



This annual report can be downloaded from the following websites

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

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

Publishing Date: 2021.05.01

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3. Stock Administration:

- SinoPac Securities – Share Registration Services Department
3F, No. 17, Boai Road, Zhongzheng District, Taipei, Taiwan | TEL: (02)2381-6288
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4. Auditor:

- CPA:Shu-Wan Lin and Hsiu-Ming Hsu, Deloitte and Touche
20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan | TEL: (02)2725-9988
<http://www.deloitte.com>

5. Overseas Securities Exchange: None

6. Company Website: <http://www.yfycpg.com>

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Message to Shareholders

Dear Shareholders,

As Taiwan was beginning its post-war recovery in 1946, YFY began the production of a new generation of toilet paper in the Neiwei mill in Kaohsiung. It was the first toilet paper produced in Taiwan. Our mission for creating a satisfying and beautiful life for consumers has remained unchanged after more than seventy years.

YFY Consumer Products Co., Ltd. inherited the corporate values of the parent company YFY Investment Co., Ltd. (previously known as Yuen Foong Yu Paper Mfg. Co., Ltd.) and embraced challenges for product innovation in all aspects of corporate development and brand management with a pioneering spirit beyond the imagination of consumers. Since the creation of the Company's toilet paper brand "Mayflower", we have achieved sixty years of growth with our hard work and played a key role throughout the development of modern consumer products and channels in Taiwan. We added the "Tender" and "Delight" brands in our continuous expansion into household paper products and continued to challenge ourselves. We launched the "Orange House" product series in 2009 which changed the rules of the market and promoted our nature-based brand to consumers via public channels. We have brought environmentally friendly green products to the families of consumers.

2020 was an important year for the world as the COVID-19 epidemic devastated the economy and completely overturned our existing way of life. Every citizen of the globe must adapt and reassess the meaning of freedom and control. They have also focused on the cleaning and maintenance of their home environment, and a stable supply of household goods. The year was particularly significant for "YFY Consumer Products Co., Ltd.". We demonstrated our confidence in facing challenges and used our solid foundations to power new business development. We adjusted our strategy and improved operations to meet the challenges. The consolidated revenue for 2020 totaled NT\$10.148 billion with NT\$1.487 billion attributed to the owners' net profit and the earnings per share was NT\$6.12. The Company's key operations in 2020 are summarized below:

■ Response to the Epidemic and Consolidate Supply

Taiwan's domestic economy benefited from relatively robust disease prevention measures and maintained growth as it

began a new post-pandemic lifestyle model. People could not go abroad and have reduced food consumption outside the home. These two factors have increased the demand for household paper products which became an important indicator of stability for the people. YFY Consumer Products Co., Ltd. is a responsible member of the national disease prevention team and supports the government in satisfying the demand in production, sales, and supply. We also increased the inventory of raw materials and coordinated with the supply chain to provide full support. We ultimately stabilized the supply and demand balance by the second quarter. The market in Mainland China was hit hard by the epidemic and the management team continues to consider methods for response such as optimization and stabilization of the industry chain and supply chain for making breakthroughs in order to restore growth with limited resources.

■ Grasping Business Opportunities with Innovation and R&D

YFY Consumer Products' key for gaining its position in the market is the innovative R&D team. The epidemic shifted consumers preferences to anti-bacterial cleaning products and they pay more attention to health. Orange House launched the anti-virus detergent and anti-virus sprays to meet the demand after two years of research and development. The products received the "Symbol of National Quality (SNQ) Label - Disease Prevention Product Category" certification and the support of consumers. In terms of paper products, the Company continued to supply the cost-effective Mayflower thick toilet papers, paper towels, and mini-package paper tissues, which created high user satisfaction rate and outstanding sales performance.

We launched the world's first "Orange House Five-in-One Laundry Detergent Pod" in the fourth quarter of 2020. It is a patented product with zero water added. The uses the micro-cellular technology to maximize the utility of the orange oil and concentrates high levels of natural cleaning ingredients in the pod to meet the modern demand for versatile detergent products. The environmentally friendly paper boxes used for the new product also reduced the use of plastic and reduced carbon emissions. The product immediately created a sensation on the market after its launch.

The availability of vaccines has brought forth a spark of hope for ending the epidemic, but the uneven distribution of vaccines has

resulted in uneven economic recovery in different regions. 2021 will be a year of new challenges as we face both risks and opportunities. Due to the significant impact of the epidemic in 2020, agencies expect a sharp rebound in local economies. The International Monetary Fund (IMF) predicts a global economic growth rate of 5.5% for 2021, while that of Mainland China is projected at 8.1%. The Directorate-General of Budget, Accounting, and Statistics expects Taiwan's economy to grow by 4.64%. The management team of YFY Consumer Products will focus more on ESG and guide all employees to work hard and improve long-term business value. The strategies for future sustainable development are summarized below:

■ **Continuous Innovation to Create Consumer Brand and Solidify Leading Position in the Market**

The Mayflower thick toilet papers successfully expanded consumer demand for high-end household paper products and increased our lead in the market share and overall brand image in the household paper market. We implemented flexible operations with a multi-brand strategy that includes "Orange House", "Fresh Sense", and "Delight", and we plan to expand the natural cleaning products and detergent pod market in 2021. YFY Consumer Products will continue to expand sales outlets and intensify the long-term partnerships with channels. We will respond to consumers' evolving lifestyles, increase sales capacity, and achieve stable growth.

■ **Increase Momentum for More Growth**

YFY Consumer Products has made long-term investments in the development of technologies and talents, and created a solid basis for business development. The Company initiated plans for public listing in early 2020 and completed public offering and emerging stock registration in the same year. The Company's goal for entering the capital market is to obtain funds for innovation and expansion and to enhance competitiveness. We also seek to improve the corporate image through more transparent operations. The management team will speed up the process with the aim of public listing on the stock exchange. The IPO will strengthen our core values and corporate culture for pursuing quality, attract talents, train a new generation of successors, and expand the development of new markets. We will consolidate our foundations

in Taiwan and expand across the globe to become the indispensable and thoughtful supplier for creating a healthy and secure life for global consumers.

YFY Consumer Products has always paid close attention to the needs of consumers. We continue to innovate and hold nearly 100 exclusive patents across the globe. The team will continue to uphold its values for supporting customer demand and continue to strengthen R&D and technologies. We will launch new products and work hard to create a healthy, safe, and beautiful life for consumers. We will also continue to recruit talents and ensure sustainable development through high-standard ESG to create reasonable long-term investment value for shareholders.

I wish you all
Health, peace, and success.

Chairman,
YFY Consumer Products
Co., Ltd.
Felix Ho

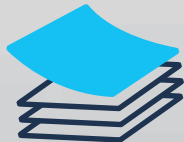


Leading Position

One in every three people in Taiwan purchases paper products produced by YFYCPG.



Focus on the demand of end users.



Innovation and R&D plus local advantages in the promotion of 3-ply, 4-ply pull-up toilet tissue.



Ranked first in market share and profitability in Taiwan.

(Note 1)

PAPER



DETERGENT

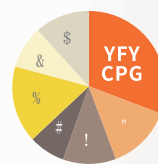
YFYCPG cares about the health of individuals, families, and the overall environment. Our commitment to consumers is to produce safe and high-quality products.



We implement quality management from materials → production → shipping → channel display.



Protect consumer lifestyle / work together to protect the environment and future.



32% (Note2)

Ranked first in market share in natural detergents.

■ (Note1) (Note2) Source of data: 2020 electronic invoice sales data

Launch of the Mayflower thick toilet papers

GAME CHANGER III



One thick and soft paper resolves all things in life.



Redefined the standards for high-quality toilet paper on the market and create new consumer habits.



The product won the highest honor of the "National Brand Yushan Award — Best Product Award First Prize" immediately after its launch. (2019)



YFYCPG leveraged its keen insights on consumer demand and the professional R&D team and used its unique "patented process" technologies with airflow knitting to create the thick pull-up toilet tissue in yet another successful demonstration of YFYCPG's capacity for innovation.

The Company expanded the product line in 2020 and launched the thick kitchen towels and thick packet facial tissues. The Mayflower thick toilet papers satisfy consumer demand in different settings and made the thick series the most popular products of the Mayflower brand.

Mayflower thick pull-up toilet tissue

Since its launch in 2019, we have sold toilet tissues equivalent to the height of **2,612** Taipei 101 Buildings as of 2020



Powered the growth of the high-end pull-up toilet tissue market in 2020

22%

(Note1)

Innovative image of the Mayflower brand (Note2)

+17%

Premium image of the Mayflower brand

+15%

■ (Note 1) By dividing the prices of toilet papers into four segments, the highest price range is higher than NTD 128 per one thousand tissues.

■ (Note 2) Source of data: Kantar Worldpanel Taiwan 2020 brand tracking survey



**Plastic reduction / carbon
reduction / revolutionary
green product**

**Orange house five-in-one laundry detergent
pod launch of new patented product**

We began product development based on the core idea of using natural ingredients. After 10 years of research and development, we launched the world's first detergent pod of its type in the fourth quarter of 2020. We concentrated cleaning agent in the pod and use the micro-cellular technology to maximize the utility of the orange oil. Its five major functions include eliminating bacteria and viruses, removing stains, removing odors, cleaning, and softening. With reduced plastic in the packaging, the product is a green product that meets carbon reduction and environmental protection requirements from the production process to packaging and shipping

**First paper-packaged
cleaning product on the
market with more than
75% paper packaging**

Regular detergent
available on the market



bottles/replenishment packs
made from plastic materials
that are difficult to recycle

Liquid laundry pods



Recyclable paper
packaging

**Zero-water
laundry detergent**



■ The above data are provided by the YFYCPG laboratory based on a comparison of the Orange House Five-in-One Laundry Detergent Pod and detergent pods available on the market.

**Model green product for energy conservation
and carbon reduction**

- It reduces emissions by approximately **4,900** MT CO2 each year which is equivalent to the CO2 absorption of approximately **12.6** Da'an Forest Parks
- Reduce **71%** of detergent plastic material

■ The above data is based on the sales volume after launch in 2020.





Social care and sustainable fashion

Wash before donate to support sustainable fashion

Orange House is committed to continue to donate detergent to eliminate people's concern for the sanitation of recycled and reproduced clothing. We support the circular economy to help parents who work with children suffering from cerebral palsy.

1

Orange House

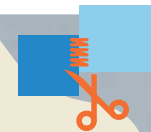
Washed and recycled jeans



2

Xuan Yi New Knowledge Care Association

Disassembly, assembly, and tailoring



3

Fashion designer

Create new denim products



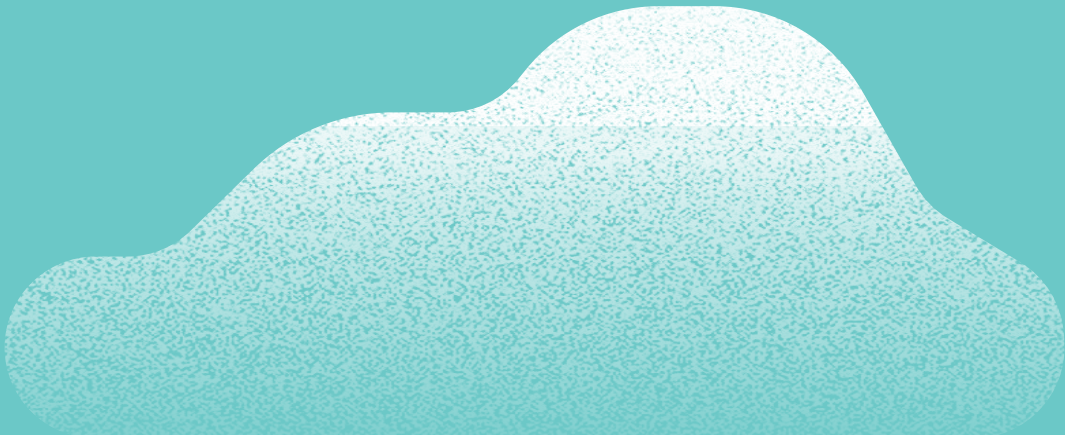
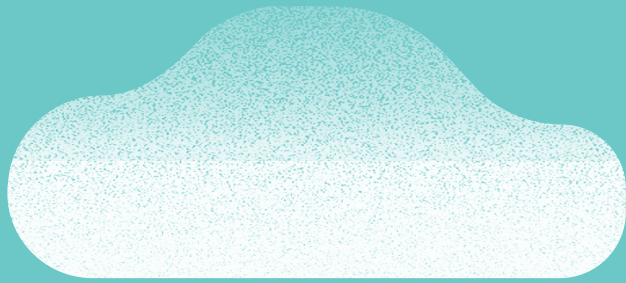
Xuan Yi New Knowledge Care Association

The Association established by a group of parents of children with cerebral palsy in Taoyuan collaborates with fashion designers under the concept of zero waste to upgrade discarded denim into fashion products. We hope that the children can find a sense of accomplishment in this place.



Chapter 2. Company Profile

- I. Date of establishment
- II. Company History



I. Date of Establishment : October 29, 1986

II. Company History

1934 Yuen Foong Corporation
(latter rename YFY Inc.)

2009 "Orange House" entered the natural
cleaning products market.

1968 Created the toilet paper brand
"Mayflower".



"Mayflower" was named as
one of Top 100 Taiwan Brands.

2011

1972



Produced the 1st embossed toilet
paper in Taiwan.

2014 & 2015

Awarded Most Attractive Employer in the
Consumer Manufacturing Industry.

1986 Established YFYCPG with a paid-in
capital of NT\$10 million.

Ever Growing Agriculture
Bio-Tech Co., Ltd. inaugurated
the new EEWH plant.



2017

Entered the Shanghai market and became the
1st Taiwanese paper plant expanding overseas
operations.

1995

2018 "Delight" enters mid-range cleaning
products market.



2004

Merged Ching Shui plant from P&G
Taiwan including two brands - "Tender"
and "Delight". Became the largest
household paper local manufacturer in
Taiwan.

2019

Led the market with the launch of "Mayflower
thick toilet tissue".

The "Mayflower" and "Orange House" products
received the National Brand Yushan Award.

2007

Consumer Product Division of YFY Paper Manu-
facturing Co., Ltd. (later renamed: YFY Inc.) was
transferred to the Company.

2020

Full supplied Taiwan toilet paper market
to support pandemic prevention.
Launched the "Orange House" anti-virus
detergent.

