October in 2020, the shareholding ratio of the Company in Yuen Foong Yu Consumer Products Co., Ltd. was reduced to 64.5%. Yuen Foong Yu Consumer Products Co., Ltd. was deemed as subsidiary since the Company did not cease to have control over this subsidiary.

Refer to Note 28 in consolidated financial statements for the year ended December 31, 2020 for equity transactions with non-controlling interests.

In response to the overseas operation mode of its subsidiaries and the application of YFY Packaging Inc. on the stock exchange in Taiwan and to boost management performance, the Company's board of directors approved the overseas investment structure adjustment in July 2020. The Company has completed the overseas investment structure adjustment in November 2020. The Company acquired the 100% shares of YFY Packaging Inc. owned by YFY International Labuan Co., Ltd.

The Company's board of directors approved the merger of its subsidiary YFY Paradigm Investment Co., Ltd. and Lotus Ecoscings & Engineering Co., Ltd. and the merger of its subsidiary YFY Capital Co., Ltd. and YFY Venture Capital Investment Co., Ltd. in August 2020. The reference date of the above mergers was October 7, 2020 and the mergers have been completed. The board of the directors of YFY Capital Co., Ltd. approved the name change from YFY Capital Co., Ltd. to "YFY Development Corp." in October 2020.

Due to equity changes such as purchase of treasury shares, the shareholding ratio of the Company in Chung Hwa Pulp Corporation was increased to 57.8%.

In order to specialize on its major business operation, the Company's board of directors approved the "division spin-off capital reduction proposal" that spin-off assets, liabilities and business operation of the Chenggong plant of YFY Packaging Inc., integrate them into YFY Development Corp. (originally named as YFY Capital Co., Ltd.), and issue new shares by YFY Development Corp. (originally named as YFY Capital Co., Ltd.) as the consideration for the transfer of the division in January 2021.

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	
	2020	2019
Material associates		
E Ink Holdings Inc.	\$ 3,595,979	\$ 3,419,509
Associates that are not individually material	<u>442,340</u>	<u>378,974</u>
	<u>\$ 4,038,319</u>	<u>\$ 3,798,483</u>
	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2020	2019
E Ink Holdings Inc.	11.8%	11.8%

1) Material associates

Refer to Table 4 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

The investments in 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 19, 2021, the report date. The other rights and obligations are the same as those of ordinary shares.

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

	December 31	
	2020	2019
	<u>\$ 5,197,059</u>	<u>\$ 3,546,028</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:

	December 31	
	2020	2019
Current assets	\$ 21,914,321	\$ 21,634,060
Non-current assets	23,886,312	19,986,889
Current liabilities	(11,564,821)	(9,206,675)
Non-current liabilities	<u>(3,191,039)</u>	<u>(2,961,490)</u>
Equity	31,044,773	29,452,784
Non-controlling interests	<u>(536,163)</u>	<u>(452,645)</u>
	<u>\$ 30,508,610</u>	<u>\$ 29,000,139</u>
Proportion of the Company’s ownership	11.8%	11.8%
Equity attributable to the Company	\$ 3,588,714	\$ 3,412,244
Goodwill	<u>7,265</u>	<u>7,265</u>
Carrying amount	<u>\$ 3,595,979</u>	<u>\$ 3,419,509</u>

	For the Year Ended December 31	
	2020	2019
Operating revenue	\$ 15,362,855	\$ 13,601,676
Net profit for the year	\$ 3,673,688	\$ 3,173,597
Other comprehensive income	<u>181,826</u>	<u>199,613</u>
Total comprehensive income for the year	\$ <u>3,855,514</u>	\$ <u>3,373,210</u>

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Net profit (loss) for the year	\$ 6,919	\$ (54,087)
Other comprehensive income	<u>57,759</u>	<u>31,220</u>
Total comprehensive income (loss) for the year	\$ <u>64,678</u>	\$ <u>(22,867)</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, 2020 and 2019 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

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 593,549	\$ 157,897	\$ 141,677	\$ 89,833	\$ 982,956
Additions	-	-	-	260	260
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,621)</u>	<u>(11,621)</u>
Balance at December 31, 2020	\$ <u>593,549</u>	\$ <u>157,897</u>	\$ <u>141,677</u>	\$ <u>78,472</u>	\$ <u>971,595</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 135,334	\$ 141,502	\$ 86,808	\$ 363,644
Depreciation expense	-	2,554	86	951	3,591
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,585)</u>	<u>(11,585)</u>
Balance at December 31, 2020	\$ <u>-</u>	\$ <u>137,888</u>	\$ <u>141,588</u>	\$ <u>76,174</u>	\$ <u>355,650</u>
Carrying amounts at December 31, 2020	\$ <u>593,549</u>	\$ <u>20,009</u>	\$ <u>89</u>	\$ <u>2,298</u>	\$ <u>615,945</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Total
<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>

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

	<u>December 31</u>	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 712	\$ 1,018
Others	<u>1,814</u>	<u>3,531</u>
	<u>\$ 2,526</u>	<u>\$ 4,549</u>
	<u>For the Year Ended December 31</u>	
	2020	2019
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 3,047</u>
Depreciation charge for right-of-use assets		
Land	\$ 102	\$ 80
Others	<u>1,717</u>	<u>1,635</u>
	<u>\$ 1,819</u>	<u>\$ 1,715</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ <u>1,264</u>	\$ <u>1,835</u>
Non-current	\$ <u>1,279</u>	\$ <u>2,704</u>

The discount rate for lease liabilities adopted by the Company's assets was 1.68%.

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	\$ <u>6,770</u>	\$ <u>7,031</u>
Total cash outflow for leases	\$ <u>8,622</u>	\$ <u>8,837</u>

12. INVESTMENT PROPERTIES

	Amount
<u>Cost</u>	
Balance at January 1, 2020 and at December 31, 2020	\$ <u>1,955,936</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 97,175
Depreciation expense	<u>852</u>
Balance at December 31, 2020	\$ <u>98,027</u>
Carrying amounts at December 31, 2020	\$ <u>1,857,909</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 1,958,326
Disposals	<u>(2,390)</u>
Balance at December 31, 2019	\$ <u>1,955,936</u>
<u>Accumulated depreciation</u>	
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>

The fair values of the investment properties owned by the Company were \$7,593,118 thousand and \$6,078,540 thousand as of December 31, 2020 and 2019, respectively. The valuation was partially made by the Company using market transaction prices for similar properties and not by independent qualified professional valuers. The rental incomes were \$39,151 thousand and \$38,463 thousand for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the interest rate intervals of bank credit loans were 0.81%-0.84% per annum and 0.98%-1.00% 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 0.80%-0.85% per annum and 1.00%-1.02% per annum as of December 31, 2020 and 2019, respectively.

c. Non-current borrowings

	December 31	
	2020	2019
Syndicated loans	\$ 18,744,992	\$ 19,124,915
Long-term bank credit loans	<u>800,000</u>	<u>1,500,000</u>
	<u>\$ 19,544,992</u>	<u>\$ 20,624,915</u>

Long-term bank loans included credit and syndicated loans. Credit loans expire on maturity date and have interest rate intervals of 0.85% per annum and 1.02%-1.34% per annum as of December 31, 2020 and 2019, respectively; syndicated loans with monthly interest payments expire in December 2025 and have interest rate intervals of 1.79% per annum as of December 31, 2020 and 2019.