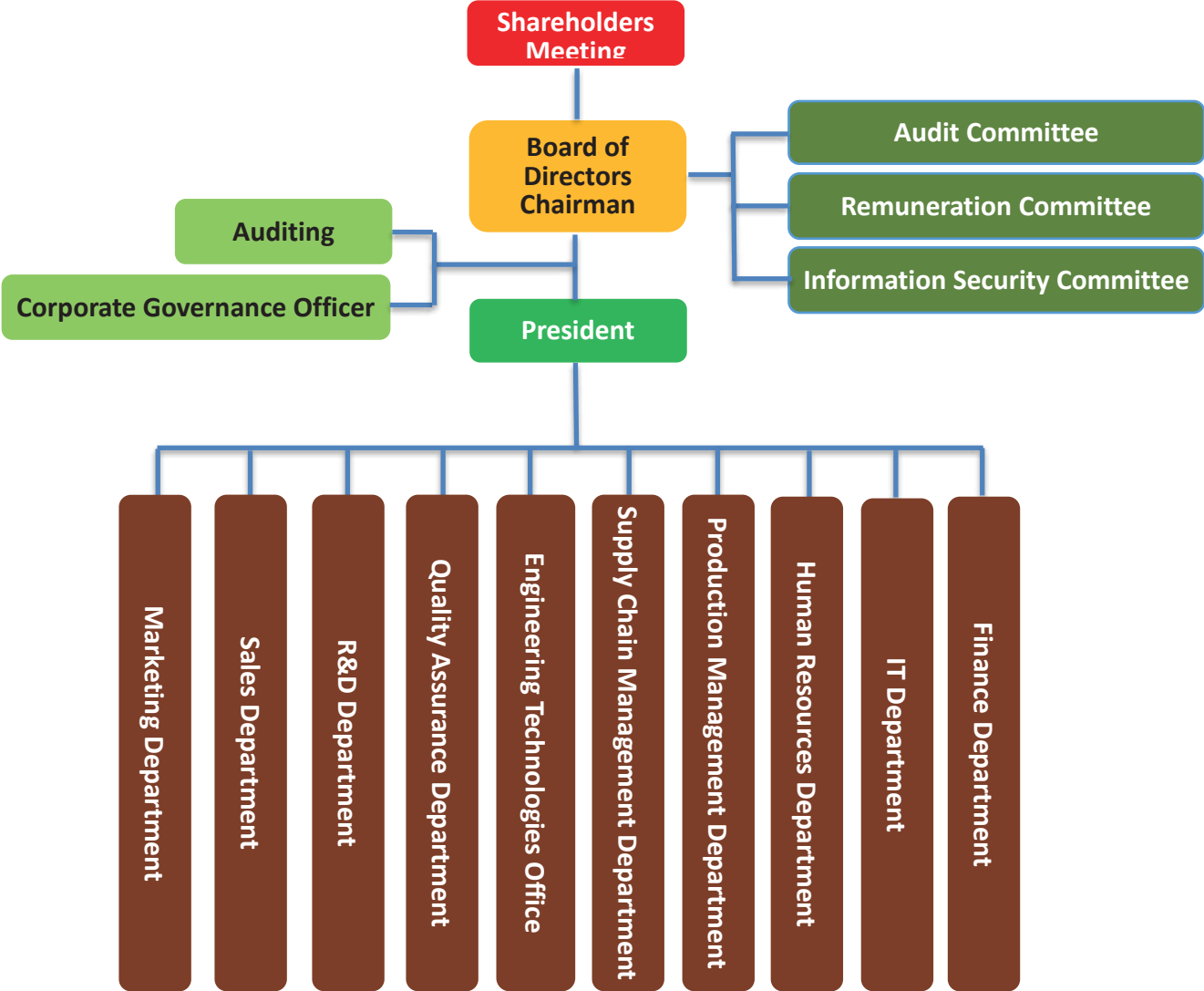


Chapter 3. Corporate Governance Report

- I. Organizational Chart
- II. Profiles of Directors, President, VP, VPs, and Managers
- III. Remuneration to Directors, Independent Directors, President, and VP in the Past Year
- IV. Corporate Governance Practice
- V. Information on Fees to CPA
- VI. Information on Change/Replacement of CPA
- VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who Has Worked for the CPA Firm or Its Affiliate in the Past Year
- VIII. Changes in Equity and Share Pledges by Directors, Independent Directors, Managers and Shareholders who Hold More than 10% of Equity in the Past Year
- IX. Information about Spouses, Kinship within Second Degree, and Relationships between Any of the Top Ten Shareholders
- X. Numbers of Shares Held in Invested Enterprises by the Company, the Company's Directors, Independent Directors, and Managers, and Enterprises Directly or Indirectly Controlled by the Company and the Consolidated Shareholding Ratio

Corporate Governance Report

I. Organizational Chart



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

(I) Profiles of Directors and Independent Directors

December 31, 2020; Unit: 1,000 shares; %

Title	Name	Gender	Nationality or place of registration	First elected	Date of appointment	Term	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Chairman	YFY Inc.	-	Republic of China	1986/10/29	2020/09/24	3	178,906	73.05	158,005	64.52	-	-	-	-	-	-	-	-	-	-
	Representative Felix Ho	Male		2006/03/15	2020/09/24	3	-	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> MBA, MIT Sloan School of Management Chief Executive Officer, YFY Inc. General Manager, YFY Consumer Products Co., Ltd. Executive Deputy General Manager, Consumer Products Division, YFY MFG Co., Ltd. Assistant Manager, Strategy Integration Center, YFY MFG Co., Ltd. 	Note 1	-	-	-
Director	YFY Inc.	-	Republic of China	1986/10/29	2020/09/24	3	178,906	73.05	158,005	64.52	-	-	-	-	-	-	-	-	-	-
	Representative Wei-Li Tsai	Male		2020/07/10	2020/09/24	3	100	0.04	100 (Note 8)	0.04	-	-	-	-	<ul style="list-style-type: none"> Master of Finance, University of Iowa Chairman, YFY Packaging Inc. 	Note 2	-	-	-	-
Director	YFY Inc.	-	Republic of China	1986/10/29	2020/09/24	3	178,906	73.05	158,005	64.52	-	-	-	-	-	-	-	-	-	-
	Representative Ronald Lee	Male		2016/05/13	2020/09/24	3	585	0.24	585 (Note 8)	0.24	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University Sales Director, YFY Consumer Products Co., Ltd. National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) Trade Marketing Manager, Bausch 	Note 3	-	-	-	-

Title	Name	Gender	Nationality or place of registration	First elected	Date of appointment	Term	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
														<ul style="list-style-type: none"> & Lomb Taiwan Ltd. • Trade Marketing Manager, Procter & Gamble Taiwan Ltd., Marketing Manager, Bausch & Lomb Taiwan Ltd. • Product Manager, Procter & Gamble Taiwan Ltd. 						
Director	Thomas Hsu	Male	Republic of China	2018/11/09	2020/09/24	3	483	0.20	483 (Note 9)	0.20	-	-	-	-	<ul style="list-style-type: none"> • B.S. of International Business, Tunghai University • General Manager, APP Paper Co., Ltd. • Sales Director, Kimberly-Clark Taiwan, Taiwan Branch (B.C.I.) • Director and General Manager, Enrich Marketing & Distribution Co., Ltd. • Sales Director, Unilever Taiwan Ltd. 	Note 4	-	-	-	-
Independent Director	Chih-Chien Lin	Male	Republic of China	2020/09/24	2020/09/24	3	-	-	-	-	-	-	-	<ul style="list-style-type: none"> • PhD, Institute of Biotechnology, National Tsing Hua University 	Note 5	-	-	-	-	
Independent Director	Sherry Hsieh	Female	Republic of China	2020/09/24	2020/09/24	3	-	-	-	-	-	-	-	<ul style="list-style-type: none"> • EMBA of Accounting and Management Strategy, National Taiwan University 	Note 6	-	-	-	-	
Independent Director	Mei-Li Su	Female	Republic of China	2020/09/24	2020/09/24	3	-	-	-	-	-	-	-	<ul style="list-style-type: none"> • B.S. of Accounting, Tamkang University • Director of Audit Department, Deloitte & Touche 	Note 7	-	-	-	-	

Note 1: Chairman, YFY Inc., Director, Jupiter Prestige Group Holding Limited; Chairman, Willpower Industries Limited; Director, Yuen Foong Yu Paper Enterprise (Vietnam) Company Limited; Chairman, YFY Jupiter(BVI)Inc.; Director, YFY Biopulp Technology Ltd.; Director, YFY RFID Co., Ltd.; Director, Chung Hwa Pulp Corp.; Director, YFY Packaging Inc.; Chairman, Ever Growing Agriculture Bio-tech Co., Ltd.;

Chairman, Yuen Foong Shop Co., Ltd.; Director, Livebricks Inc.; Director, E Ink Corporation; Director, Aidatek Electronics, Inc.; Director, eCrowd Media Inc.; Chairman, Arizon RFID Technology Co., Ltd.; Director, Arizon Japan Co., Ltd.; Director, YFY Packaging (Yangzhou) Investment Co., Ltd.; Director, YFY MFG (Yangzhou) Co., Ltd.; Chairman, YFY Investment Co., Ltd.; Director, YFY Mauritius Corp.; Director, YFY Consumer Products Investment Ltd.; Director, YFY Japan Co., Ltd.; Director, Yuen Foong International (Samoa) Ltd.; Director, Artone Investment (H.K.) Ltd.; Director, Shin-Yi Enterprise Co., Ltd.; Director, Yuen Foong Paper Co., Ltd.; Chairman, Yuen Foong Co.; Director, Fu Hwa Enterprise Co., Ltd.; Director, Cheng Yu Co.; Independent Director, Universal Cement Corporation; Supervisor, The Eisenhower Fellows Association in the Republic of China; Chairman, Epoch Foundation; Chairman, Taiwan Paper Industry Association; Director, Monte Jade Taiwan Science & Tech Association; Chairman, Association of Corporate Patent Executives.

Note 2: Director and General Manager, YFY Inc., Director and General Manager, YFY Holding Management Co., Ltd.; Director, YFY Packaging Inc.; Director, YFY Global Investment BVI Corp.; Director, YFY International BVI Corp.; Director, YFY Mauritius Corp.; Director, YFY Cayman Co., Ltd.; Chairman, YFY Paradigm Investment Co., Ltd.; Chairman, Ray Foong Enterprise Co., Ltd.; Director, YFY Consumer Products Co., Ltd.

Note 3: District General Manager of the Company in Mainland China; Chairman and General Manager, YFY Family Care (Kunshan) Co., Ltd.; Chairman and General Manager, YFY Consumer Products (Yangzhou) Co., Ltd.; Director and General Manager, YFY Investment Co., Ltd.

Note 4: General Manager of the Company; Director, Yuen Foong Shop Co., Ltd.; Director, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, Livebricks Inc.

Note 5: Dean of R&D and Professor, Providence University, 2nd-term Chairman of the Society of Cosmetic Scientists of Taiwan.

Note 6: Deputy Director of the Liver Disease Prevention & Treatment Research Foundation, Deputy Director of the Taiwan Health Foundation, Deputy Director of the Good Liver Foundation, Director of the Yang Tang-Hai Social Welfare Charity Foundation.

Note 7: CPA at C&S Certified Public Accountant Firm, Principal of Zhong Yen Corporation, Independent Director of Young Qin International Co., Ltd.

Note 8: All shares entrusted to the trust asset account at Bank SinoPac Co., Ltd.

Note 9: 83 thousand shares are entrusted to the trust asset account at Bank SinoPac Co., Ltd

Requirement Name	At least five years of work experience and the following professional qualifications			Fulfillment of independence criteria (Note)												Number of concurrent posts at other listed companies as independent director
	Lecturer or a higher post at a public/private university/college in the field of commerce, law, finance, accounting, or another subject relevant to the Company's operations	Specialized professional or technician certified as a judge, prosecutor, lawyer, accountant, or another designation relevant to the Company's operations and subject to national examinations	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10	11	12	
YFY Inc. Representative: Felix Ho	-	-	✓	✓	-	✓	-	-	-	-	-	✓	✓	✓	-	1
YFY Inc. Representative: Wei-Li Tsai	-	-	✓	-	-	✓	-	-	-	-	-	✓	✓	✓	-	-
YFY Inc. Representative: Ronald Lee	-	-	✓	-	-	-	-	✓	✓	-	✓	✓	✓	✓	-	-
Thomas Hsu	-	-	✓	-	-	-	-	✓	✓	-	✓	✓	✓	✓	✓	-
Chih-Chien Lin	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Sherry Hsieh	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Mei-Li Su	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

- (1) Not an employee of YFY or one of its affiliates.
- (2) Not a Director or Supervisor of the Company of any of its affiliates (excluding Independent Directors set up by the Company, its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (3) Not a shareholding natural person who holds at least 1% of the Company's total outstanding shares in combination with his/her spouse, underage children, and in the name of third parties or is one of the ten top shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (excluding Independent Directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company who have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a Director (member of the governing board), Supervisor (member of the supervising board), or employee of a company or institution with the same chairman of the board, general manager, or equivalent position, or a spouse thereof (excluding Independent Directors set up by the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which

have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).

- (8) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of the shares of a specific company or institution that has a financial or business relationship with the Company (excluding specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or Independent Directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (9) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliate enterprise for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or family member within second degree of kinship of another director.
- (11) No record of any of the incidents described in Article 30 of the Company Act.
- (12) Not elected as a government, legal entity, or its representative according to Article 27 of the Company Act.