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,585,277	\$ 1,690,148
Fair value of plan assets	<u>(1,622,542)</u>	<u>(943,806)</u>
Net defined benefit liabilities (assets)	<u>\$ (37,265)</u>	<u>\$ 746,342</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 1,690,148</u>	<u>\$ (943,806)</u>	<u>\$ 746,342</u>
Service cost			
Net interest expense (income)	<u>16,172</u>	<u>(9,016)</u>	<u>7,156</u>
Recognized in profit or loss	<u>16,172</u>	<u>(9,016)</u>	<u>7,156</u>
Remeasurement			
Return on plan assets	-	(777,512)	(777,512)
Actuarial loss (gain)			
Changes in financial assumptions	49,137	-	49,137
Experience adjustments	<u>(1,204)</u>	<u>-</u>	<u>(1,204)</u>
Recognized in other comprehensive loss (income)	<u>47,933</u>	<u>(777,512)</u>	<u>(729,579)</u>
Contributions from the employer	-	(61,184)	(61,184)
Benefits paid	<u>(168,976)</u>	<u>168,976</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,585,277</u>	<u>\$ (1,622,542)</u>	<u>\$ (37,265)</u>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	<u>\$ 7,156</u>	<u>\$ 13,173</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. The pension fund monitoring committee of the Company invested the pension fund in domestic equity securities. The income from the investment in the equity securities will affect the fair value of plan assets and the status of financial contribution.
- 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 investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rates	0.50%	1.00%
Expected rates of salary increase	1.00%-1.50%	1.00%-1.50%

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

	December 31	
	2020	2019
Discount rates		
0.125% increase	<u>\$ (12,534)</u>	<u>\$ (13,692)</u>
0.125% decrease	<u>\$ 12,705</u>	<u>\$ 13,884</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 12,629</u>	<u>\$ 13,870</u>
0.125% decrease	<u>\$ (12,490)</u>	<u>\$ (13,712)</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 62,102</u>	<u>\$ 56,001</u>
The average duration of the defined benefit obligation	6.4 years	6.6 years

15. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
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.

The board of directors of the Company is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

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 2019 and 2018, approved in the shareholders' meetings on June 22, 2020 and June 25, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended December 31		(NT\$)	
	2019	2018	For the Year Ended	December 31
			2019	2018
Legal reserve	\$ 263,411	\$ 144,000		
Cash dividends	1,162,260	996,223	<u>\$ 0.7</u>	<u>\$ 0.6</u>

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on February 26, 2021. The appropriations and dividends per share were as follows:

	Appropriation	Dividends Per
	of Earnings	Share (NT\$)
Legal reserve	\$ 606,583	
Cash dividends	2,490,557	<u>\$ 1.5</u>

The above appropriation for cash dividends had been resolved by the board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 17, 2021.

d. Special reserves

	For the Year Ended December 31	
	2020	2019
Beginning at January 1	\$ 4,028,583	\$ 4,028,584
Reversal:		
Disposal of property, plant and equipment	-	(1)
Disposal of partial interests in subsidiaries	<u>(26,770)</u>	<u>-</u>
Balance at December 31	<u>\$ 4,001,813</u>	<u>\$ 4,028,583</u>

e. Other equity items

	Exchange of Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Gains (Losses) on Hedging Instruments	Total
<u>2020</u>				
Balance at January 1	\$ (1,036,202)	\$ 6,809,645	\$ (6,377)	\$ 5,767,066
Unrealized gains on financial assets measured at FVTOCI	-	413,634	-	413,634
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(526,210)	(289,776)	1,067	(814,919)
Changes in ownership interest in subsidiaries	2,827	(353)	2,285	4,759
Disposal of partial interests in subsidiaries	50,578	(27)	-	50,551
Cumulative unrealized gains of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(299,816)</u>	<u>-</u>	<u>(299,816)</u>
Balance at December 31	<u>\$ (1,509,007)</u>	<u>\$ 6,633,307</u>	<u>\$ (3,025)</u>	<u>\$ 5,121,275</u>
<u>2019</u>				
Balance at January 1	\$ (40,365)	\$ 3,674,848	\$ (7,010)	\$ 3,627,473
Unrealized gains 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	<u>-</u>	<u>(288,213)</u>	<u>-</u>	<u>(288,213)</u>
Balance at December 31	<u>\$ (1,036,202)</u>	<u>\$ 6,809,645</u>	<u>\$ (6,377)</u>	<u>\$ 5,767,066</u>

16. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 285,565	\$ 336,066
Interest on lease liabilities	<u>60</u>	<u>81</u>
	<u>\$ 285,625</u>	<u>\$ 336,147</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 3,591	\$ 3,708
Right-of-use assets	1,819	1,715
Investment properties	852	1,053
Other non-current assets	<u>5,819</u>	<u>6,881</u>
	<u>\$ 12,081</u>	<u>\$ 13,357</u>
An analysis of deprecation by function		
Operating expenses	<u>\$ 6,262</u>	<u>\$ 6,476</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 5,819</u>	<u>\$ 6,881</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 2,442	\$ 2,573
Defined benefit plans	<u>7,156</u>	<u>13,173</u>
	9,598	15,746
Share-based payments	1,144	-
Other employee benefits	<u>169,731</u>	<u>154,663</u>
Total employee benefits expense	<u>\$ 180,473</u>	<u>\$ 170,409</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 180,473</u>	<u>\$ 170,409</u>

d. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on February 26, 2021 and March 23, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	0.10%	0.10%
Remuneration of directors	0.41%	0.56%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 5,361	\$ 2,282
Remuneration of directors	22,000	12,500

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 compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

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

17. INCOME TAXES

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 40,925	\$ (110,928)
Income tax on unappropriated earnings	60,422	10,143
Adjustment for prior periods	2,481	(1,191)
Land value increment tax	-	1,520
Deferred tax		
In respect of the current year	<u>17,172</u>	<u>15,156</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 121,000</u>	<u>\$ (85,300)</u>

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

	For the Year Ended December 31	
	2020	2019
Income before tax	<u>\$ 5,330,079</u>	<u>\$ 2,200,469</u>
Income tax expense calculated at the statutory rate (20%)	\$ 1,066,016	\$ 440,094
Nondeductible expenses in determining taxable income	148	1,769
Tax-exempt income	(1,181,091)	(561,639)
Additional income tax under the Income Basic Tax Act	40,925	-
Income tax on unappropriated earnings	60,422	10,143
Land value increment tax	-	1,520
Unrecognized deductible temporary differences	132,099	134,686
Tax receivables from subsidiary accounted for using the consolidated tax return system	-	(110,682)
Adjustments for prior years' tax	<u>2,481</u>	<u>(1,191)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 121,000</u>	<u>\$ (85,300)</u>

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

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	\$ 145,916	\$ 20,441
Share of the other comprehensive loss of subsidiaries and associates	<u>(7,696)</u>	<u>(5,563)</u>
	<u>\$ 138,220</u>	<u>\$ 14,878</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, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit plan	<u>\$ 101,728</u>	<u>\$ (17,186)</u>	<u>\$ (84,542)</u>	<u>\$ -</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Reserve for land revaluation increment tax	\$ 350,116	\$ -	\$ -	\$ 350,116
Defined benefit plan	-	-	61,374	61,374
Others	<u>540</u>	<u>(14)</u>	<u>-</u>	<u>526</u>
	<u>\$ 350,656</u>	<u>\$ (14)</u>	<u>\$ 61,374</u>	<u>\$ 412,016</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<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>
<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>

d. Income tax approved situation

The application case for the year end of 2016 has been approved by taxing authority.

18. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2020	2019
Basic earnings per share (NT\$)	<u>\$ 3.14</u>	<u>\$ 1.38</u>
Diluted earnings per share (NT\$)	<u>\$ 3.14</u>	<u>\$ 1.38</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>	
	2020	2019
Profit for the year	<u>\$ 5,209,079</u>	<u>\$ 2,285,769</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 5,209,079</u>	<u>\$ 2,285,769</u>

Number of Share (In Thousands)

	<u>For the Year Ended December 31</u>	
	2020	2019
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:		
Compensation of employees	<u>230</u>	<u>197</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,660,602</u>	<u>1,660,569</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. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share options plan of the subsidiary - Yuen Foong Yu Consumer Products Co., Ltd.

In order to attract and retain the professional talents needed by the subsidiary, improve the employees' cohesion and sense of belonging to the subsidiary, and jointly create the interests of subsidiary and shareholders, the board of directors of the subsidiary resolved to issue 3,320 employee share options in July 2020. Each option entitles the holder to subscribe for 1,000 ordinary shares of Yuen Foong Yu Consumer Products Co., Ltd. The eligible participants for share options are the full-time employees (including the controlling companies and subordinate companies) who meet certain specific requirements. The options granted are valid for 0.02 years and the exercise price is \$15 per share.