1. Major Direct and Indirect Institutional Shareholders

(1) Major Direct Institutional Shareholders

December 31, 2020

Name of Institutional Shareholder	Major Direct Institutional Shareholders	Shareholding percentage
YFY Inc.	S. C. Ho	10.28
	Shin-Yi Foundation	5.66
	Shin-Yi Enterprise Co., Ltd.	4.69
	Cheng-Ting Ho	2.80
	Supervisory Committee of Workers' Pension Reserve Funds, YFY Inc.	2.79
	Mei-Yu Ho	2.66
	NEW TALENT LIMITED	2.28
	Felix Ho	2.14
	Min-Ting Ho	2.07
	Hsinex International Corp.	2.06

(2) Major Indirect Institutional Shareholders

December 31, 2020

Name of Institutional Shareholder	Major Indirect Institutional Shareholders	Shareholding percentage
Shin-Yi Enterprise Co., Ltd.	S. C. Ho	27.84
	BRILLIANT PRIDE LIMITED	12.50
	Mei-Yu Ho	12.50
	Jucheng Investment & Management Co., Ltd.	12.50
	Gao Da Global Ltd.	12.50
	Guang Yu Investment Co., Ltd.	5.91
	Hui-Shin Ho Tsai	2.48
	Richard Ho	2.18
	Jin Jie Investment Ltd.	1.52
	Hoss Foundation	1.48
	Hoss Cultural Foundation	1.48
Hsinex International Corp.	S. C. Ho	53.13
	Yi-Jia Ho	24.48
	Felix Ho	22.28
	Cheng Yu Co.	0.11
NEW TALENT LIMITED	Modern Victory Limited	100.00

(II) Profiles of General Manager, Deputy General Manager, Assistant Manager, and Managers

December 31, 2020; Unit: thousand shares; %

Title	Name	Gender	Nationality	Date of appointment	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
President	Thomas Hsu	Male	Republic of China	2020/6/22	483 (Note 7)	0.20	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University General Manager, APP Paper Co., Ltd. Sales Director, Kimberly-Clark Taiwan, Taiwan Branch (B.C.I.) Director and General Manager, Enrich Marketing & Distribution Co., Ltd. Sales Director, Unilever Taiwan Ltd. 	Note 1	-	-	-	-	-
District General Manager	Ronald Lee	Male	Republic of China	2015/7/13	585 (Note 6)	0.24	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University Sales Director, YFY Consumer Products Co., Ltd. National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) Marketing Manager, Bausch & Lomb Taiwan Ltd. Sales Manager, Procter & Gamble Taiwan Ltd. 	Note 2	-	-	-	-	-
CFO	Daphne Chen	Female	Republic of China	2018/1/1	262 (Note 6)	0.11	-	-	-	-	<ul style="list-style-type: none"> MBA, National Chengchi University CFO, Interchan Corporation Taxation and Project Director, Unilever Shanghai Accounting Manager, Unilever Taiwan Ltd. 	Note 3	-	-	-	-	-
Deputy General Manager	Carl Chang	Male	Republic of China	2019/7/1	180 (Note 6)	0.07	-	-	-	-	<ul style="list-style-type: none"> PhD, Department of Environmental Engineering, Da-Yeh University Vice President, R&D Department, YFY Consumer Products Co., Ltd. Production Manager, Procter & Gamble Taiwan Ltd. Production Director, Long Chen Paper Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Shih-Yang Tseng	Male	Republic of China	2015/7/13	186 (Note 6)	0.08	-	-	-	-	<ul style="list-style-type: none"> Department of Chemical Engineering, Nanya Polytechnic Division Senior Director, YFY Consumer Products Co., Ltd. Plant Director, Consumer Products Business Department, Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd. 	Note 4	-	-	-	-	-

Title	Name	Gender	Nationality	Date of appointment	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
Deputy General Manager	Ming-Fa Tang	Male	Republic of China	2010/11/1	140 (Note 6)	0.06	-	-	-	-	<ul style="list-style-type: none"> BS in Chemical Engineering, Tamkang University Deputy General Manager, Engineering Technology Center, YFY Consumer Products Co., Ltd. 	Note 4	-	-	-	-	-
Deputy General Manager	Shien Xie	Male	Republic of China	2018/8/1	211 (Note 6)	0.09	-	-	-	-	<ul style="list-style-type: none"> BA, Department of Business Administration, Chinese Culture University Vice President, R&D Department, YFY Consumer Products Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Jason Hsieh	Male	Republic of China	2005/4/1	150 (Note 6)	0.06	-	-	-	-	<ul style="list-style-type: none"> Department of Navigation, Affiliated Keelung Maritime Senior High School of National Taiwan Ocean University Deputy General Manager, Professional Business Group, YFY Investment Co., Ltd. Sales Director, China East Division, Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Myra Kuo	Female	Republic of China	2014/7/1	157 (Note 6)	0.06	-	-	-	-	<ul style="list-style-type: none"> M.Sc., School of Packaging, University of Michigan Deputy General Manager, R&D Development Center, YFY Consumer Products Co., Ltd. Marketing Manager for the Asia Pacific Region, Avery Dennison Corporation (United States) Northeast Asia Regional Supply Chain Manager, Unilever Production Department Manager, Unilever Taiwan Ltd. R&D Manager, Unilever Taiwan Ltd. Packaging R&D Manager, Unilever Taiwan Ltd. 	Note 5	-	-	-	-	-

Note 1: Director, Yuen Foong Shop Co., Ltd.; Director, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, Livebricks Inc.

Note 2: Chairman and General Manager, YFY Family Care (Kunshan) Co., Ltd.; Chairman and General Manager, YFY Consumer Products (Yangzhou) Co., Ltd.; Director and General Manager, YFY Investment Co., Ltd.

Note 3: Supervisor, Yuen Foong Shop Co., Ltd.; Supervisor, YFY Family Care (Kunshan) Co., Ltd.; Supervisor, YFY Consumer Products (Yangzhou) Co., Ltd.; Supervisor, YFY Investment Co., Ltd.

Note 4: Director, YFY Family Care (Kunshan) Co., Ltd.; Director, YFY Consumer Products (Yangzhou) Co., Ltd.

Note 5: Director and General Manager, Ever Growing Agriculture Biotechnology Co., Ltd.

Note 6: All shares entrusted to the trust asset account at Bank SinoPac Co., Ltd.

Note 7: 83 thousand shares are entrusted to the trust asset account at Bank SinoPac Co., Ltd.

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

(I) Remuneration to Directors and Independent Directors

December 31, 2020 Unit: NT\$1,000

Title	Name	Director remuneration								Ratio of total compensation (A+B+C+D) to after-tax income (%)		Concurrent employee remuneration								Ratio of total compensation (A+B+C+D+E+F+G) to after-tax income (%)		Compensation from investee companies other than subsidiaries or the parent company															
		Compensation (A)		Pension and severance pay (B)		Director's remuneration (C)		Performance compensation (D)				Salaries, incentives and allowances (E) (Note 5)		Severance pay and pension (F)		Employee's remuneration (G)																					
		YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	Amount in cash	Amount in stocks	YFYCPG	All companies in the financial statements																	
Chairman	YFY Inc. Representative: Felix Ho																																				
Director	YFY Inc. Representative: S. C. Ho (Note 1)																																				
Director	Thomas Hsu (Note 2)																																				
Director	YFY Inc. Representative: Ronald Lee	-	-	-	-	2,010	2,010	96	96	0.14	0.14	30,337	46,124	-	-	57	-	57	-	2.19	3.22	32,739															
Director	YFY Inc. Representative: Daphne Chen (Note 3)																																				
Director	YFY Inc. Representative: Wei-Li Tsai (Note 2)																																				
Independent Director	Mei-Li Su (Note 2)	-	-	-	-	1,005	1,005	168	168	0.08	0.08	-	-	-	-	-	-	-	0.08	0.08	-																

Independent Director	Chih-Chien Lin (Note 2)																				
Independent Director	Sherry Hsieh (Note 2)																				
<p>1. Please state the policy, system, standards and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors: consider the company's operating scale and profitability, The time invested and functions performed by independent directors, as well as the responsibilities and risks they bear.</p> <p>2. Except as disclosed above, remuneration received by directors in the last year for on-balance sheet services (e.g., acting as non-employee consultant) rendered to the Company: N/A</p>																					

Note 1: On July 10, 2020, the board of directors will resign after the general re-election of directors on behalf of the shareholders meeting.

Note 2: On September 24, 2020, he was elected at the second extraordinary general meeting of shareholders for a full re-election of directors.

Note 3: On September 24, 2020, the second interim general meeting of shareholders will resign after a full re-election of directors.

Note 4: Estimated amount of employee compensation approved by the board of directors on February 25, 2021.

Note 5: Including the salary expenses recognized in accordance with IFRS 2 "Share Based Payment" for obtaining employee stock options.

Range of remuneration to all directors	Name			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements
Less than NT\$1,000,000	S. C. Ho Wei-Li Tsai Thomas Hsu Ronald Lee Mei-Li Su Chih-Chien Lin Sherry Hsieh Daphne Chen	S. C. Ho Wei-Li Tsai Thomas Hsu Ronald Lee Mei-Li Su Chih-Chien Lin Sherry Hsieh Daphne Chen	S. C. Ho Wei-Li Tsai Mei-Li Su Chih-Chien Lin Sherry Hsieh	S. C. Ho Mei-Li Su Chih-Chien Lin Sherry Hsieh
NT\$1,000,000 (incl.) - NT\$2,000,000	Felix Ho	Felix Ho	-	-
NT\$2,000,000 (incl.) - NT\$3,500,000	-	-	-	-
NT\$3,500,000 (incl.) - NT\$5,000,000	-	-	Felix Ho Ronald Lee	-
NT\$5,000,000 (incl.) - NT\$10,000,000	-	-	Daphne Chen	Daphne Chen
NT\$10,000,000 (incl.) - NT\$15,000,000	-	-	-	-
NT\$15,000,000 (incl.) - NT\$30,000,000	-	-	Thomas Hsu	Felix Ho Wei-Li Tsai Thomas Hsu Ronald Lee
NT\$30,000,000 (incl.) - NT\$50,000,000	-	-	-	-
NT\$50,000,000 (incl.) - NT\$100,000,000	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	9	9	9	9

(II) Remuneration to supervisors

December 31, 2020 Unit: NT\$1,000;%

Title	Name	Supervisor remuneration						Ratio of total remuneration to net profit after tax (%)		Compensation from investee companies other than subsidiaries or the parent company
		Compensation (A)		Remuneration (B)		Performance compensation (C)		YFYCPG	All companies in the financial statements	
		YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements			
Supervisor	K. T. Yin (Note 1)	-	-	-	-	-	-	-	-	9,824
Supervisor	Vincent Zhan (Note 2)	-	-	-	-	-	-	-	-	

Note 1: Term ended after the full election of all Directors in the interim shareholders meeting on September 24, 2020.

Note 2: Term ended after the election of all Directors in the meeting of the Board of Directors organized on behalf of the shareholders' meeting on July 10, 2020.

Range of remuneration to all supervisors	Name	
	Total amount for the 3 preceding remunerations (A+B+C)	
	YFYCPG	All companies in the financial statements
Less than NT\$1,000,000	K. T. Yin, Vincent Zhan	
NT\$1,000,000 (incl.) - NT\$2,000,000	-	
NT\$2,000,000 (incl.) - NT\$3,500,000	-	
NT\$3,500,000 (incl.) - NT\$5,000,000	-	

Range of remuneration to all supervisors	Name	
	Total amount for the 3 preceding remunerations (A+B+C)	
	YFYCPG	All companies in the financial statements
NT\$5,000,000 (incl.) - NT\$10,000,000	-	-
NT\$10,000,000 (incl.) - NT\$15,000,000	-	-
NT\$15,000,000 (incl.) - NT\$30,000,000	-	-
NT\$30,000,000 (incl.) - NT\$50,000,000	-	-
NT\$50,000,000 (incl.) - NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	2	2

(III) Remuneration to the General Manager and Deputy General Manager

December 31, 2020 Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employee's remuneration (D)				Ratio of total compensation (A+B+C+D) to after-tax income (%)		Compensation from invested enterprises that are not subsidiaries
		YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG		All companies in the financial statements		YFYCPG	All companies in the financial statements	
								Amount in cash	Amount in stocks	Amount in cash	Amount in stocks			
President	Thomas Hsu	36,523	60,682	-	-	13,135	20,159	144	-	172	-	3.35	5.40	-

District General Manager	Ronald Lee													
CFO	Daphne Chen													
Deputy General Manager	Carl Chang													
Deputy General Manager	Shih-Yang Tseng													
Deputy General Manager	Ming-Fa Tang													
Deputy General Manager	Shien Xie													
Deputy General Manager	Jason Hsieh													
Deputy General Manager	Myra Kuo													

Note : Estimated amount of employee compensation approved by the board of directors on February 25, 2021.

Range of remuneration to general manager and deputy general manager	Name of general manager and deputy general manager	
	YFYCPG	All companies in the financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (incl.) - NT\$2,000,000	Jason Hsieh	-
NT\$2,000,000 (incl.) - NT\$3,500,000	Shien Xie, Myra Kuo	-
NT\$3,500,000 (incl.) - NT\$5,000,000	Shih-Yang Tseng Ronald Lee	-
NT\$5,000,000 (incl.) - NT\$10,000,000	Daphne Chen, Carl Chang, Ming-Fa Tang	Daphne Chen, Shih-Yang Tseng, Myra Kuo, Carl Chang, Ming-Fa Tang, Shien Xie, Jason Hsieh
NT\$10,000,000 (incl.) - NT\$15,000,000	-	-

NT\$15,000,000 (incl.) - NT\$30,000,000	Thomas Hsu	Thomas Hsu, Ronald Lee
NT\$30,000,000 (incl.) - NT\$50,000,000	-	-
NT\$50,000,000 (incl.) - NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	9	9

(IV) Names of managers who distribute employee salaries and distribution status:

December 31, 2020; Unit: NT\$1,000

	Title	Name	Amount in stocks	Amount in cash (Note)	Total	Ratio of total remuneration to net profit after tax (%)
Managerial Officers	President	Thomas Hsu	-	172	172	0.01
	District General Manager	Ronald Lee				
	CFO	Daphne Chen				
	Deputy General Manager	Carl Chang				
	Deputy General Manager	Shih-Yang Tseng				
	Deputy General Manager	Ming-Fa Tang				
	Deputy General Manager	Shien Xie				
	Deputy General Manager	Jason Hsieh				
	Deputy General Manager	Myra Kuo				

Note : Estimated amount of employee compensation approved by the board of directors on February 25, 2021.

(V) Detailed ratios of total remuneration of the Company's directors, supervisors, general manager and deputy general managers to after-tax profit with respect to the individual and consolidated financial statements in the past two years, and description of the remuneration policy, standards and combinations, determination of remuneration, and connection to business performance and future risks

Recipient	Ratio of total remuneration to after-tax profit					
	2020		2019		Difference	
	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements
Director	0.22%	0.22%	-	-	0.22%	0.22%
Supervisors	-	-	-	-	-	-
General Manager and Deputy General Managers	3.35%	5.40%	7.56%	10.80%	-4.21%	-5.40%

1. Director remuneration is determined by the Board of Directors and reported to the shareholders' meeting according to regulations.
2. The remuneration of the general manager and deputy general managers is paid on a monthly basis, including a monthly salary, allowances (e.g., additional duty payments and meal expenses), and other regular compensation. The annual bonuses and benefits are paid separately. The salary standards are determined at the beginning of employment, while additional duty payments are determined by the position; performance bonus and other bonuses are based on business performance and personal performance.