Information on compensatory employee share options issued to the employees of the Company in July 2020 is as follows:

Employee Share Options	Number of Options (In Thousands of Units)	Exercise Price
Granted in July 2020	<u>80</u>	<u>\$ 15</u>
Weighted-average fair value of options granted in July 2020 (NT\$)	<u>\$ 14.3</u>	

Information on employee share options certificates that the subsidiary issued is as follows:

	For the Year Ended December 31, 2020	
Share Options Certificates	Number of Options (Units)	Exercise Price
Balance at January 1	-	
Options granted	80,000	
Options exercised	<u>(80,000)</u>	
Balance at December 31	<u>-</u>	
Options exercisable, end of period	<u>-</u>	<u>\$ 15</u>

The subsidiary measured employee share options by using the Black-Scholes-Merton Option Pricing Model, and the inputs to the models were as follows:

Share price at the grant date	\$29.3
Exercise price	\$15
Expected volatility (%)	45.69
Expected lives (years)	0.02
Expected dividend yield (%)	-
Expected grant (%)	100
Risk free interest rate (%)	0.28

The employee benefit expenses recognized on the employee share option plans were \$1,144 thousand for the year ended December 31, 2020 with a corresponding same amount recognized in investments accounted for using equity method.

20. CAPITAL MANAGEMENT

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

21. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 16,283	\$ -	\$ -	\$ 16,283
Financial assets at FVTOCI				
Equity instruments				
Listed shares	\$ 8,146,163	\$ -	\$ -	\$ 8,146,163
Unlisted shares	-	-	3,994,241	3,994,241
	\$ 8,146,163	\$ -	\$ 3,994,241	\$ 12,140,404

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 58,218	\$ 160,964	\$ -	\$ 219,182
Financial assets at FVTOCI				
Equity instruments				
Listed shares	\$ 8,585,824	\$ -	\$ -	\$ 8,585,824
Unlisted shares	-	-	3,215,515	3,215,515
	<u>\$ 8,585,824</u>	<u>\$ -</u>	<u>\$ 3,215,515</u>	<u>\$ 11,801,339</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

For the year ended December 31, 2020

	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2020	\$ 3,215,515
Recognized in other comprehensive income (accounted for as unrealized gain (loss) on investments in equity instruments designated as at FVTOCI)	853,295
Purchases	11,940
Disposals	(45,453)
Return of capital upon investees' capital reduction	<u>(41,056)</u>
Balance at December 31, 2020	<u>\$ 3,994,241</u>

For the year ended December 31, 2019

	Financial Assets at FVTOCI Equity Instruments
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>

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

Financial Instruments	Valuation Techniques and Inputs
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	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. 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. 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.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 16,283	\$ 219,182
FVTOCI		
Equity instruments	12,140,404	11,801,339
Amortized cost (1)	10,059	124,213
<u>Financial liabilities</u>		
Amortized cost (2)	21,374,944	23,790,868

- 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:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 929,046	\$ 1,128,937
Lease liabilities	2,543	4,539
Cash flow interest rate risk		
Financial assets	4,100	6,153
Financial liabilities	20,349,992	22,601,915

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, 2020 and 2019 would decreased/increased by \$40,692 thousand and \$45,192 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, 2020 and 2019 would have increased/decreased by \$814 thousand and \$2,911 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 years ended December 31, 2020 and 2019 would have increased/decreased by \$607,020 thousand and \$590,067 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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

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, 2020 and 2019, the amount of unused financing facilities was \$15,446,840 thousand and \$12,728,040 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.

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

December 31, 2020

	Less than 1 Year	1 - 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Floating interest rate liabilities	\$ 1,148,136	\$ 20,467,817	\$ -
Fixed interest rate liabilities	930,000	-	-
Lease liabilities	<u>1,296</u>	<u>1,136</u>	<u>225</u>
	<u>\$ 2,079,432</u>	<u>\$ 20,468,953</u>	<u>\$ 225</u>

December 31, 2019

	Less than 1 Year	1 - 5 Years	5+ Years
<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>2,417</u>	<u>410</u>
	<u>\$ 3,462,379</u>	<u>\$ 21,311,744</u>	<u>\$ 410</u>

22. TRANSACTIONS WITH RELATED PARTIES

Besides disclosed in other note, details of transactions between the Company and other related parties are disclosed below.

a. Names and categories of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Hsin-Yi Enterprise Co., Ltd.	Entities with key management personnel
Yuen Foong Paper Co., Ltd.	Entities with key management personnel
Wei-Li Tsai	Entities with key management personnel
Chung Hwa Pulp Corporation	Subsidiary
YFY Packaging Inc.	Subsidiary
YFY Jupiter (BVI) Inc.	Subsidiary
Fidelis IT Solutions Co., Ltd.	Subsidiary
Yuen Foong Yu Consumer Products Co., Ltd.	Subsidiary
YFY Corporate Advisory & Services 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 Development Corp. (originally named as YFY Capital Co., Ltd.)	Subsidiary
YFY Paradigm Investment Co., Ltd.	Subsidiary
YFY Biotech Co., Ltd.	Associate
E Ink Holdings Inc.	Associate
YuanHan Materials Inc.	Associate
SinoPac Securities Corporation	Substantive related party
Hsin-Yi Foundation	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
YFY Co., Ltd.	Substantive related party

b. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Receivables from related parties	Associates		
	YFY Biotech Co., Ltd.	\$ 109	\$ 166
	Subsidiaries		
	Fidelis IT Solutions Co., Ltd.	18	-
	Chung Hwa Pulp Corporation	-	260
	Others	2	-
		<u>20</u>	<u>260</u>
		<u>\$ 129</u>	<u>\$ 426</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	
		2020	2019
Payables to related parties	Subsidiaries		
	YFY Corporate Advisory & Services Co., Ltd.	\$ 9,497	\$ 7
	Others	44	238
		<u>9,541</u>	<u>245</u>
	Entities with key management personnel		
	Hsin-Yi Enterprise Co., Ltd.	694	697
	Others	1	10
		<u>695</u>	<u>707</u>
	Substantive related party		
	SinoPac Securities Corporation	272	272
	Others	3	3
		<u>275</u>	<u>275</u>
	Associates		
	YFY Biotech Co., Ltd.	28	180
		<u>10,539</u>	<u>1,407</u>

The outstanding accounts payable to related parties are unsecured.

d. Acquisitions of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Fidelis IT Solutions Co., Ltd.	\$ 133	\$ -

e. Disposal of financial assets

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Subsidiaries	Investments accounted for using equity method	20,841,215	Ordinary shares	\$ 256,659	(Note)
Associate	Investments accounted for using equity method	337,000	Ordinary shares	11,447	(Note)
Entities with key management personnel	Investments accounted for using equity method	100,000	Ordinary shares	<u>3,400</u>	(Note)
				<u>\$ 271,506</u>	

In response to the initial public offering of Yuen Foong Yu Consumer Products Co., Ltd, the Company conducted the share diversification. The Company disposed of partial ownership of Yuen Foong Yu Consumer Products Co., Ltd. to shareholders and employees of the Company, refer to Note 9.

Note: Since the Company did not cease to have control over this subsidiary, the transactions were accounted for as equity transactions. Gain (loss) on disposal is recognized in capital surplus.

f. Others

Rental income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Chung Hwa Pulp Corporation	\$ 10,885	\$ 10,885
Others	<u>709</u>	<u>709</u>
	<u>11,594</u>	<u>11,594</u>
Entities with key management personnel		
Yuen Foong Paper Co., Ltd.	7,885	7,885
Others	<u>159</u>	<u>159</u>
	<u>8,044</u>	<u>8,044</u>
Substantive related party	7,205	7,177
Associate	<u>1,207</u>	<u>1,207</u>
	<u>\$ 28,050</u>	<u>\$ 28,022</u>

Rental expenses (accounted for as operating expenses)

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Entities with key management personnel	\$ 6,625	\$ 6,670
Subsidiary	114	114
Substantive related party	<u>31</u>	<u>31</u>
	<u>\$ 6,770</u>	<u>\$ 6,815</u>

Agency fee expenses (accounted for as operating expenses)

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiary		
YFY Corporate Advisory & Services Co., Ltd.	\$ 36,155	\$ 46,630

Information service fee expense (accounted for as operating expenses)

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiary	\$ 5,520	\$ 5,520

Service agency fee expenses (accounted for as operating expenses)

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Substantive related party	\$ 3,822	\$ 3,801

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%. The debentures had been redeemed by Bank SinoPac in November 2020.