IV. Corporate Governance Practice

(I) Board of Directors operating status

A total of 4 meetings of the 15th Board of Directors were held in 2020. Directors' attendance information is described below

Title	Name	Attendance in person	Attendance by proxy Time(s)	Attendance in person rate (%)	Notes
Chairman	Representative of YFY Inc.: Felix Ho	4	0	100%	15th term
Director	Representative of YFY Inc.: Wei-Li Tsai	4	0	100%	15th term
Director	Representative of YFY Inc.: Ronald Lee	4	0	100%	15th term
Director	Thomas Hsu	4	0	100%	15th term
Independent Director	Mei-Li Su	4	0	100%	15th term

Independent Director	Chih-Chien Lin	4	0	100%	15th term
Independent Director	Sherry Hsieh	4	0	100%	15th term

Other statutory information:

- i. If any of the following circumstances have occurred amid operations of the Board of Directors, the date, period, agenda content, the opinions of all independent directors, and the handling of the opinions of the independent directors by the Company shall be specified:
 - (I) Matters prescribed under Article 14-3 of the Securities and Exchange Act:
The Company has set up an Audit Committee. Matters prescribed under Article 14-5 of the Securities and Exchange Act include matters prescribed under Article 14-3 of the Securities and Exchange Act. Please refer to the "Operating status of the Audit Committee" for details.
 - (II) Aside from the above matters, other resolutions adopted by the Board of Directors with regard to which an independent director had a dissenting or qualified opinion that is on record or stated in a written statement.
Operations of the Board of Directors which did not receive dissenting or qualified opinions from independent directors that are on record or stated in a written statement.
- ii. Any directors who had to recuse from a proposal to prevent conflicts of interest:
 - (I) In the Board meeting held on February 25, 2021, the Board discussed the remuneration for independent directors and the distribution method. A conflict of interest existed for independent directors Mei-Li Su, Chih-Chien Lin, and Sherry Hsieh on this matter; therefore, they recused themselves from discussing and voting on this proposal.
 - (II) In the Board meeting held on February 25, 2021, the Board discussed the remuneration for directors and the distribution method. A conflict of interest existed for directors Felix Ho, Wei-Li Tsai, Ronald Lee, and Thomas Hsu on this matter; therefore, they recused themselves from discussing and voting on this proposal.
- iii. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self-evaluation of the Board of Directors:
 - (I) The Company has discussed and established the Company's "Board of Directors Performance Evaluation Guidelines" in the meeting of the Board of Directors on December 28, 2020.
 - (II) The Company's Board of Directors and functional committees conduct internal performance evaluations each year and the Company appoints an external independent professional institution or a panel of external experts and scholars to conduct the evaluation at least once every three years.
 - (III) The scope of the evaluation covers the performance evaluation of the board as a whole, individual directors, and functional committees.
 - (IV) The performance evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the directors, appointment of external professional institutions or experts, or other appropriate methods.
 - (V) The criteria for evaluating the performance of the Company's Board of Directors shall cover, at a minimum, the following five aspects:
 1. Understanding and recommendations for the operation of the company;
 2. Improvement of the quality of the Board of Directors' decision making;
 3. The composition and structure of the Board of Directors.

4. Election and continuing education of the directors;
5. Internal control.

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

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

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

1. Understanding and recommendations for the operation of the company;
2. Awareness of the duties of the functional committee;
3. Improvement of the quality of the functional committee's decision making;
4. Functional committee composition and election of members;
5. Internal control.

IV. Evaluation of targets and performance of the Board's functions for current year and past year:

- (I) Three independent directors form the Company's Audit Committee in substitution of supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act are submitted to the Audit Committee for discussion and resolution. The convener of the Audit Committee is responsible for reporting resolutions passed by the Audit Committee to the Board of Directors.
- (II) The Company discloses information regarding attendance to Board/shareholders' meetings, director continuing education, and important resolutions passed during Board meetings and shareholders' meetings.
- (III) In order to increase information transparency, the Company posts all important resolutions passed during Board/shareholders' meetings on the Company website immediately following such meetings.
- (IV) In consideration of legal risks faced by directors, the Company and its subsidiaries have purchased director liability insurance for all directors.
- (V) The Secretary General of the Company's Board of Directors regularly provides information on corporate governance courses organized by external training institutions to Directors to encourage them to continue to acquire new knowledge and select corporate governance courses based on their personal needs. The Secretary General also helps Directors who wish to participate in training organize registration procedures for the Company to provide subsidies for the expenses of Directors' participation in continuing education courses.

V. Board of Directors evaluation status:

The Company shall complete the performance evaluation of the board as a whole, individual directors, and functional committees in 2021 before March 31, 2022.

(II) Operating status of the Audit Committee

The Company's Audit Committee is composed of three independent directors. The Committee's purpose is to verify the fair presentation of the Company's financial statements; hiring or dismissal of CPAs, their independence and performance; effectiveness regarding implementation of the Company's internal control system; compliance with relevant regulations and rules; and the Company's control of existing or latent risks. 4 meetings of the 1st Audit Committee were held in 2020 till the date of annual report printing. Key focuses for the year are described below:

1. Review financial reports

The Board of Directors prepared and submitted the 2020 business report, financial statements, and earnings distribution proposal. The financial statements were audited by Deloitte & Touche, and an audit report was submitted. The Company's Audit Committee reviewed the said business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance.

2. Assess internal control system effectiveness

The Company's Audit Committee assessed the effectiveness of policies and procedures of the Company's internal control system (including finance, operations, risk management, information security, legal compliance, and other control measures) and audited the Company's Auditing Department and CPA, as well as regular reports by managers, including risk management and compliance.

3. Evaluate the independence and competence of CPAs

The Company's Audit Committee evaluated and found that the Company's CPAs Shu-Wan Lin and Hsiu-Ming Hsu of Deloitte and Touche Taiwan did not have direct or indirect interest in the Company that would compromise their independence; established a suitable method to communicate with the Company and its Audit Committee; and fulfill the independence and competence requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Independent directors' attendance to the Audit Committee meetings in 2020 till the date of annual report printing is described below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Independent Director	Mei-Li Su	4	0	100%	1st term
Independent Director	Chih-Chien Lin	4	0	100%	1st term
Independent Director	Sherry Hsieh	4	0	100%	1st term

Other statutory information:

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

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

Board meeting date	Sessions	Agenda item	Resolutions adopted by the Audit Committee	Actions taken by the Company in response to the opinion of the Audit Committee
2020/12/28	2nd meeting of the 15th Board of Directors	Preparation of the Company's 2021 audit plan	Passed as proposed.	Approved by the Board of Directors on December 28, 2020
2020/12/28	2nd meeting of the 15th Board of Directors	Approved the results of the Company's self-evaluation of the preparation of financial reports and the amendment of the Financial Statements Formulation Procedures and Management Rules	Passed as proposed.	Approved by the Board of Directors on December 28, 2020
2020/12/28	2nd meeting of the 15th Board of Directors	Amendment of the Board of Directors Meeting Procedures	Passed as proposed.	Approved by the Board of Directors on December 28, 2020
2020/12/28	2nd meeting of the 15th Board of Directors	Remuneration for the services of Shu-Wan Lin and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan" appointed by the Company for the 2020 fiscal year	Passed as proposed.	Approved by the Board of Directors on December 28, 2020
2021/2/25	3rd meeting of the 15th Board of Directors	Review of the Company's individual and consolidated financial statements and business report for 2020	Passed as proposed.	Approved by the Board of Directors on February 25, 2021
2021/2/25	3rd meeting of the 15th Board of Directors	Preparation of the Company's 2020 earnings distribution proposal	Passed as proposed.	Approved by the Board of Directors on February 25, 2021, and submitted to the shareholders' meeting for approval
2021/2/25	3rd meeting of the 15th Board of Directors	Preparation of the Company's 2020 Statement of Internal Control System and Internal Control Special Audit Statement	Passed as proposed.	Approved by the Board of Directors on February 25, 2021
2021/2/25	3rd meeting of the 15th Board of Directors	Amendment proposal for the Company's Procedures for Engaging in Financial Derivative Transactions	Passed as proposed.	Approved by the Board of Directors on February 25, 2021, and submitted to the shareholders' meeting for approval
2021/4/15	4th meeting of the 15th Board of Directors	Amendment proposal for the Company's "Review Authority Management Regulations"	Passed as proposed.	Approved by the Board of Directors on April 15, 2021

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

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

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

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

III. Communication Between Independent Directors and Internal Auditing Officer and Accountants

1. On a regular basis

Each month, completed *audit reports* are sent via emails to each independent director. If there are questions or instructions, independent directors can contact the auditing officer via emails or the telephone.

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

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

2. On a non-regular basis

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

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

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

Date	Communication Method	Participating Members	Key Points of Communication
2020/9/24	Audit Committee	Auditing, finance, and legal affairs managers	Follow-up report on the internal control discrepancies and anomalies for 2020 Q2.
2020/12/28	Audit Committee	1. Auditing, accounting, finance, and legal affairs managers 2. Certified Public Accountant	1. Audit Progress Report for 2020 Q3. 2. 2021 audit plan report. 3. CPA service remuneration and audit work provided by "Deloitte and Touche Taiwan"
2021/2/25	Audit Committee	Auditing, finance, and legal affairs managers	1. Audit Progress Report for 2020 Q4. 2. Individual and consolidated financial statements and business report for 2020 3. 2020 Statement of Internal Control System and Internal Control Special Audit Statement
2021/4/15	Audit Committee	Auditing, finance, and legal affairs managers	Follow-up report on the internal control discrepancies and anomalies for 2021 Q1.

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

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in establishing and disclosing its corporate governance best practice principles?	V		The Company has established the "Corporate Governance Best Practice Principles", which were approved in the 3rd meeting of the 14th Board of Directors on August 14, 2020, and disclosed them on the Company's official website	Compliant
II. The Company's shareholding structure and shareholders' rights and interests				
(I) Does the Company have in place an internal operating procedure for handling shareholders' suggestions, questions, disputes, or litigation and abide by it?	V		A service department is already in place to handle related matters.	Compliant
(II) Does the Company possess a list of major shareholders and a list of ultimate owners of those major shareholders?	V		Information can be obtained through shareholder service agents at any time.	Compliant
(III) Does the Company have in place a risk management mechanism and firewall against its affiliates or implement it?	V		The companies stay financially independent from each other, and business performance is evaluated on a regular basis.	Compliant
(IV) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		The Company has established the "Ethical Corporate Management Operating Procedures and Code of Conduct" and "Management Regulations for Preventing Insider Trading" to prevent the Company's insiders from using information yet to be made public on the market to purchase and sell marketable securities.	Compliant
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors establish and implement a diversification policy for its composition?	V		The adoption of the Company's <i>Corporate Governance Best Practice Principles</i> was approved at the 3rd meeting of the 14th Board of Directors on August 14, 2020. The Principles stipulate the diversification policy for the composition of the board in Article 19 under Chapter 13 titled "Composition and Responsibilities of the Board of Directors."	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees?	V		<p>The nomination and election of Board members are pursuant to the regulations prescribed in the Company's Articles of Incorporation. A candidate nomination system is adopted in accordance with the <i>Regulations Governing the Election of Directors</i> and <i>Corporate Governance Best Practice Principles</i> to ensure the diversity and independence of board members.</p> <p>The professional backgrounds of the Company's Board members include expertise in industry, business management, and accounting. According to the list of members of the 14th Board of Directors, those with the ability of leadership management administration, and crisis management, as well as industry knowledge, and an international market perspective include directors Felix Ho, Wei-Li Tsai, Ronald Lee, and Thomas Hsu. The Company's independent directors include Chih-Chien Lin who is a university professor, Sherry Hsieh who is the Deputy Director of the Taiwan Health Foundation, and Mei-Li Su who is a CPA and an independent director of other public listed companies. The Company's Board of Directors comprises 2 directors who are employees of the Company as well as 3 independent directors. The Company has 2 female independent directors.</p>	<p>Changes are made gradually</p> <p>Changes are made gradually</p> <p>Compliant</p> <p>Compliant</p>
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual		V	<p>The Audit Committee, Remuneration Committee, and Information Security Committee have been established and members are composed of independent directors.</p> <p>The Company's Board of Directors established the "Board of Directors Performance Evaluation Guidelines" in the board meeting on December 28, 2020. The Company shall complete the performance evaluation of the board as a whole, individual directors, and functional committees in 2021 and report to the Board of Directors before March 31, 2022.</p>	<p>Changes are made gradually</p>

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies																																								
	Yes	No	Summary																																									
Directors?																																												
(IV) Does the Company periodically evaluate independence of the CPA?	V		<p>Each year, the Audit Committee evaluates CPAs' independence and competence based on the following indicators, and respective results are reported to the Board of Directors.</p> <table border="1"> <thead> <tr> <th colspan="4">Evaluation indicator 1: Independence</th> </tr> <tr> <th>Item No.</th> <th>Evaluation item</th> <th>Evaluation results</th> <th>Fulfillment of independence criteria</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Has the CPA submitted an independence declaration?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>2</td> <td>Does the CPA firm have a system for rotating CPAs?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>3</td> <td>Has YFY replaced CPAs so that no CPA has certified the Company's financial reports for more than 7 consecutive years?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>4</td> <td>Has YFY ensured that there are no direct or indirect material financial interests between the CPA and the Company?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>5</td> <td>Has YFY ensured that there are no financing or endorsements between the CPA and the Company or directors?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>6</td> <td>Has YFY ensured that the CPA is not a relative of the Company's directors, managerial officers, or other individuals in positions that may have significant impact on the audit? (Evaluate at least the relations such as the spouse, underage children, and close relatives)</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>7</td> <td>Has YFY ensured that the CPA and the Company do not have close business relations? (e.g., joint investments in businesses, strategic alliances for profit, or product co-marketing or promotion)</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>8</td> <td>Has YFY ensured that no members of the audit service team currently serve or had served as the Company's director, supervisor, managerial officer, or positions that may have significant</td> <td>Yes</td> <td>V</td> </tr> </tbody> </table>	Evaluation indicator 1: Independence				Item No.	Evaluation item	Evaluation results	Fulfillment of independence criteria	1	Has the CPA submitted an independence declaration?	Yes	V	2	Does the CPA firm have a system for rotating CPAs?	Yes	V	3	Has YFY replaced CPAs so that no CPA has certified the Company's financial reports for more than 7 consecutive years?	Yes	V	4	Has YFY ensured that there are no direct or indirect material financial interests between the CPA and the Company?	Yes	V	5	Has YFY ensured that there are no financing or endorsements between the CPA and the Company or directors?	Yes	V	6	Has YFY ensured that the CPA is not a relative of the Company's directors, managerial officers, or other individuals in positions that may have significant impact on the audit? (Evaluate at least the relations such as the spouse, underage children, and close relatives)	Yes	V	7	Has YFY ensured that the CPA and the Company do not have close business relations? (e.g., joint investments in businesses, strategic alliances for profit, or product co-marketing or promotion)	Yes	V	8	Has YFY ensured that no members of the audit service team currently serve or had served as the Company's director, supervisor, managerial officer, or positions that may have significant	Yes	V	Compliant
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Evaluation item	Practice				Compliance with Best Practice Principles and reasons for any discrepancies																													
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				impact on the audit in the most recent two years?																														
			9	Has YFY ensured that the CPA has not accepted valuable (with value beyond regular social norms) gifts or presents from the Company, directors, or managerial officers?	Yes V																													
			10	Has YFY ensured that the CPA is not appointed by the Company to perform routine tasks, receive fixed salary, or serve as a director?	Yes V																													
			11	Has YFY ensured that the CPA is not involved in the decision-making process of the Company?	Yes V																													
			12	Has YFY ensured that the CPA does not provide the Company with appraisal services with material impact on the financial statements or highly subjective appraisals?	Yes V																													
			<table border="1"> <thead> <tr> <th colspan="4">Evaluation indicator 2: Competence</th> </tr> <tr> <th>Item No.</th> <th>Evaluation item</th> <th>Evaluation results</th> <th>Fulfillment of competence criteria</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Has the CPA been disciplined or received any other disciplinary action in the past 2 years that would impair his/her professionalism or independence?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>2</td> <td>Has the CPA actively provided YFY with the latest information on taxation, and securities supervisory regulations, and updates of IFRS accounting standards.?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>3</td> <td>Has the CPA assisted YFY in coordinating communication and coordination with competent authorities?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>4</td> <td>Have all financial statements been completed within the deadline?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>5</td> <td>Has the CPA maintained adequate</td> <td>Yes</td> <td>V</td> </tr> </tbody> </table>			Evaluation indicator 2: Competence				Item No.	Evaluation item	Evaluation results	Fulfillment of competence criteria	1	Has the CPA been disciplined or received any other disciplinary action in the past 2 years that would impair his/her professionalism or independence?	Yes	V	2	Has the CPA actively provided YFY with the latest information on taxation, and securities supervisory regulations, and updates of IFRS accounting standards.?	Yes	V	3	Has the CPA assisted YFY in coordinating communication and coordination with competent authorities?	Yes	V	4	Have all financial statements been completed within the deadline?	Yes	V	5	Has the CPA maintained adequate	Yes	V	
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Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
			communication channels with the Company's management, Audit Committee, and Directors?	
IV. Has the TWSE or TPEX listed company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?	V		The Company has appointed the Manager Edward Hung of the Legal Department, as the Secretary General of the Board of Directors to oversee corporate governance affairs, including: Handling matters relating to Board meetings and shareholders' meetings according to law, and assisting the Company in complying with laws and regulations governing such meetings; Producing minutes of Board meetings and shareholders' meetings; and Furnishing information required for business execution by directors and independent directors and, updating them on developments of laws and regulations relating to the operations of the Company. The Company has appointed the (part-time) Corporate Governance Officer in the Board meeting on April 15, 2021.	Compliant
V. Does the Company have in place a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders section on its website to properly address stakeholders' concerns regarding important corporate social responsibilities?	V		The Company has set up a dedicated section for stakeholders on its website, where contact information for employees, customers, suppliers/contractors, shareholders/investors, consumers, press members, and other stakeholders are listed for responding to questions concerning corporate social responsibility.	Compliant
VI. Does the Company hire professional stock agencies to take care of affairs related to shareholders' meetings?	V		We have commissioned SinoPac Securities - Register & Transfer Agency Division to provide assistance.	Compliant
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	V		The Company regularly discloses information on the corporate website regarding the Company's financial, business, and corporate governance status.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing dedicated personnel to collect and disclose corporate information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	V		The Company has set up a website in Chinese, appointed specific personnel in charge of the collection and disclosure of company information, and has implemented a spokesperson system for information disclosure.	Compliant
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?		V	The Company uploads information in accordance with the deadline specified in regulations and has not published information ahead of schedule.	Changes are made gradually
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)?	V		<p>1. Employee rights and benefits: The Company protects employees' legal rights and interests in accordance with the Labor Standards Act and HR regulations. We also convene regular employer-employee meetings to communicate with employees.</p> <p>2. Care for employees: The Company upholds the ideals of a friendly work environment for talent recruitment and retention to create a good work environment. In addition to setting up an Employee Welfare Committee and allocating employee welfare funds in accordance with laws, we also make contributions to employees' pension, provide group accident insurance for employees, and arrange health examination for employees to maximize employee benefits.</p> <p>3. Investor relations: The Company has appointed a Spokesperson and Acting Spokesperson and to take charge of the Company's communication with external entities. We regularly update the results of the Company's operations and organize investor conferences. We also assign dedicated personnel to take disclose the Company's information on the Market Observation Post System in accordance with regulations.</p> <p>4. Supplier relations: The Company maintains good relations with suppliers to optimize overall production costs.</p> <p>5. Stakeholder interests: The Company maintains good channels of communication</p>	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
			<p>with employees, customers, and suppliers, and respect and uphold their legal rights and interests. Stakeholders can provide opinions and communicate with the Company at any time. The Company values their opinions and uses them as the basis for future operations.</p> <p>6. Continuing education and training received by Directors and Supervisors: The Company has set up an Audit Committee which replaced the functions of the Supervisors. All Directors of the Company have professional backgrounds. They have all attended continuing education courses as required by law and obtained certification documents.</p> <p>7. Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with regulations.</p> <p>8. Implementation status of customer policies: The Company maintains stable and good relations with customers in order to generate profits.</p> <p>9. Status of purchase of liability insurance by the Company for Directors: The Company has purchased liability insurance for its Directors to reduce and spread the risk of material damages to the Company and shareholders caused by any error or negligence of its Directors.</p>	
<p>IX. Please mention any priority matters and measures that require improvement and improvements that have been made according to the Corporate Governance Evaluation results released by TWSE's Governance Center.</p> <p>The Company is committed to strengthening information disclosure in order to enhance corporate governance, and plans to disclose indices that failed to receive points during the Corporate Governance Evaluation. The following section will explain some of the items:</p> <p>Item 1.8 Does the Company upload the annual report 16 days before the annual general meeting of shareholders? The Annual Report will be uploaded before the deadline.</p> <p>Item 1.9 Does the Company also upload the meeting announcement in English 30 days prior to the shareholders' meeting? The Company shall upload the 2021 meeting announcement in English 30 days prior to the shareholders' meeting.</p> <p>Item 1.11 Does the Company upload the English version of the annual report 7 days before the annual general meeting of shareholders? The Annual Report (English) will be uploaded before the deadline.</p> <p>Item 3.2 Does the Company release material information in English at the same time? The Company has not reached criteria for publishing material information in English after it became a public company. However, starting from 2022, all companies with a paid-in capital of more than NT\$2 billion as of the end of 2021 shall be required to publish material information in English in accordance with laws. The Company shall publish such information in accordance with regulations.</p> <p>Item 3.5 Does the Company upload the English version of the financial report 7 days before the annual general meeting of shareholders? The Company plans to provide the English version of the financial report before the deadline.</p> <p>Item 3.6 Does the Company disclose the interim financial report in English within two months after the deadline for submitting the interim financial report in Chinese? The Company plans to prepare the interim financial report in Chinese and English and disclose the interim financial report in English within two months of the reporting deadline of the interim financial report.</p>				

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
Item 3.18 Has the Company established an English corporate website to disclose information regarding the Company's financial, business and corporate governance? The Company plans to complete the English version of the Company's website before the end of the year.				
Item 3.20 Was the company invited to (or did it organize) at least two investor conferences? Were the two investor conferences at the beginning and end of the year at least three months apart? The Company plans to attend or organize at least two investors' conferences in 2021.				
Item 4.12 Has the Company established policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management? The Company plans to set up the CSR Committee and report to the Board of Directors.				

● Status of continuing education of Directors and Independent Directors

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Representative of Institutional Director	Felix Ho	2020/9/30	2020/9/30	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
		2020/11/17	2020/11/17	Taiwan Corporate Governance Association	Impact of 5G-Era Revolutions on the Industry	3 hours
		2020/11/17	2020/11/17	Taiwan Corporate Governance Association	Digital Supply Chain Management in an Era of Transformation	3 hours
		2021/1/20	2021/1/20	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Measures	3 hours
Representative of Institutional Director	Wei-Li Tsai	2020/9/30	2020/9/30	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
		2020/11/17	2020/11/17	Taiwan Corporate Governance Association	Digital Supply Chain Management in an Era of Transformation	3 hours
		2021/1/20	2021/1/20	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Measures	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and	3 hours

					Supervisors	
Institutional Director Representative	Ronald Lee	2020/9/30	2020/9/30	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
		2021/1/20	2021/1/20	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Measures	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
		2021/4/21	2021/4/21	Taiwan Corporate Governance Association	IR Information Disclosure and Best Practices	3 hours
Natural-person Director	Thomas Hsu	2020/9/30	2020/9/30	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
		2020/11/17	2020/11/17	Taiwan Corporate Governance Association	Impact of 5G-Era Revolutions on the Industry	3 hours
		2021/1/20	2021/1/20	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Measures	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
Independent Director	Sherry Hsieh	2020/9/30	2020/9/30	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
		2020/11/17	2020/11/17	Taiwan Corporate Governance Association	Impact of 5G-Era Revolutions on the Industry	3 hours
		2021/1/20	2021/1/20	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Measures	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and	3 hours

					Supervisors	
Independent Director	Mei-Li Su	2020/5/12	2020/5/12	Taiwan Academy of Banking and Finance	Corporate Governance and Operations of the Remuneration Committee	3 hours
		2020/11/17	2020/11/17	Taiwan Corporate Governance Association	Impact of 5G-Era Revolutions on the Industry	3 hours
		2021/1/20	2021/1/20	Taiwan Corporate Governance Association	Insider Trading Prevention and Response Measures	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
Independent Director	Chih-Chien Lin	2020/9/11	2020/9/11	ROC Accounting Research and Development Foundation	The Role and Operations of "Independent Directors" in Corporate Governance	3 hours
		2020/9/30	2020/9/30	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
		2021/1/21	2021/1/21	ROC Accounting Research and Development Foundation	Legal Liabilities and Case Analysis of Companies' "Securities Frauds"	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours

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

(1) Information on members of the Remuneration Committee

Position	Requirement	At least five years of work experience and the following professional qualifications			Fulfillment of independence criteria (Note)										Number of other public companies in which the committee member also serves as a remuneration committee member	Notes	
		Lecturer or a higher post at a public/private university/college in the field of commerce, law, finance, accounting, or another subject relevant to the Company's operations	Specialized professional or technician certified as a judge, prosecutor, lawyer, accountant, or another designation relevant to the Company's operations and subject to national examinations	Work experience required for operations in commerce, law, finance, accounting, or another field relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10			
Independent Director	Chih-Chien Lin	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	N/A
Independent Director	Mei-Li Su	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director	Sherry Hsieh	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	N/A

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

- (1) Not an employee of YFY or one of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (excluding Independent Directors set up by the Company, its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (3) Not a shareholding natural person who holds at least 1% of the Company's total outstanding shares in combination with his/her spouse, underage children, and in the name of third parties or is one of the ten top shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (excluding Independent Directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company who have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
- (7) Not a Director (member of the governing board), Supervisor (member of the supervising board), or employee of a company or institution with the same chairman of the board, general manager, or equivalent position, or a spouse thereof (excluding Independent Directors set up by the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).
- (8) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer,

business relationship with the Company (excluding specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or Independent Directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local regulations).

- (9) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliate enterprise for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) No record of any of the incidents described in Article 30 of the Company Act.

(2) Operation of Remuneration Committee

I. The Company's Remuneration Committee is composed of three persons.

II. Current term for the members: From September 24, 2020 to September 23, 2023. The Remuneration Committee held three meetings during the past year, and the qualifications and attendance information of each member are listed below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Convener	Mei-Li Su	3	0	100%	Convener
Committee member	Chih-Chien Lin	3	0	100%	Committee member
Committee member	Sherry Hsieh	3	0	100%	Committee member

Remuneration Committee	Agenda item and follow-up	Results of resolution	Actions taken by the Company in response to the opinion of the Remuneration Committee
2nd Committee 1st Meeting 2020/9/24	<ul style="list-style-type: none"> The Company's Regulations on the Remuneration of Directors, Members of Functional Committees, and Managerial Officers 	Approved by all committee members as proposed.	The Board of Directors passed the "Regulations on the Remuneration of Directors, Members of Functional Committees, and Managerial Officers" in a resolution
2nd Committee 2nd Meeting 2020/12/28	<ul style="list-style-type: none"> Establishment of the attendance fees and transportation allowance distribution standards for the members of the Board of Directors. 	Approved by all committee members as proposed.	The Company distributes attendance fees and transportation allowance to members of the Board of Directors in accordance with the standards passed by the Remuneration Committee.

	<ul style="list-style-type: none"> · Formulation of the Company's Regulations for Evaluating the Performance of the Board of Directors. 		
2nd Committee 3rd Meeting 2021/2/25	<ul style="list-style-type: none"> · Formulation of the Company's 2020 employee and director remuneration. · Formulation of the ratification of the Company's 2020 year-end bonus proposal for managerial officers 	Approved by all committee members as proposed.	The Board of Directors approved the Company's 2020 employee and director remuneration proposals and submitted them to the shareholders' meeting.

Other statutory information:

- I. If the Board of Directors did not adopt or revise the recommendations of the Remuneration Committee, the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Remuneration Committee shall be specified: N/A.
- II. If a member has an opposing or qualified opinion regarding a resolution the Remuneration Committee has adopted with a written record or statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be specified: N/A.