As of December 31, 2019, the interest receivables were \$964 thousand.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Salaries and benefits	\$ 75,960	\$ 71,935
Bonuses and executive fees	771	696
	<u>\$ 76,731</u>	<u>\$ 72,631</u>

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

23. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Company's subsidiaries, customers and suppliers were required to implement policies such as isolation and travel restrictions. However, due to the hot sales of anti-epidemic concept products, the Company's investment revenue increased for the year ended December 31, 2020. Therefore, there was no significant impact on the Company's overall operation. Because many countries are still under lockdown and the global economic situation continues to be tightened, the Company will continue to evaluate the impact of subsequent epidemics on operations.

24. 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:

December 31, 2020			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Investments in subsidiaries			
USD	\$ 762,337	28.48 (USD:NTD)	\$ 21,711,357
December 31, 2019			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Investments in subsidiaries			
USD	\$ 879,803	29.98 (USD:NTD)	\$ 26,372,883

25. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 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. (Table 3)
- 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) Trading in derivative instruments. (None)
- b. Information on investees (Table 4)
- c. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 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)
 - d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 6)

26. SEGMENT INFORMATION

The Company has disclosed related segment information in accordance with IFRS 8 in consolidated financial statement.

TABLE 1

YFY INC.

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	\$ 58,875,350	\$ 302,500	\$ 283,713	\$ -	\$ -	0.63	\$ 78,500,466	Yes	No	Yes
		YFY Paper Mfg. (Yangzhou) Co., Ltd.	Note 3	58,875,350	3,981,664	2,841,488	760,394	-	6.32	78,500,466	Yes	No	Yes
	<u>Credit line (Note 4)</u> YFY Inc.	Lotus Ecoscings & Engineering Co., Ltd.	Note 3	58,875,350	230,000	-	-	-	-	78,500,466	No	No	No
		YFY (Shanghai) Financial Services Co., Ltd.	Note 3	58,875,350	400,302	-	-	-	-	78,500,466	No	No	No
		YFY Venture Capital Investment Co., Ltd.	Note 3	58,875,350	1,870,000	-	-	-	-	78,500,466	No	No	No
		YFY Global Investment Limited	Note 3	58,875,350	695,175	655,040	39,713	-	1.46	78,500,466	No	No	No
		YFY Paradigm Investment Co., Ltd.	Note 3	58,875,350	2,070,000	2,070,000	858,000	-	4.60	78,500,466	No	No	No
		YFY International Limited	Note 3	58,875,350	3,086,025	3,002,752	687,735	-	6.67	78,500,466	No	No	No
		YFY Development Corp. (originally named as YFY Capital Co., Ltd.)	Note 3	58,875,350	3,350,000	3,350,000	1,960,000	-	7.45	78,500,466	No	No	No
		YFY Jupiter Limited	Note 3	58,875,350	283,324	281,888	108,984	-	0.63	78,500,466	No	No	No
		YFY Jupiter (BVI) Inc.	Note 3	58,875,350	453,375	427,200	183,696	-	0.95	78,500,466	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.

TABLE 2

YFY INC.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
YFY Inc.	<u>Ordinary shares</u> SinoPac Financial Holdings Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	468,485,150	\$ 5,364,155	4.2	\$ 5,364,155	Note 3
	Zhen Ding Technology Holding Limited	-	Non-current financial assets at fair value through other comprehensive income	7,464,617	850,966	0.8	850,966	
	TaiGen Biopharmaceuticals Holdings Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	84,509,502	1,931,042	11.8	1,931,042	
	Canada Investment and Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	20,826,000	183,214	12.9	183,214	
	Synmax Biochemical Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,999,371	81,446	13.9	81,446	
	Universal Investment Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,221,228	34,318	3.0	34,318	
	Fu Hwa Development Enterprise Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	4,200,000	58,282	14.0	58,282	
	Taiwan Creative Industry Development Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	1,600,000	16,150	8.0	16,150	
	Shin Taiwan Kubota Co., Ltd.	Note 1	Non-current financial assets at fair value through other comprehensive income	5,612	61,397	5.5	61,397	
	China Trade and Development Corp.	-	Non-current financial assets at fair value through other comprehensive income	377,634	3,265	0.6	3,265	
	Taiwan Stock Exchange Corporation	Note 1	Non-current financial assets at fair value through other comprehensive income	22,513,611	3,155,583	3.0	3,155,583	
	Sino Cell Technologies Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,691,656	14,234	10.0	14,234	
	Yuen Foong Paper Co., Ltd.	Note 2	Non-current financial assets at fair value through other comprehensive income	544,067	10,495	0.7	10,495	
	KHL IB Venture Capital Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	15,055,884	371,960	14.9	371,960	
	iXensor Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	191,000	3,897	0.4	3,897	
	<u>Beneficiary certificates</u> SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	1,161,106	16,283	-	16,283	

(Continued)

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

Note 2: A member of the board of directors of the investor.

Note 3: The Company acquired Zhen Ding Technology Holding Limited (“ZDTHL”) through stock exchange. The Company’s board of directors approved the stock exchange of all of its ownership of Boardtek Electronics Corporation (“BEC”) for ownership of “ZDTHL” in May 2020. The stock exchange was conducted at an exchange ratio of 1 ordinary share of “BEC” for 0.2 newly issued ordinary share of “ZDTHL”. The above stock exchange has been completed on November 4, 2020.

(Concluded)

TABLE 3

YFY INC.

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, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments	Ending Balance		Note
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Number of Shares	Amount	
YFY Inc.	Ordinary shares Yuen Foong Yu Consumer Products Co., Ltd.	Note 1	Designated persons and financial investors	-	241,636,021	\$ 2,888,148	-	\$ -	83,631,456 (Note 3)	\$ 2,604,471 (Note 3)	\$ 1,181,618 (Note 3)	\$ 1,422,853 (Notes 3 and 4)	\$ 896,002 (Note 5)	158,004,565	\$ 2,602,532	-
	YFY Packaging Inc.	Note 1	YFY International Labuan Co., Ltd.	Subsidiary	-	-	410,150,000	7,222,888	-	-	-	-	(98,505) (Note 5)	410,150,000	7,124,383	-
	Boardtek Electronics Corporation	Note 2	Zhen Ding Technology Holding Limited	-	37,323,087	940,542	-	-	37,323,087	940,542	940,542	-	-	-	-	-
	Zhen Ding Technology Holding Limited	Note 2	Zhen Ding Technology Holding Limited	-	-	-	7,464,617	940,542	-	-	-	-	(89,576) (Note 6)	7,464,617	850,966	-

- Note 1: Accounted for as investments accounted for using equity method.
- Note 2: Accounted for non-current financial assets at FVTOCI.
- Note 3: Included the 20,841,215 shares sold to YFY Development Corp. (originally named as YFY Capital Co., Ltd.) and YFY Paradigm Investment Co., Ltd. with an amount of \$256,659 thousand. The carrying amount is \$257,433 thousand and the gain on disposal recognized in capital surplus is \$774 thousand.
- Note 4: Accounted for as capital surplus.
- Note 5: Included exchange differences on translation, share of profit (loss) of subsidiaries accounted for using equity method, net and gain (loss) on remeasurements of defined benefit plans.
- Note 6: Accounted for as unrealized gain (loss) on financial assets measured at FVTOCI.

TABLE 4

YFY INC.