(V) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and Reasons

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
I. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?	V		The Company's Board of Directors passed the establishment of the "Sustainability and Social Responsibility Guidelines" in 2020. The Guidelines specified that the dedicated unit shall perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality. The Company shall establish policies and management systems for sustainability and social responsibility, and implement concrete action plans with regard to employees, communities, and the environment. The operating procedures and related persons in charge shall be specific and clear, and the results shall be regularly reported to the Board of Directors and disclosed on the Company's website.	Compliant
II. Does the Company have a dedicated (concurrent) unit responsible for CSR promotion? Is the CSR unit run by senior managerial officers, which are authorized by and report their progress to the Board of Directors?		V	The Company has planned the establishment of the Corporate Social Responsibility Committee and established the organizational regulations. We also established executive work groups in different areas to ensure the implementation and execution of social engagement activities. The work groups shall regularly report the implementation status to the Board of Directors.	Changes are made gradually in response to changes in the law
III. Environmental issues (I) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		Each plant has passed ISO 14001, ISO 45001, CNS 45001, ISO 50001, ISO 22000, ISO 14064, and FSC certification; dedicated personnel have been assigned to maintain the environmental management systems to ensure their proper operation.	Compliant
(II) Is the Company committed to improving the efficiency of various resources and using recycled materials which have a low impact on the environment?	V		The Company implements waste management and turn remaining process wastes into alternative fuel to reduce the use of fossil fuel and reduce waste at the same time. All pulp, scrap rolls, cut paper used in the plants can be returned to the production process for reuse. In addition, we fully implemented measures for achieving zero emissions and promoted the RDF mixed incineration plan for the boilers to incinerate RDF that contain 10% of sludge. The plants can fully process the sludge legally without having to appoint external entities for waste disposal. The Company continues to enhance technologies for waste recycling and reuse to reduce the impact on the environment. The Company has received	Compliant

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			consecutive Green Procurement Performance Awards from the Environmental Protection Administration.	
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		The Company has included climate change risks and global sustainable development trends into its risk management. In response to national climate policies, the Company voluntarily reviews energy information and response measures for legal compliance and examines the climate-related risks and opportunities of each plant. We implement related equipment refurbishment and plan the Company's environmental strategies and evaluation mechanisms.	Compliant
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	V		<p>In order to mitigate the impact of climate change and fulfill our social responsibility, the Company spares no effort in promoting energy conservation and carbon reduction. In addition to passing ISO 50001 Energy Management System certification, each plant must also implement GHG inventory and energy conservation measures.</p> <p>(1) Greenhouse gas (GHG) inventory: In response to climate change and global greenhouse gas management trends, and to fully grasp relevant issues associated with the Company's business risks and opportunities, the Company continues to pay attention to international trends on the disclosure of carbon emissions as well as domestic regulations and requirements. At the same time, we request all corresponding units to complete GHG inventories voluntarily and register their results on the national greenhouse gas tracking platform.</p> <p>(2) Energy conservation and carbon reduction: The Company actively promotes energy conservation plans and participates in the demand response load management measures of Taiwan Power Company to actively reduce electricity consumption. We use the ISO 50001 Energy Management System and the YFY Excellence System (YES) to continue to explore opportunities for energy conservation including shifting to LED lights and high-efficiency motors, implementing process improvements, and allocating budget to replace old pumps and low-efficiency motors. We also introduce advanced imported high-performance pumps and new milling equipment to reduce electricity and fuel consumption in production. In 2015, the Company set a five-year energy conservation target for reducing energy consumption by 1% each year with the aim of attaining energy conservation and carbon emissions reduction.</p>	Compliant

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
IV. Social issues (I) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place?	V		<p>The Company supports the principles of the United Nations Global Compact and the targets enshrined in the United Nations Universal Declaration of Human Rights and the Conventions of the International Labour Organization. We respect human rights and comply with all related regulations of the countries of operations. Article 12 of the Company's "Sustainability and Social Responsibility Guidelines" also states that the Company and subsidiaries shall comply with relevant laws and regulations on human rights and establishes management policies that meet human rights standards by referencing internationally recognized covenants on labor rights. The specific methods of implementation are as follows:</p> <ol style="list-style-type: none"> 1. Comply with relevant laws and regulations and provide a healthy and safe work environment 2. Ban on child labor and forced labor 3. Diversity and inclusion to prevent illegal discrimination 4. Ethical management, integrity, and anti-corruption 5. Create smooth communication channel and provide complaint mechanisms <p>The Company has become online members of international human rights organizations such as RBA and Sedex and passed onsite certification by Sedex.</p>	Compliant
(II) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?	V		<p>The Company provides a comprehensive remuneration system, welfare measures, and performance management system while meeting requirements in the external business environment and building a fair and reasonable internal system. We uphold the ideal of sharing profits with employees by attracting, retaining, developing, and encouraging talents.</p> <ul style="list-style-type: none"> ◆ Provide competitive salary <ol style="list-style-type: none"> 1. The Company participates in compensation surveys in the industry or on the market and determine the salaries of employees based on their academic records, work experience, skills, and position. 2. Salary is not determined by gender or age. 3. When employees are promoted, their salaries are adjusted immediately to prepare, incentivize, and retain outstanding talents. <ul style="list-style-type: none"> ◆ Bonus and compensation <ol style="list-style-type: none"> 1. Year-end bonus and performance bonuses: The Company has established regulations on the year-end bonus to include at least one month's salary. The Company also established related standards for the issuance of 	Compliant

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			<p>additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company.</p> <p>2. Employee stock subscription: We provide employees with employee stock options to share profits with employees.</p> <p>3. Employee's remuneration: The Company's Articles of Incorporation specifies that if the Company sustains profit every year, 1% or more of the income shall be set aside as remunerations to employees, and 2% or less shall be distributed as director remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.</p> <ul style="list-style-type: none"> ◆ Comprehensive welfare system <p>1. The Company provides employees with a diverse range of benefits including economic benefits, facilities, education, and entertainment to take care of employees' needs in all stages.</p> <p>2. We set up the Employee Welfare Committee and clubs to organize a diverse range of cultural and healthy activities.</p>	
(III) Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V		<p>The Company has dedicated safety and health management personnel responsible for the development of occupational safety and health management plans to promote in work environment and identify operational safety issues, as well as to assess and control various safety and health management matters. The plants also established the Occupational Safety and Health Committee which convenes regular meetings to review and adjust occupational safety and health promotion plans. Employees can also participate in making occupational safety and health decisions through labor representatives to ensure that the occupational safety and health policies meet the needs of onsite employees and protect the safety and health of all employees. All plants have passed ISO 45001 certification and all employees must take at least three hours of safety and health training every three years. We continue to improve safety and health facilities and actively create a safe, healthy, comfortable, and friendly work environment to achieve our goal of "zero accidents".</p>	Compliant
(IV) Does the Company offer its employees effective occupational empowerment training programs?	V		<p>The Company develops its core competencies and values to create a learning organization culture. We use the employee learning development programs for different levels of employees each year to create a training blueprint for</p>	Compliant

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			<p>additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company.</p> <p>2. Employee stock subscription: We provide employees with employee stock options to share profits with employees.</p> <p>3. Employee's remuneration: The Company's Articles of Incorporation specifies that if the Company sustains profit every year, 1% or more of the income shall be set aside as remunerations to employees, and 2% or less shall be distributed as director remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.</p> <ul style="list-style-type: none"> ◆ Comprehensive welfare system <p>1. The Company provides employees with a diverse range of benefits including economic benefits, facilities, education, and entertainment to take care of employees' needs in all stages.</p> <p>2. We set up the Employee Welfare Committee and clubs to organize a diverse range of cultural and healthy activities.</p>	
(III) Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V		<p>The Company has dedicated safety and health management personnel responsible for the development of occupational safety and health management plans to promote in work environment and identify operational safety issues, as well as to assess and control various safety and health management matters. The plants also established the Occupational Safety and Health Committee which convenes regular meetings to review and adjust occupational safety and health promotion plans. Employees can also participate in making occupational safety and health decisions through labor representatives to ensure that the occupational safety and health policies meet the needs of onsite employees and protect the safety and health of all employees. All plants have passed ISO 45001 certification and all employees must take at least three hours of safety and health training every three years. We continue to improve safety and health facilities and actively create a safe, healthy, comfortable, and friendly work environment to achieve our goal of "zero accidents".</p>	Compliant
(IV) Does the Company offer its employees effective occupational empowerment training programs?	V		<p>The Company develops its core competencies and values to create a learning organization culture. We use the employee learning development programs for different levels of employees each year to create a training blueprint for</p>	Compliant

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
			competencies, implement successor plans, and provide digital learning programs. We use systematic education and training procedures to improve employees' professional skills and knowledge, identify talents with high potential, and create a talent pool.	
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?	V		All specifications on the labels of the Company's products meet national regulations and standards so that customers fully understand product information and can choose safe and high-quality products. In addition, the consumer service line also provides instantaneous consultation service and complaint channels. The operating procedures are in line with personal data protection regulations to ensure that consumer interests are protected and continue to provide customers with better products and experience.	Compliant
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V		The Company requests all new suppliers and contractors to sign an <i>Honesty and Integrity Declaration</i> . It comprises the commitments and concrete actions with regard each supplier's corporate social responsibility, including compliance with the principles of honesty, trustworthiness and integrity, environmental and labor laws, as well as liabilities in case of a breach of contract. All suppliers have signed the <i>Honesty and Integrity Declaration</i> .	Compliant
V. Does the Company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Has the company received assurance or certification of the aforesaid reports from a third-party accreditation institution?		V	The Company is not yet listed on the TWSE and has thus not prepared a Corporate Social Responsibility Report. The Company shall prepare the first Corporate Social Responsibility Report next year in accordance with government regulations. The Company shall compile the CSR Report in accordance with GRI Standards and appoint a third-party certification institution for certification.	Changes are made gradually in response to changes in international standards.
VI. If the Company has established corporate social responsibility guidelines by following the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles: The Company's Board of Directors has approved and implemented the YFY Consumer Products Co., Ltd. Sustainability and Social Responsibility Guidelines in 2020.				
VII. Other key information useful for explaining status of corporate social responsibility practices: (I) Awards & Recognitions				

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
<p>1. Promotion of a healthy work environment: Yang Mei mill received the Sports Enterprise Certification and Healthy Workplace Certification Health Promotion Mark from the Sports Administration of the Ministry of Education in 2020.</p> <p>2. Environmental protection, energy conservation, and carbon reduction results: The Company received the Outstanding Green Procurement and Green Consumption Organization Award from the Environmental Protection Administration in 2020. Yang Mei mill received the bronze prize for the second National Enterprise Environmental Protection Award, 2020 MOEA Energy Saving Benchmark Award, and 2019 Green Procurement Excellence Award from the Department of Environmental Protection of Taichung City. Chung Shui mill received the 2019 Taichung City Enterprise Green Energy Sustainability Award and commendation the Outstanding Green Procurement Enterprise Award from Taichung City Government.</p> <p>3. The Company received the [CHR Healthy Corporate Citizen] commitment label from Common Health Magazine in 2020.</p> <p>4. Awarded the Medal of the National Disease Prevention Team by the Executive Yuan in 2020.</p> <p>(II) Environmental protection and circular economy</p> <p>1. Orange House and Xuan Yi New Knowledge Care Association jointly launched the "wash before donate" initiative to support the circular and zero-waste "sustainable fashion".</p> <p>2. We used solid recovered fuel (SRF) boiler and mixed incineration of sludge to reduce coal consumption by 4,579 tons.</p> <p>3. We installed denitrification equipment for coal boilers to meet the enhanced 100ppm standards of the central government in 2020.</p> <p>4. We supported Earth Day on April 22, 2020 by organizing a one-day vegetarian diet event for reducing carbon emissions by replacing lunch ingredients with vegetables or vegetarian dishes.</p> <p>5. Chung Shui mill organized the annual Arbor Day event.</p> <p>(III) Public welfare</p> <p>1. Yuen Foong Shop established the iShare public welfare e-commerce platform in 2018. Yuen Foong Shop will donate 5% of each purchase to social welfare organizations.</p> <p>2. The Company participated in community events and established positive community relations. Chung Shui mill sponsored table tennis activities in Haifeng Village.</p> <p>3. The Company participated in the year-end event of the Chinese National Federation of Industries — Tour of Love in Yunlin County.</p> <p>4. We donated supplies to the homes for people with disabilities, homes for people in vegetative state, Little Angel Association, Taiwan Fund for Children and Families, and Yunlin County Spinal Cord Injury Association.</p> <p>5. 2020 spread love to remote rural areas event — Donated supplies to Xiayun Elementary School in Fuxing District, Taoyuan City.</p> <p>6. The Company launched the donation of old shoes to Uganda event in 2020 and collected 454 items.</p> <p>7. We provided Orange House products to help schools in Taipei City and Taoyuan City with disease prevention tasks.</p> <p>(IV) Industry-academia cooperation: The Company worked with the master program of the Department of Forestry, National Chung Hsing University in setting up an industry-academia cooperation project.</p> <p>(V) Occupational safety and health</p> <p>1. The Company regularly organizes on-the-job safety and health training and regular CPR and AED first aid training.</p> <p>2. We implement preventive measures based on the development of the COVID-19 epidemic and conducted seasonal flue prevention campaigns.</p> <p>3. We organized health promotion activities:</p>				

Evaluation item	Practice			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
<p>(1) Healthy exercise: Blood donation drives, healthy point reward events, flash million-step healthy walk challenge, archery experience, exercising together, aerobics, eating smart, and exercise with joy.</p> <p>(2) Mental relaxation: Stress relief courses, sleep analysis, sharing small joys in life, and EAP hotline for psychological assistance.</p> <p>(3) Healthy diet: Diet seminars, healthy food preparation, and healthy diet menu in plants</p> <p>(4) Health: Physical experience camps and stretching exercises</p>				