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	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	57.8	\$ 8,596,617	\$ (201,797)	\$ (115,911)	Note 1
	E Ink Holdings Inc.	Hsinchu, Taiwan	Research, development, production and sale of thin-film transistor liquid crystal monitors	1,361,355	1,361,355	133,472,904	11.8	3,595,979	3,602,589	422,545	Note 2
	YFY International Limited	Cyprus	Investment and holding	11,956,125	18,124,434	363,689,638	100.0	15,737,977	2,215,208	2,224,225	Note 1
	YFY Global Investment Limited	Cyprus	Investment and holding	2,153,335	2,153,335	79,000,000	100.0	5,973,380	341,358	341,358	Note 1
	Yuen Foong Yu Consumer Products Co., Ltd.	Taipei, Taiwan	Production and sale of high quality paper and paper - related merchandise	1,046,360	1,600,000	158,004,565	64.5	2,602,532	1,487,228	1,235,450	Notes 1 and 3
	Shin Foong Specialty and Applied Materials Co., Ltd.	Pingtung, Taiwan	Production and sale of SBR (styrene butadiene rubber) latex	72,960	73,020	51,871,248	48.9	2,367,344	1,777,831	872,019	Note 1
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	169,700	169,700	16,970,040	23.0	430,897	37,945	7,798	Note 2
	China Color Printing Co., Ltd.	New Taipei, Taiwan	Design and printing of magazines, posters and books	190,068	190,068	32,896,330	49.7	449,718	14,980	7,438	Note 1
	YFY Venture Capital Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	-	200,000	-	-	-	122,825	122,825	Notes 1 and 4
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	215,659	(121,033)	(57,294)	Note 1
	YFY Development Corp. (originally named as YFY Capital Co., Ltd.)	Taipei, Taiwan	Real estate investment and development	1,540,033	189,759	112,820,686	100.0	2,133,843	141,561	141,561	Note 1
	YFY Corporate Advisory & Services Co., Ltd.	Taipei, Taiwan	Consulting	30,000	30,000	3,000,000	100.0	42,197	9,673	9,673	Note 1
	Union Paper Co., Ltd.	Yunlin, Taiwan	Manufacture and sale of paper	200,700	200,700	19,584,000	18.9	232,759	58,321	11,021	Note 1
	YFY Paradigm Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	619,177	231,357	146,726,235	100.0	2,332,943	99,939	99,939	Note 1
	San Ying Enterprise Co., Ltd.	Taipei, Taiwan	Design and construction of water processing and environmental facilities	-	34,002	2,500,000	100.0	62,966	19,925	19,925	Note 1
	Lotus Ecoscings & Engineering Co., Ltd.	Taipei, Taiwan	Construction of sewage treatment plants and incinerators	-	156,131	-	-	-	25,099	25,099	Notes 1 and 5
	YFY Japan Co., Ltd.	Japan	Trade of paper, chemical material and machinery	2,099	2,099	200	100.0	116,122	(3,825)	(3,825)	Note 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	74,701	6,116	3,116	Note 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	56,959	164	164	Note 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	5,613	561,291	19.4	11,443	(4,543)	(879)	Note 2
	Sustainable Carbohydrate Innovation Co., Ltd.	Taipei, Taiwan	Researching and development	30,000	30,000	3,000,000	100.0	31,253	(845)	(845)	Note 1
	YFY Packaging Inc.	Taipei, Taiwan	Production and sale of high-quality craft paper and corrugated paper	7,222,888	-	410,150,000	100.0	7,124,383	1,043,942	116,141	Note 1

Note 1: Subsidiary.

Note 2: Associate.

Note 3: In response to the initial public offering of Yuen Foong Yu Consumer Products Co., Ltd, the Company conducted the share diversification. The Company disposed of partial ownership of Yuen Foong Yu Consumer Products Co., Ltd. to YFY Development Corp. (originally named as YFY Capital Co., Ltd.) and YFY Paradigm Investment Co., Ltd. in June 2020, respectively.

Note 4: YFY Venture Capital Investment Co., Ltd. was merged with YFY Development Corp. (originally named as YFY Capital Co., Ltd.) on October 7, 2020.

Note 5: Lotus Ecoscings & Engineering Co., Ltd. was merged with YFY Paradigm Investment Co., Ltd on October 7, 2020.

TABLE 5

YFY INC.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
YFY Paper Enterprise (Fuzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 142,400 (US\$ 5,000 thousand)	a.(a)	\$ 42,720 (US\$ 1,500 thousand)	\$ -	\$ -	\$ 42,720 (US\$ 1,500 thousand)	\$ (21,458)	100.0	\$ (21,458) (Note 2)	\$ -	\$ -
YFY Paper Enterprise (Kunshan) Co., Ltd.	Manufacture and sale of paper and cardboard	313,280 (US\$ 11,000 thousand)	a.(a)	199,360 (US\$ 7,000 thousand)	-	-	199,360 (US\$ 7,000 thousand)	29,464	100.0	29,464 (Note 2)	583,768	-
YFY Paper Enterprise (Suzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	199,360 (US\$ 7,000 thousand)	a.(a)	199,360 (US\$ 7,000 thousand)	-	-	199,360 (US\$ 7,000 thousand)	34,240	100.0	34,240 (Note 2)	267,771	-
YFY Paper Enterprise (Tianjin) Co., Ltd.	Manufacture and sale of paper and cardboard	227,840 (US\$ 8,000 thousand)	a.(a)	227,840 (US\$ 8,000 thousand)	-	-	227,840 (US\$ 8,000 thousand)	57,460	100.0	57,460 (Note 2)	836,059	-
YFY Paper Enterprise (Dongguan) Co., Ltd.	Manufacture and sale of paper and cardboard	170,880 (US\$ 6,000 thousand)	a.(a)	56,960 (US\$ 2,000 thousand)	-	-	56,960 (US\$ 2,000 thousand)	49,779	100.0	49,779 (Note 2)	505,123	-
YFY Paper Enterprise (Shanghai) Co., Ltd.	Manufacture and sale of paper and cardboard	227,840 (US\$ 8,000 thousand)	a.(a)	231,058 (US\$ 8,113 thousand)	-	-	231,058 (US\$ 8,113 thousand)	71,949	100.0	71,949 (Note 2)	420,037	-
YFY Paper Enterprise (Qingdao) Co., Ltd.	Manufacture and sale of paper and cardboard	227,840 (US\$ 8,000 thousand)	a.(a)	227,840 (US\$ 8,000 thousand)	-	-	227,840 (US\$ 8,000 thousand)	53,427	100.0	53,427 (Note 2)	1,020,681	-
YFY Paper Enterprise (Nanjing) Co., Ltd.	Manufacture and sale of paper and cardboard	283,632 (US\$ 9,959 thousand)	a.(o)	256,320 (US\$ 9,000 thousand)	-	-	256,320 (US\$ 9,000 thousand)	49,278	100.0	49,278 (Note 2)	466,290	-
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Manufacture and sale of paper and cardboard	270,650 (US\$ 9,500 thousand)	a.(a)	213,600 (US\$ 7,500 thousand)	-	-	213,600 (US\$ 7,500 thousand)	22,686	93.8	21,268 (Note 2)	486,036	-
YFY Paper Enterprise (Xiamen) Co., Ltd.	Manufacture and sale of paper and cardboard	185,120 (US\$ 6,500 thousand)	a.(a)	185,120 (US\$ 6,500 thousand)	-	-	185,120 (US\$ 6,500 thousand)	(17,033)	100.0	(17,033) (Note 2)	-	-
YFY Paper Enterprise (Zhongshan) Co., Ltd.	Manufacture and sale of paper and cardboard	170,880 (US\$ 6,000 thousand)	a.(a)	136,704 (US\$ 4,800 thousand)	-	-	136,704 (US\$ 4,800 thousand)	74,627	100.0	74,627 (Note 2)	1,033,735	-

(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, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Manufacture and sale of paper and cardboard	\$ 142,400 (US\$ 5,000 thousand)	a.(a)	\$ 142,400 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 142,400 (US\$ 5,000 thousand)	\$ (8,043)	100.0	\$ (8,043) (Note 2)	\$ 123,474	\$ -
YFY Packaging (Yangzhou) Investment Co., Ltd.	Investment and holding.	2,469,415 (US\$ 86,707 thousand)	a.(a)	2,477,760 (US\$ 87,000 thousand)	-	-	2,477,760 (US\$ 87,000 thousand)	(144,336)	100.0	(144,336) (Note 2)	103,665	-
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Manufacture and sale of paper	6,968,914 (US\$ 244,695 thousand)	a.(b)	6,977,600 (US\$ 245,000 thousand)	-	-	6,977,600 (US\$ 245,000 thousand)	(359,518)	100.0	(359,518) (Note 2)	1,161,283	-
YFY Paper Mfg. (Jiangyin) Co., Ltd.	Manufacture, sale and print of cardboard and paper	424,352 (US\$ 14,900 thousand)	a.(c)	398,891 (US\$ 14,006 thousand)	-	-	398,891 (US\$ 14,006 thousand)	1,220,742	94.0	1,171,008 (Note 2)	328,540	-
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Technological development of agricultural resource recycling	227,840 (US\$ 8,000 thousand)	a.(c)	227,840 (US\$ 8,000 thousand)	-	-	227,840 (US\$ 8,000 thousand)	4,157	100.0	4,157 (Note 2)	99,320	-
Kunshan YFY Advertising and Printing Co., Ltd.	Design and print of advertisements	85,440 (US\$ 3,000 thousand)	a.(e)	-	-	-	-	(12,866)	100.0	(12,866) (Note 2)	-	-
Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.)	Sale and design of RFID (radio frequency identification) products	848,040 (RMB 194,290 thousand)	a.(f)	723,164 (US\$ 25,392 thousand)	-	-	723,164 (US\$ 25,392 thousand)	224,416	86.5	194,150 (Note 2)	2,854,403	-
Yeon Technologies (Yangzhou) Co., Ltd.	Sale and design of RFID (radio frequency identification) products	34,919 (RMB 8,000 thousand)	a.(g)	-	-	-	-	7,219	86.5	6,245 (Note 2)	52,205	-
YFY Jupiter (Shenzhen) Ltd.	Design of packaging and sale of paper	9,968 (US\$ 350 thousand)	a.(h)	-	-	-	-	185,515	81.1	150,509 (Note 2)	247,332	-
Kunshan YFY Jupiter Green Packaging Ltd.	Design of packaging and sale of paper	8,730 (RMB 2,000 thousand)	a.(i)	-	-	-	-	42,966	81.1	34,858 (Note 2)	87,497	-
YFY Jupiter Supply Chain Management Services (Shenzhen) Limited	Design of packaging and sale of paper	-	a.(i)	-	-	-	-	31,266	81.1	25,366 (Note 2)	32,172	-
Chengdu JieLianDa Warehousing Co., Ltd.	General trade	6,547 (RMB 1,500 thousand)	a.(i)	-	-	-	-	2,019	28.4	573 (Note 6)	2,950	-
Chengdu JieLianDa Supply Chain Co., Ltd.	Management of supply chain	-	a.(i)	-	-	-	-	39	28.4	11 (Note 6)	-	-
Chengdu JingShiTong Packing Co., Ltd.	General trade	6,547 (RMB 1,500 thousand)	a.(i)	-	-	-	-	(3,954)	28.4	(1,123) (Note 6)	2,637	-

(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, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,275,200 (US\$ 115,000 thousand)	a.(j)	\$ 3,275,200 (US\$ 115,000 thousand)	\$ -	\$ -	\$ 3,275,200 (US\$ 115,000 thousand)	\$ 526,241	73.0	\$ 438,305 (Note 2)	\$ 1,491,585	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	854,400 (US\$ 30,000 thousand)	a.(k)	854,400 (US\$ 30,000 thousand)	-	-	854,400 (US\$ 30,000 thousand)	(149,296)	73.0	(114,778) (Note 2)	192,981	-
YFY Family Paper (Beijing) Co., Ltd. (Note 8)	Manufacture and sale of tissue paper and napkins	996,800 (US\$ 35,000 thousand)	a.(k)	996,800 (US\$ 35,000 thousand)	-	-	996,800 (US\$ 35,000 thousand)	(28,536)	-	(28,536) (Note 2)	-	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	854,400 (US\$ 30,000 thousand)	a.(k)	854,400 (US\$ 30,000 thousand)	-	-	854,400 (US\$ 30,000 thousand)	31,484	73.0	25,220 (Note 2)	838,251	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,365 (RMB 1,000 thousand)	b.(a)	4,365 (RMB 1,000 thousand)	-	-	4,365 (RMB 1,000 thousand)	(133)	73.0	(121) (Note 2)	-	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production and trading business	2,438,742 (US\$ 85,630 thousand)	a.(l)	626,560 (US\$ 22,000 thousand)	-	-	626,560 (US\$ 22,000 thousand)	(284,085)	75.2	(212,917) (Note 2)	3,398,442	-
Zhaoqing Dingfung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	623,142 (US\$ 21,880 thousand)	a.(m)	210,182 (US\$ 7,380 thousand)	-	-	210,182 (US\$ 7,380 thousand)	22,526	75.2	16,893 (Note 2)	2,183,076	-
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	8,730 (RMB 2,000 thousand)	a.(d)	-	-	-	-	44	75.2	35 (Note 2)	7,106	-
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	13,967 (RMB 3,200 thousand)	a.(d)	-	-	-	-	23,885	75.2	17,853 (Note 2)	107,728	-
YFY (Shanghai) Financial Services Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, development of credit risk management platform	218,241 (RMB 50,000 thousand)	a.(n)	218,241 (RMB 50,000 thousand)	-	-	218,241 (RMB 50,000 thousand)	(124,608)	79.3	(98,789) (Note 2)	57,078	-
Kunshan Actview Carbon Technology Co., Ltd.	Manufacture and sale of active carbon	35,885 (US\$ 1,260 thousand)	b.(b)	23,809 (US\$ 836 thousand)	-	-	23,809 (US\$ 836 thousand)	3,350	66.4	2,223 (Note 2)	35,222	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (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
\$16,513,991	\$17,453,621	\$38,650,931

Note 1: Except for investment gain or loss which were translated at exchange rates of US\$1=NT\$29.549167 or RMB1=NT\$4.28271 or EUR1=NT\$33.708333, the rest were translated at exchange rates of US\$1=NT\$28.48 or RMB1=NT\$4.364818 or EUR1=NT\$35.02 as of December 31, 2020.

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

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 Limited (d) Guangdong Dingfung Pulp & Paper Co., Ltd. (e) YFY Paper Enterprise (Xiamen) Co., Ltd. and YFY Paper Enterprise (Guangzhou) Co., Ltd. (f) YFY RFID Co., Ltd. (g) Arizon RFID Technology Co., Ltd. (originally named as Arizon RFID Technologies (Yangzhou) Co., Ltd.). (h) Mobius 105 Ltd. (i) YFY Jupiter (Shenzhen) Ltd. (j) Yuen Foong Yu Consumer Products Investment Limited (k) YFY investment Co., Ltd. (l) YFY International Limited and CHP International (BVI) Corporation (m) YFY International Limited, CHP International (BVI) Corporation and Guangdong Dingfung Pulp & Paper Co., Ltd. (n) YFY Capital Holdings Corp. (o) 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 \$3,474,503 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., 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: On June 22, 2020, the board of directors of the subsidiary, YFY Investment Co., Ltd., resolved to dispose of all of its ownership of YFY Family Paper (Beijing) Co., Ltd. The contract was signed in July 2020. The disposal has been completed in August 2020.

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 Table 1.

(Concluded)

TABLE 6**YFY INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shou-Chung Ho	170,615,028	10.27
Hsin-Yi Foundation	94,004,485	5.66

Note: The information of major shareholders presented in this table is provided by Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

YFY INC.

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YFY INC.