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

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
I. (I) Establishment of ethical corporate management policy and approaches Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices as well as the commitment of its Board of Directors and senior management to implementing the management policies?	V		The Company's "Code of Operation Integrity" was passed by the Board of Directors and the Company established the "Ethical Corporate Management Operating Procedures and Code of Conduct" to actively prevent dishonest behavior and conflicts of interest, establish whistleblowing channels, and regulate the conduct of relevant personnel.	Compliant
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies?	V		The Company performs regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business and implement programs to prevent unethical conduct. The programs are provided below: 1. Prevention of dishonest behavior and the prohibition of bribery acceptance: Detailed information about disciplinary actions and the reporting system are listed in Chapter Four: "Service Regulations" of the Work Rules. 2. Protection of Intellectual Property Rights: We ensure protection by requiring employees to sign the <i>Intellectual Property Rights, Personal Information Protection, and Business Strife Limitation Agreement</i> as well as the employment contract. 3. <i>Employee Code of Conduct</i> : Established to implement the Company's core values, maintain high ethical standards, provide employees with standard compliance requirements when performing their daily duties and tasks, protect the Company's reputation, and earn the respect and trust of our clients, vendors, and other individuals. 4. <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> : Contain 17 operational regulations and	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
(III) Does the Company have any measures against dishonest conduct? Are these measures supported by proper procedures, conduct guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?	V		<p>stipulate whistleblowing systems and handling procedures.</p> <p>The Company established the <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> in accordance with the <i>Code of Operation Integrity</i> to specify disciplinary actions and complaint systems and the Company reviews the policies on a regular basis.</p>	Compliant
II. Full Implementation of ethical management principles				
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		In the credit evaluation process of business partners, the Company carefully assesses the integrity of their records. Likewise, we clearly specify in the procurement contract as well as the <i>Honesty and Integrity Declaration Form</i> that absolutely no bribery or dishonest behavior are allowed.	Compliant
(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		The Company's Auditing and Compliance Office is responsible for handling the drafting, revision, interpretation, consulting services, notification, and record of the Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> . The Department supervises the executing unit and reports the implementation status of the ethical corporate management policies and programs for preventing unethical conduct to the Board of Directors once a year.	Compliant
(III) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them?	V		Directors who may have a conflict of interest with respect to a proposal discussed during a Board meeting must recuse themselves from the meeting.	Compliant
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk	V		We have already established an effective accounting system and internal control system; internal audit staff also carry out inspections according to the audit plan passed by the Board of Directors. The Company appointed CPAs to perform a special audit on the internal control system in accordance with the	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?			"Regulations Governing Establishment of Internal Control Systems by Public Companies" in 2020 for the Company's application for listing on the TWSE.	
(V) Does the Company periodically provide internal and external training on ethical corporate management?	V		To ensure the smooth operations of the Company and help all employees actively implement corporate social responsibility and moral ethics, the Company requires all employees to sign the "Professional Ethics and Integrity Statement" and issue employee handbooks to provide one-on-one explanation and ensure that all employees understand the Company's Code of Conduct. We organized an employee value experience camp in 2020 and used the courses to help employees understand the importance of integrity, trust, and innovation. 671 people participated and total man-hours amounted to 1,736 hours. The Company has planned to provide related ethical management courses in digital format and use the LMS learning and management system to provide all employees with online learning in 2021. We organize training for Directors, Corporate Governance Officer, managerial officers, and employees in specific positions to provide more comprehensive training courses. We continue to implement specific measures and prevent unethical conduct (including anti-corruption).	Compliant
III. Implementation of the Company's whistleblowing system	V		The Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> established a whistleblowing and reward system as well as open and diversified reporting channels with the Human Resources Department as the responsible department.	Compliant
(I) Does the Company have in place a substantial whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on?	V			
(II) Has the Company established standard operating procedures for investigating	V		The Company has prescribed the standard operating procedures for investigating report, follow-up measures to be taken after the	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
<p>reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidential mechanisms?</p> <p>(III) Does the Company adopt measures to prevent whistleblowers from improper treatment for filing the report?</p>	V		<p>completion of investigations, and related confidentiality mechanisms in its <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i>.</p> <p>The Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> expressly pledges the Company's protection of whistleblowers from damages imposed on the legal or contractual rights of whistleblowers as a result of whistleblowing. Where the whistleblower deems that he/she is subject to improper treatment after filing the report, the whistleblower may file grievance report with the company's human resources unit.</p>	Compliant
<p>IV. Reinforcing information disclosure</p> <p>(I) Has the Company disclosed its corporate ethical management principles and progress onto its website and the Market Observation Post System?</p>	V		<p>Important internal policies and the operation of audit units are disclosed on the Company website.</p>	Compliant
<p>V. If the Company has implemented its own ethical corporate management principles by following the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles: The Company has established the <i>Ethical Corporate Management Guidelines</i> and relevant operational procedures, and incorporated the principles of ethical corporate management into applicable regulations pursuant to the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>.</p>				
<p>VI. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g., review/revision of the Company's ethical corporate management principles, etc.): The Company requires all suppliers and third parties to sign the <i>Honesty and Integrity Declaration Form</i> to guarantee their commitment to fulfill their obligations of conducting honest business operations. All contracts between the Company and its suppliers require both parties to comply with the ethical corporate management policy. If the supplier is involved in any dishonest activity, the Company may terminate or void the contract at any time.</p>				

(VII) The Company shall disclose the ways to make inquiries if it has implemented a set of corporate governance principles or related rules: Please refer to the Company's website

<http://www.vfycpg.com>

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

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

Corporate governance training for key managers in 2020

Course	Organizer	Date	Hours	Participating Members
Corporate Governance and Securities Regulations	Human Resources Department	2020/9/30	3	Felix Ho, Wei-Li Tsai, Ronald Lee, Sherry Hsieh, Chih-Chien Lin, Thomas Hsu, Daphne Chen, Myra Kuo, Ming-Fa Tang, Sky Liu, Li-Min Liu, Chris Chou, Carl Chang, Yung-Fu Chung, Ming-Chi Chen, Stacey Yen, Wenchih Chuang, Patrick Yang
Impact of 5G-Era Revolutions on the Industry	Yuen Foong Yu Investment Holding	2020/11/17	3	Felix Ho, Thomas Hsu, Sherry Hsieh, Mei-Li Su, Daphne Chen, Myra Kuo, Ming-Fa Tang, Carl Chang, Wenchih Chuang, Li-Min Liu
Digital Supply Chain Management in an Era of Transformation	Yuen Foong Yu Investment Holding	2020/11/17	3	Felix Ho, Wei-Li Tsai, Daphne Chen, Myra Kuo, Li-Min Liu

Supplementary Note: The company's new head of governance affairs, Manager Edward Hung, participated in a 3-hour course on key audit matters and countermeasures for directors and supervisors organized by the Chinese Corporate Governance Association of Corporate Governance on April 15, 2021.

(IX) Status of implementation of internal control system:

1. Statement on the Internal Control System

Yuen Foong Yu Consumer Products Co., Ltd.
Statement on the Internal Control System

Date: February 25, 2021

In 2020, the Company conducted a self-assessment on its internal control system, and based on its outcomes, hereby declares as follows:

- I. The Company is clearly aware that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and the executives. YFYCPG has established this system accordingly. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, and information transparency of reports and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. In addition, due to changes in market environment and conditions, the effectiveness of the internal control system may change along with them. Nonetheless, YFYCPG's internal control system has a built-in self-supervision mechanism and once a flaw is detected, the Company is able to make immediate corrections.
- III. In compliance with the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (the "Regulations"), YFYCPG has adopted a checklist of items for the internal control system in judging the effectiveness of system design and implementation. The checklist items covered in the Regulations are based upon five elements according to the management control process: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element comprises several items as detailed in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the aforementioned evaluation results, the Company holds that it has reasonably assured the achievement of the aforementioned with the internal control system as of December 31, 2020 (including the monitoring over the subsidiaries), including understanding the effectiveness and efficiency in operation, reliability and transparency in timely reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
- VI. This Statement shall become a main part of the annual report and prospectus and be disclosed to the public. If there are any deceptive or concealed statements herein, the Company shall be liable for violations of Articles 20, 32, 171 and 174 of the Securities Exchange Act.
- VII. This Statement was approved by the Board of Directors on Thursday, February 25, 2021; all 7 directors present concurred unanimously.

Yuen Foong Yu Consumer Products Co., Ltd.



Chairman: Felix Ho



President: Thomas Hsu



2. CPA's internal control special audit report:

內部控制制度審查報告

後附永豐餘消費品實業股份有限公司民國 110 年 2 月 25 日調經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於民國 109 年 12 月 31 日係有效設計及執行之聲明書，業經本會計師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會計師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

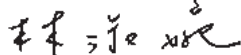
任何內部控制制度均有其先天上之限制，故永豐餘消費品實業股份有限公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，永豐餘消費品實業股份有限公司與外部財務報導及保障資產安全有關之內部控制制度，於民國 109 年 12 月 31 日之設計及執行，在所有重大方面可維持有效性；永豐餘消費品實業股份有限公司於民國 110 年 2 月 25 日所出具調經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。

勤業眾信聯合會計師事務所

會計師

林淑婉



會計師

許秀明



中華民國 110 年 4 月 14 日

(X) Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies, and improvement in the past year and up to the print date for this annual report: This event did not occur at the Company.

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

1. Important resolutions of the 1st interim shareholders' meeting (July 10, 2020) in 2020 (summary)

- (1) Ratification of the Company's 2018 and 2019 individual financial report and consolidated financial report.
- (2) Proposal for the amendment of the Company's "Procedure for Corporate Consolidation, Partition, Acquisition, or Share Transfer".
- (3) Proposal for the amendment of the Company's "Procedure for Lending Funds to Other Parties", "Procedures of Making of Endorsement and Guarantees", "Procedure for Processing Derivative Transactions", "Procedures for Transactions with Related Parties", "Asset Acquisition and Disposal Procedure", and "Rules of Procedure for Shareholders' Meeting".
- (4) Election of 5 directors and 2 supervisors for the 14th-term directors and supervisors.
- (5) Removal of the non-compete clause for new directors.

Implementation status of the important resolutions of the 1st interim shareholders meeting in 2020:

- (1) When the Company received approval from the shareholders meeting to make amendments to the Company's Procedure for Corporate Consolidation, Partition, Acquisition, or Share Transfer, relevant departments will implement the amendments accordingly, and conduct all future consolidations, partitions, acquisitions, or share transfers in accordance with the procedure.
- (2) Upon receiving approval from the shareholders' meeting to make amendments to the Company's "Procedure for Lending Funds to Other Parties", "Procedures of Making of Endorsement and Guarantees", "Procedure for Processing Derivative Transactions", "Procedures for Transactions with Related Parties", "Asset Acquisition and Disposal Procedure", and "Rules of Procedure for Shareholders' Meeting", relevant departments have implemented the amendments accordingly, and required all future transactions to be conducted by following the respective procedure.
- (3) The Company has formed the 14th Board of Directors in accordance with the election results of the shareholders' meeting and registered the change of directors on July 20, 2020.
- (4) In accordance with the resolution of the shareholders' meeting, the Company has removed the non-compete clause for the Company's new directors and the institutional entities they represented.

The Company has completed the implementation of all tasks in accordance with the resolutions of the shareholders' meeting.

2. Important resolutions of the 2nd interim shareholders' meeting (September 24, 2020) in 2020 (summary)

- (1) Report on the Company's establishment of the corporate governance regulations including the "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Ethical Corporate Management Operating Procedures and Code of Conduct", "Sustainability and Social Responsibility Guidelines", and "Corporate Governance Principles".
- (2) Discussions of the offering of new allocated shares for cash capital increase before the initial public offering on the TWSE (TPEX).
- (3) Election of all directors (including independent directors) and establishment of the Audit Committee in accordance with the Articles of Incorporation.

(4) Removal of the non-compete clause for new directors.

Implementation status of the important resolutions of the 2nd interim shareholders meeting in 2020:

(1) The Company's shareholders' meeting passed a resolution for the allocation and underwriting of new shares in its initial public offering on the TWSE (TPEX), and plans to organize domestic cash increase at an appropriate time for the initial public offering of the company's shares before being listed on the TWSE (TPEX). The Board of Directors is authorized to process matters related to the capital increase.

(2) The Company has formed the 15th Board of Directors in accordance with the election results of the shareholders' meeting and registered the change of directors on October 5, 2020.

(3) In accordance with the resolution of the shareholders' meeting, the Company has removed the non-compete clause for the Company's new directors and the institutional entities they represented.

The Company has completed the implementation of all tasks in accordance with the resolutions of the shareholders' meeting.

3. Important resolutions of the 6th meeting of the 13th Board of Directors (June 11, 2020) (summary)

(1) Approved the Company's plan for future public listing and discussion on the preparation of the Company's 2018 and 2019 individual financial statements and consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports.

(2) Approved the Company's public listing proposal.

(3) Approved the Company's 2019 Statement of Internal Control System.

(4) Approved the proposal for the issuance of all company shares in dematerialized form.

(5) Approved the amendment of certain articles of the Company's "Board of Directors Meeting Procedures".

(6) Approved the amendment of the Company's Articles of Incorporation.

(7) Approved the proposal for the amendment for the Company's "Rules of Procedure for Shareholders' Meeting" and "Procedures for the Election of Directors and Supervisors".

4. Important resolutions of the 7th meeting of the 13th Board of Directors (June 22, 2020) (summary)

(1) Approved the appointment of the Company's General Manager.

(2) Approved the proposal to remove the non-compete clause for the Company's managerial officers.

(3) Approved the authorization for the Company's Chairman to take charge of the daily administration of audit units and serve as the reviewer of the audit report.

(4) Approved the appointment of the Company's Spokesperson and Acting Spokesperson.

(5) Approved the amendment of the Company's "Seal Management and Control Procedures".

(6) Approved the Company's "accounting system".

(7) Approved the Company's "Legal Compliance Management Rules", "Asset Management Rules", and related management regulations of the internal control system.

(8) Approved the amendment of the Company's "Subsidiary Company Management Rules", "Financial Statements Formulation Procedures and Management Rules", "Internal Audit Implementation Guidelines", "Financial and Non-Financial Information Management Standards", "Authorization and Proxy Management Guidelines", and related management regulations of the internal control system.

(9) Approved the amendment of the Company's "Procedure for Corporate Consolidation, Partition, Acquisition, or Share Transfer".