**STATEMENT OF FINANCIAL ASSETS AT FVTOCI
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Securities Name	Balance, December 31, 2019		Increase in 2020		Decrease in 2020		The Amount of This Year's Evaluation (Note 1)	Fair Value at the End of the Year			Note
	Shares	Amount	Shares	Amount	Shares (Note 3)	Amount		Shares	Percentage of Ownership (%)	Amount	
Ordinary Shares - listed company											
SinoPac Financial Holdings Co., Ltd.	468,485,150	\$ 6,090,307	-	\$ -	-	\$ -	\$ (726,152)	468,485,150	4.2	\$ 5,364,155	Note 2
TaiGen Biopharmaceuticals Holdings Ltd.	84,509,502	1,554,975	-	-	-	-	376,067	84,509,502	11.8	1,931,042	Note 2
Boardtek Electronics Corporation	37,323,087	940,542	-	-	(37,323,087)	(940,952)	-	-	-	-	Notes 2 & 4
Zhen Ding Technology Holding Limited	-	-	7,464,617	940,542	-	(940,952)	(89,576)	7,464,617	0.8	850,966	Notes 2 & 4
		<u>8,585,824</u>		<u>940,542</u>		<u>-</u>	<u>(439,661)</u>			<u>8,146,163</u>	
Ordinary Shares - unlisted company											
KHL IB Venture Capital Co., Ltd.	19,161,529	293,982	-	-	(4,105,645)	(41,056)	119,034	15,055,884	14.9	371,960	
Canada Investment and Development Co., Ltd.	20,826,000	167,239	-	-	-	-	15,975	20,826,000	12.9	183,214	
Synmax Biochemical Co., Ltd.	5,999,371	71,529	-	-	-	-	9,917	5,999,371	13.9	81,446	
Universal Investment Co., Ltd.	5,562,000	31,730	-	-	(340,772)	-	2,588	5,221,228	3.0	34,318	
Fu Hwa Development Enterprise Co., Ltd.	4,200,000	55,251	-	-	-	-	3,031	4,200,000	14.0	58,282	
Taiwan Creative Industry Development Co., Ltd.	1,600,000	19,288	-	-	-	-	(3,138)	1,600,000	8.0	16,150	
Sino Cell Technologies Ltd.	995,313	11,717	1,194,000	11,940	(497,657)	-	(9,423)	1,691,656	10.0	14,234	
Shin Taiwan Kubota Co., Ltd.	5,612	42,819	-	-	-	-	18,578	5,612	5.5	61,397	
China Trade and Development Corp.	377,634	1,677	-	-	-	-	1,588	377,634	0.6	3,265	
Taiwan Stock Exchange Corporation	21,857,875	2,473,095	655,736	-	-	-	682,488	22,513,611	3.0	3,155,583	
Yuen Foong Paper Co., Ltd.	544,067	11,509	-	-	-	-	(1,014)	544,067	0.7	10,495	
iXensor Inc.	1,955,000	35,679	-	-	(1,764,000)	(45,453)	13,671	191,000	4.0	3,897	
		<u>3,215,515</u>		<u>11,940</u>		<u>(86,509)</u>	<u>853,295</u>			<u>3,994,241</u>	
		<u>\$ 11,801,339</u>		<u>\$ 952,482</u>		<u>\$ (1,027,051)</u>	<u>\$ 413,634</u>			<u>\$ 12,140,404</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, 2020.

Note 3: The decrease of capital was due to the sale of shares of iXensor Inc., Boardtek Electronics Corporation is merged by Zhen Ding Technology Holding Limited through stock exchange, Universal Investment Co., Ltd. and Sino Cell Technologies Ltd executed capital reduction to cover losses, and KHL IB Venture Capital Co., Ltd. executed cash capital reduction.

Note 4: The Company acquired Zhen Ding Technology Holding Limited (“ZDTHL”) through stock exchange. The Company’s board of directors approved the stock exchange of all of its ownership of Boardtek Electronics Corporation (“BEC”) for ownership of “ZDTHL” in May 2020. The stock exchange was conducted at an exchange ratio of 1 ordinary share of “BEC” for 0.2 newly issued ordinary share of “ZDTHL”. The above stock exchange has been completed on November 4, 2020.

YFY INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company (Note 1)							Share of Profit or Loss of Subsidiaries and Associates	Equity Adjustments (Note 4)			Balance, December 31, 2020			Market Price (Note 5)	
	Balance, December 31, 2019		Increase in 2020 (Note 2)		Decrease in 2020 (Note 3)				Other Adjustments (Note 6)		Shares	Percentage of Ownership (%)	Amount	Unit Price (NT\$)	Total Amount
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount					
Listed company															
Chung Hwa Pulp Corporation	627,827,088	\$ 8,661,522	-	\$ -	-	\$ -	\$ (115,911)	\$ 51,006	-	\$ -	627,827,088	57.8	\$ 8,596,617	\$ 12.20	\$ 7,659,490
Shin Foong Specialty and Applied Materials Co., Ltd.	51,914,248	<u>1,758,646</u> <u>10,420,168</u>	-	<u>-</u> <u>-</u>	(43,000)	<u>(232,725)</u> <u>(232,725)</u>	<u>872,019</u> <u>756,108</u>	<u>(30,596)</u> <u>20,410</u>	-	<u>-</u> <u>-</u>	51,871,248	48.9	<u>2,367,344</u> <u>10,963,961</u>	148.50	7,702,880
OTC company															
E Ink Holdings Inc.	133,472,904	<u>3,419,509</u>	-	<u>-</u>	-	<u>(266,946)</u>	<u>422,545</u>	<u>20,871</u>	-	<u>-</u>	133,472,904	11.8	<u>3,595,979</u>	45.80	5,197,059
Unlisted company															
YFY International Limited	580,098,758	20,714,487	-	-	(216,409,120)	(6,168,309)	2,224,225	(1,032,426)	-	-	363,689,638	100.0	15,737,977		-
YFY Global Investment Limited	79,000,000	5,658,396	-	-	-	-	341,358	(26,374)	-	-	79,000,000	100.0	5,973,380		-
Yuen Foong Yu Consumer Products Co., Ltd.	241,636,021	2,888,148	-	-	(83,631,456)	(1,593,737)	1,235,450	72,671	-	-	158,004,565	64.5	2,602,532		-
Taiwan Global BioFund Co., Ltd.	16,970,040	366,606	-	-	-	-	7,798	56,493	-	-	16,970,040	23.0	430,897		-
China Color Printing Co., Ltd.	32,896,330	447,269	-	-	-	(4,605)	7,438	(384)	-	-	32,896,330	49.7	449,718		-
YFY Venture Capital Investment Co., Ltd.	69,827,600	1,468,764	22,945,000	-	-	-	122,825	(241,315)	(92,772,600)	(1,350,274)	-	-	-		-
Effion Enertech Co., Ltd.	34,300,000	272,617	-	-	-	-	(57,294)	336	-	-	34,300,000	49.0	215,659		-
YFY Development Corp. (originally named as YFY Capital Co., Ltd.)	26,840,000	713,821	6,500,000	-	-	-	141,561	(71,813)	79,480,686	1,350,274	112,820,686	100.0	2,133,843		-
YFY Corporate Advisory & Services Co., Ltd.	3,000,000	38,474	-	-	-	(3,984)	9,673	(1,966)	-	-	3,000,000	100.0	42,197		-
Union Paper Co., Ltd.	19,584,000	222,958	-	-	-	-	11,021	(1,220)	-	-	19,584,000	18.9	232,759		-
YFY Paradigm Investment Co., Ltd.	84,880,000	1,931,247	36,443,650	-	-	-	99,939	(86,063)	25,402,585	387,820	146,726,235	100.0	2,332,943		-
San Ying Enterprise Co., Ltd.	6,000,000	128,487	-	-	(3,500,000)	(85,900)	19,925	454	-	-	2,500,000	100.0	62,966		-
Lotus Ecoscings & Engineering Co., Ltd.	28,545,000	431,459	1,913,000	-	-	-	25,099	(68,738)	(30,458,000)	(387,820)	-	-	-		-
YFY Japan Co., Ltd.	200	101,211	-	-	-	-	(3,825)	18,736	-	-	200	100.0	116,122		-
Yuen Yan Paper Container Co., Ltd.	6,178,500	71,585	-	-	-	-	3,116	-	-	-	6,178,500	50.9	74,701		-
Fidelis IT Solutions Co., Ltd.	2,857,000	68,351	-	-	-	-	164	(11,556)	-	-	2,857,000	100.0	56,959		-
Taiwan Genome Science, Inc.	561,291	12,368	-	-	-	-	(879)	(46)	-	-	561,291	19.4	11,443		-
Sustainable Carbohydrate Innovation Co., Ltd.	3,000,000	32,098	-	-	-	-	(845)	-	-	-	3,000,000	100.0	31,253		-
YFY Packaging Inc.	-	<u>-</u> <u>35,568,346</u>	410,150,000	<u>7,222,888</u> <u>7,222,888</u>	-	<u>(824,402)</u> <u>(8,680,937)</u>	<u>116,141</u> <u>4,302,890</u>	<u>609,756</u> <u>(783,455)</u>	-	<u>-</u> <u>-</u>	410,150,000	100.0	<u>7,124,383</u> <u>37,629,732</u>		-
		<u>\$ 49,408,023</u>		<u>\$ 7,222,888</u>		<u>\$ (9,180,608)</u>	<u>\$ 5,481,543</u>	<u>\$ (742,174)</u>		<u>\$ -</u>			<u>\$ 52,189,672</u>		

- Note 1: Except for YFY Japan Co., Ltd., the rest were calculated according to the audited annual financial statements.
- Note 2: Except for YFY Packaging Inc. acquired in November 2020, other companies issued stock dividends.
- Note 3: Except for the issuance of cash dividends of Shin Foong Specialty and Applied Materials Co., Ltd. and Yuen Foong Yu Consumer Products Co., Ltd. and the sale of the Company’s shares of Shin Foong Specialty and Applied Materials Co., Ltd. and Yuen Foong Yu Consumer Products Co., Ltd., capital reduction of YFY International Limited, cash capital reduction and issuance of cash dividends of San Ying Enterprise Co., Ltd., other companies issued cash dividends.
- Note 4: This includes recognition of adjustments not recognized by shareholding ratio, exchange differences on translation of foreign financial statements, remeasurement of defined benefit plans, and unrealized gain (loss) on financial assets measured at FVTOCI, etc.
- Note 5: Calculated based on the closing price at the end of 2020.
- Note 6: The Company completed the merger of its subsidiary YFY Paradigm Investment Co., Ltd. and Lotus Ecoscings & Engineering Co., Ltd. and the merger of its subsidiary YFY Capital Co., Ltd. and YFY Venture Capital Investment Co., Ltd. in October 2020. The board of the directors of YFY Capital Co., Ltd. approved the name change from YFY Capital Co., Ltd. to “YFY Development Corp.” in October 2020.

YFY INC.**STATEMENT OF CURRENT BORROWING****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Type of Loan and Creditor	Deadline of the Loan	Rate (%)	Balance, December 31, 2020	Amount of the Financing
Credit loan of the bank				
Yuanta Bank	2020.11.20-2021.01.15	0.81	\$ 300,000	\$ 300,000
Taishin Bank	2020.12.25-2021.01.22	0.81	280,000	600,000
Bangkok Bank	2020.12.04-2021.01.06	0.84	<u>225,000</u>	<u>227,840</u>
			<u>\$ 805,000</u>	<u>\$ 1,127,840</u>

YFY INC.

STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Guarantee Agency	Deadline of Issue	Discount Rate (%)	Amount of Issue	<u>Amount of Commercial Principal</u>		Mortgage or Guarantee
				Unamortized Short-term Notes and Bills Payable Discount	Carrying Amount	
Ta Ching Bills	2020.12.25-2021.01.13	0.83	\$ 200,000	\$ 54	\$ 199,946	-
Taishin Bills	2020.12.25-2021.03.25	0.81	180,000	332	179,668	-
International Bills	2020.12.18-2021.03.18	0.80	150,000	249	149,751	-
International Bills	2020.12.22-2021.03.18	0.80	150,000	249	149,751	-
Taiwan Bills	2020.12.18-2021.01.13	0.85	100,000	28	99,972	-
International Bills	2020.12.18-2021.01.13	0.85	50,000	14	49,986	-
Grand Bills	2020.12.18-2021.01.13	0.85	50,000	14	49,986	-
China Bills	2020.12.18-2021.01.13	0.85	<u>50,000</u>	<u>14</u>	<u>49,986</u>	-
			<u>\$ 930,000</u>	<u>\$ 954</u>	<u>\$ 929,046</u>	

YFY INC.

STATEMENT OF NON-CURRENT BORROWING
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Bank of Loan	Period of the Contract	Repayment Method	Rate (%)	Balance, December 31, 2020			Guarantee and Guarantee Situation
				Due within One Year	Expires After One Year	Total	
Syndicated loans							
Taiwan Bank	2018.12.24-2023.12.24	Due repayment, monthly interest payment	1.79	\$ -	\$ 5,440,000	\$ 5,440,000	-
Taiwan Bank	2020.02.10-2025.02.10	Due repayment, monthly interest payment	1.79	-	4,800,000	4,800,000	-
Taiwan Bank	2020.12.30-2025.12.30	Due repayment, monthly interest payment	1.79	-	5,040,000	5,040,000	-
Mega Bank	2017.12.25-2022.12.25	Due repayment, monthly interest payment	1.79	-	3,500,000	3,500,000	-
Less: Hosting fee of bank joint loan				-	(35,008)	(35,008)	
Bank credit loans							
Taiwan Bank	2020.09.28-2022.09.29	Due repayment, monthly interest payment	0.85	-	800,000	800,000	-
				\$ -	\$ 19,544,992	\$ 19,544,992	

YFY INC.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Employee benefits expense	\$ 180,473
Agency fee expenses	36,155
Tax	36,351
Professional service expenses	42,338
Others (Note)	<u>66,362</u>
	<u>\$ 361,679</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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	2020			2019		
	Classified as Operating Costs	Classified as Operating Expense	Total	Classified as Operating Costs	Classified as Operating Expense	Total
Employee benefits expense						
Salary	\$ -	\$ 141,379	\$ 141,379	\$ -	\$ 135,178	\$ 135,178
Labor and health insurance	-	5,413	5,413	-	5,901	5,901
Pension	-	9,598	9,598	-	15,746	15,746
Board compensation	-	22,000	22,000	-	12,500	12,500
Share-based payments	-	1,144	1,144	-	-	-
Others	-	939	939	-	1,084	1,084
	<u>\$ -</u>	<u>\$ 180,473</u>	<u>\$ 180,473</u>	<u>\$ -</u>	<u>\$ 170,409</u>	<u>\$ 170,409</u>
Depreciation	<u>\$ -</u>	<u>\$ 6,262</u>	<u>\$ 6,262</u>	<u>\$ -</u>	<u>\$ 6,476</u>	<u>\$ 6,476</u>
Amortization	<u>\$ -</u>	<u>\$ 5,819</u>	<u>\$ 5,819</u>	<u>\$ -</u>	<u>\$ 6,881</u>	<u>\$ 6,881</u>

Note 1: For the years ended December 31, 2020 and 2019, the Company had average 40 and 43 employees, respectively, which included 6 non-employee directors.

- Note 2:
- Average employee benefits expense for the years ended December 31, 2020 and 2019 were \$4,661 thousand and \$4,268 thousand, respectively.
 - Average salary for the years ended December 31, 2020 and 2019 were \$4,158 thousand and \$3,653 thousand, respectively.
 - The average salary changed by 14% year over year.
 - The Company did not have supervisors.

Note 3: The Company's compensation policies:

- According to the Articles of Incorporation, if the Company made a profit based on operating results in the current year, 0.1% or more of the income shall be set aside as compensation of employees and 2% or less shall be distributed as remuneration of directors.
- The total compensation paid to the executive officers which included salary, bonus, and compensation of employees is based on the condition of the industry to meet the market standard and company performance, personal performance, and projected future risks. Such compensation and remuneration are submitted to the compensation committee for review and approval.
- The Company participates in compensation surveys to measure pay levels in the market of employment. Besides, the Company also takes into account the pay levels of the industry in order to make an adequate adjustment to the overall compensation policies. In addition to annual salary adjustment and comprehensive promotional practices, various award systems are established to attract, retain, develop, and encourage talents.