- (10) Approved the amendment of the Company's "Procedure for Lending Funds to Other Parties", "Procedures of Making of Endorsement and Guarantees", "Procedure for Processing Derivative Transactions", "Procedures for Transactions with Related Parties", "Asset Acquisition and Disposal Procedure", and "Rules of Procedure for Shareholders' Meeting".
- (11) Approved the election of the Company's directors and supervisors.
- (12) Approved the removal of the non-compete clause for new directors.
- (13) Approved the sales of 100% of the shares of Yuen Foong Yu Family Paper (Beijing) Co., Ltd. to non-related parties held by the Company's subsidiary YFY Investment Co., Ltd.
- (14) Approved the relevant matters regarding the 2020 interim shareholders' meeting.
5. [Important resolutions of the 1st meeting of the 14th Board of Directors \(July 10, 2020\) \(summary\)](#)
- (1) Election of the Company's Chairman.
6. [Important resolutions of the 2nd meeting of the 14th Board of Directors \(July 10, 2020\) \(summary\)](#)
- (1) Approved the Company's "Employee Stock Subscription Regulations" and "Employee Stock Option Issuance and Subscription Regulations".
- (2) Approved the amendment of the Company's "Review Authority Management Regulations".
7. [Important resolutions of the 3rd meeting of the 14th Board of Directors \(July 15, 2020\) \(summary\)](#)
- (1) Approved the Company's employee stock option exercise and conversion for capital increase from new shares for 2020.
8. [Important resolutions of the 4th meeting of the 14th Board of Directors \(August 14, 2020\) \(summary\)](#)
- (1) Approved the election of all directors (including independent directors) and establishment of the Audit Committee in accordance with the Articles of Incorporation.
- (2) Approved the nomination and review of qualifications of the Company's independent directors.
- (3) Approved the removal of the non-compete clause for directors.
- (4) Approved the amendment of the "Remuneration Committee Charter" and the "Remuneration Committee Operation and Management Regulations".
- (5) Approved the establishment of the Company's Remuneration Committee and the appointment of the members of the Remuneration Committee.
- (6) Approved the establishment of the Company's Audit Committee and establishment of the "Audit Committee Charter" and "Audit Committee Operation and Management Regulations".
- (7) Approved the amendment of the Company's "Insider Reporting Management Rules" and "Operating Procedures for the Suspension and Resumption of Emerging Stock Trading on Taipei Exchange".
- (8) Approved the Company's establishment of the "Regulations Governing the Scope of Duties for Independent Directors", "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Ethical Corporate Management Operating Procedures and Code of Conduct", "Sustainability and Social Responsibility Guidelines", "Corporate Governance Principles", "Management Regulations for Preventing Insider Trading", and "Procedures Governing Transactions with Group Enterprises, Specific Companies, and Related Parties".
- (9) Approved the Company's listing on the emerging market.
- (10) Approved the offering of new allocated shares for cash capital increase before the initial public offering on the TWSE (TPEX).
- (11) Approved the Company's interbank lending credit line application.

- (12) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
- (13) Approved the Company's second interim shareholders meeting for 2020 and related matters for the nomination of the candidates for independent directors.
9. **Important resolutions of the 5th meeting of the 14th Board of Directors (September 17, 2020) (summary)**
- (1) Approved the changes to the Company's 2020 annual audit plan.
- (2) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
- (3) Approved the amendment of the Company's "Review Authority Management Regulations" and "Seal Management and Control Procedures".
- (4) Passed the replacement of the CPA due to internal adjustments of Deloitte and Touche Taiwan.
10. **Important resolutions of the 1st meeting of the 15th Board of Directors (September 24, 2020) (summary)**
- (1) Election of the Company's 15th-term Chairman.
- (2) Approved the appointment of independent directors of the Company as members of the Audit Committee.
- (3) Approved the appointment of members of the Company's second Remuneration Committee.
11. **Important resolutions of the 2nd meeting of the 15th Board of Directors (December 28, 2020) (summary)**
- (1) Passed the Company's 2021 budget and 2021 Business Plan.
- (2) Approved the Company's 2021 annual audit plan.
- (3) Approved the results of the Company's self-evaluation of the preparation of financial reports and the amendment of the Financial Statements Formulation Procedures and Management Rules.
- (4) Approved the amendment of the Company's Regulations on the Remuneration of Directors, Members of Functional Committees, and Managerial Officers.
- (5) Approved the establishment of the attendance fees and transportation allowance distribution standards for the members of the Board of Directors.
- (6) Approved the formulation of the Company's Regulations for Evaluating the Performance of the Board of Directors.
- (7) Approved the establishment of standard operating procedures requested by the Company's Directors.
- (8) Approved the amendment of the Board of Directors Meeting Procedures.
- (9) Approved the Company's interbank lending credit line application.
- (10) Approved the remuneration for the services of Shu-Wan Lin and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan" appointed by the Company for the 2020 fiscal year.
12. **Important resolutions of the 3rd meeting of the 15th Board of Directors (February 25, 2021) (summary)**
- (1) Approved the Company's 2020 employee and director remuneration.
In 2020, the Company set aside NT\$17,215,901 as remuneration for employees and NT\$3,015,000 as remuneration for directors.
- (2) Approved the Company's individual and consolidated financial statements and business report for 2020.
- (3) Approved the acknowledgment of the Company's 2020 earnings distribution proposal.

The Company's 2020 after-tax earnings were reported at NT\$1,487,227,537; accumulated surplus in terms of undistributed earnings from the previous year was reported at NT\$12; remeasurement of defined benefit plans was reported at NT\$6,180,000. The total of NT\$1,493,407,549 was available for distribution. Excluding NT\$149,340,754 which must be allocated as legal reserve and NT\$203,863,319 to be allocated as special earnings reserve as required by law, the distribution of ordinary stock cash dividend was NT\$4 per share, amounting to NT\$979,624,084. The remaining NT\$160,579,392 was reserved for distribution in the following year.

- (4) Approved the ratification of the Company's 2020 year-end bonus proposal for managerial officers
 - (5) Approved the Company's application to Taiwan Stock Exchange Corporation for public listing.
 - (6) Approved the Company's 2020 Statement of Internal Control System and Internal Control Special Audit Statement.
 - (7) Approved the over-allotment option for the lead underwriter appointed by the Company during the underwriting period.
 - (8) Approved the amendment of the Company's "Procedure for Processing Derivative Transactions" and the "Rules of Procedure for Shareholders' Meeting".
 - (9) Approved the Company's designation of senior executives responsible for monitoring and controlling derivative transactions.
 - (10) Approved the time, location, agenda, and other relevant matters regarding the 2021 shareholders' meeting.
13. [Important resolutions of the 4th meeting of the 15th Board of Directors \(April 15, 2021\) \(summary\)](#)
- (1) Approved the Company's appointment of the Corporate Governance Officer.
 - (2) Approved the amendments to the Company's Shareholders' Meeting Minutes Requirements.
 - (3) Approved the amendment of the Company's "Review Authority Management Regulations".
 - (4) Approved the designation of dedicated personnel responsible for the safekeeping of the Company's seals registered at the Ministry of Economic Affairs.
 - (5) Approved the Company's 2021 Q2 and Q3 financial forecasts.
 - (6) Approved the establishment of the Company's "Information Security Committee" to strengthen corporate governance.
14. [Important resolutions of the 1st meeting of the 1st Audit Committee \(September 24, 2020\) \(summary\)](#)
- (1) Review of the follow-up report on the internal control discrepancies and anomalies for 2020 Q2.
15. [Important resolutions of the 2nd meeting of the 1st Audit Committee \(December 28, 2020\) \(summary\)](#)
- (1) Approved the Company's 2021 annual audit plan and submitted it to the Board of Directors for approval.
 - (2) Approved the results of the Company's self-evaluation of the preparation of financial reports and the amendment of the Financial Statements Formulation Procedures and Management Rules, and submitted it to the Board of Directors for approval.
 - (3) Approved the amendment of the Board of Directors Meeting Procedures, and submitted it to the Board of Directors for approval.
 - (4) Approved the remuneration for the services of Shu-Wan Lin and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan" appointed by the Company for the 2020 fiscal year, and submitted it to the Board of Directors for approval.
16. [Important resolutions of the 3rd meeting of the 1st Audit Committee \(February 25, 2021\) \(summary\)](#)
- (1) Approved the Company's 2021 annual audit plan and submitted it to the Board of Directors for

approval.

- (2) Approved the results of the Company's self-evaluation of the preparation of financial reports and the amendment of the Financial Statements Formulation Procedures and Management Rules, and submitted it to the Board of Directors for approval.
- (3) Approved the amendment of the Board of Directors Meeting Procedures, and submitted it to the Board of Directors for approval.
- (4) Approved the remuneration for the services of Shu-Wan Lin and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan" appointed by the Company for the 2020 fiscal year, and submitted it to the Board of Directors for approval.

17. Important resolutions of the 4th meeting of the 1st Audit Committee (April 15, 2021) (summary)

- (1) Approved the amendment of the Company's "Review Authority Management Regulations" and submitted it to the Board of Directors for approval.

(XII) The content of any resolution of the Board of Directors which received any dissenting opinions from a director or independent director that are supported by appropriate records or written statements: This event did not occur at the Company.

(XIII) Resignation and dismissal of professional managerial officers, including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer, Chief Internal Auditor, and Corporate Governance Officer in the past year and up to the print date of this annual report: This event did not occur at the Company.

V. Information on Fees to CPA

Unit: NT\$ 1,000

Name of accounting firm	Name of CPAs	Audit fee	Non-audit fee					Audit period	Notes
			System design	Business Registration	Human resources	Others (Note)	Subtotal		
Deloitte and Touche Taiwan	Shu-Wan Lin	3,760	-	-	-	3,900	3,900	2020/01/01~2020/12/31	Internal control review project, public offering and listing counselling fees
	Hsiu-Ming Hsu							2020/01/01~2020/12/31	

Note: If "others" of non-audit fee is over 25% of the total amount of non-audit fee, list service contents in the note column.

VI. Information on Change/Replacement of CPA

(I) Regarding previous CPA:

Date of change	Starting from 2020 Q2		
Reasons for change and remark	Because of the firm's internal rotation and arrangement, CPA Benjamin Shih was replaced by CPA Hsiu-Ming Hsu.		
Termination initiated by client or accountant declined to accept the appointment	Parties Involved	CPA	Client
	Scenario		
	Termination initiated by client	N/A	N/A
	CPA declined to accept (continue) the appointment	N/A	N/A
Audit opinions other than unqualified opinions issued in the past two years and reasons	N/A		
Opinions different from those of issuer	Yes		Accounting principles or practice
			Disclosure of financial reports
			Scope or stages of auditing
			Others
	N/A	√	
	Description		
Other disclosures (Disclosures specified in Item 1.4-1.7, Subparagraph 6, Article 10 of the Standards)	N/A		

(II) Regarding succeeding CPA:

Name of firm	Deloitte and Touche Taiwan
Name of CPAs:	Hsiu-Ming Hsu, CPA
Date of appointment	Starting from 2020 Q2
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

Standards: N/A.

VII. The Chairman, General Manager and Financial or Accounting Managerial Officer of the Company who has worked for CPAs' firm or its affiliate in the past year:

This event did not occur at the Company.

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

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

Unit: shares

Title	Name	2020		2021 as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	YFY Inc.	(83,631,456)	-	-	-
	Representative: Felix Ho	-	-	-	-
Director	YFY Inc.	-	-	-	-
	Representative: S. C. Ho (Note 1)	-	-	-	-
Director	YFY Inc.	(83,631,456)	-	-	-
	Representative: Wei-Li Tsai (Note 2)	100,000 (Note 5)	-	-	-
Director and General Manager	YFY Inc.	-	-	-	-
	Representative: Thomas Hsu (Note 3)	482,800 (Note 6)	-	-	-
Director and District General Manager	YFY Inc.	(83,631,456)	-	-	-
	Representative: Ronald Lee	585,200 (Note 5)	-	-	-
Director and CFO	YFY Inc.	-	-	-	-
	Representative: Daphne Chen (Note 4)	262,400 (Note 5)	-	-	-
Independent Director	Chih-Chien Lin (Note 2)	-	-	-	-
Independent Director	Sherry Hsieh (Note 2)	-	-	-	-
Independent Director	Mei-Li Su (Note 2)	-	-	-	-

Title	Name	2020		2021 as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Supervisor	K. T. Yin (Note 4)	50,000 (Note 5)	-	-	-
Supervisor	Vincent Zhan (Note 4)	25,235 (Note 5)	-	-	-
Deputy General Manager	Carl Chang	180,200 (Note 5)	-	-	-
Deputy General Manager	Shih-Yang Tseng	186,100 (Note 5)	-	-	-
Deputy General Manager	Ming-Fa Tang	140,000 (Note 5)	-	-	-
Deputy General Manager	Shien Xie	211,300 (Note 5)	-	-	-
Deputy General Manager	Jason Hsieh	150,000 (Note 5)	-	-	-
Deputy General Manager	Myra Kuo	156,900 (Note 5)	-	-	-

Note 1: Term ended after the election of all Directors in the meeting of the Board of Directors organized on behalf of the shareholders' meeting on July 10, 2020.

Note 2: Took office after the election of all Directors in the interim shareholders meeting on September 24, 2020.

Note 3: Elected as a natural-person Director after the election of all Directors in the interim shareholders meeting on September 24, 2020.

Note 4: Term ended after the full election of all Directors in the interim shareholders meeting on September 24, 2020.

Note 5: All shares entrusted to the trust asset account at Bank SinoPac Co., Ltd.

Note 6: 82,800 shares are entrusted to the trust asset account at Bank SinoPac Co., Ltd.

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

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

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

May 1, 2021; Unit: shares; %

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN NAMES OF THIRD PARTIES		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		NOTES
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relation	
YFY Inc.	158,004,565	64.52	-	-	-	-	YFY Paradigm Investment Co., Ltd.	Parent company and subsidiary	-
							Ray Foong Enterprise Co., Ltd.	Parent company and subsidiary	
Representative of YFY Inc.: Felix Ho	-	-	-	-	-	-	-	-	-
YFY Paradigm Investment Co., Ltd.	15,704,815	6.41	-	-	-	-	YFY Inc.	Parent company and subsidiary	-
							Ray Foong Enterprise Co., Ltd.	Sister companies	
YFY Paradigm Investment Co., Ltd. Representative: Wei-Li Tsai	-	-	-	-	-	-	-	-	-
CTBC Venture Capital Co., Ltd.	12,000,000	4.90	-	-	-	-	-	-	-
CTBC Venture Capital Co., Ltd. Representative: Chih-Kang Wang	-	-	-	-	-	-	-	-	-
Supreme Target International Corp.	7,700,000	3.14	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ray Foong Enterprise Co., Ltd.	5,136,400	2.10	-	-	-	-	YFY Inc.	Parent company and subsidiary	-
							YFY Paradigm Investment Co., Ltd.	Sister companies	
Ray Foong Enterprise Co., Ltd. Representative: Wei-Li Tsai	-	-	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee	4,520,026	1.85	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee Representative: Chris Lo	-	-	-	-	-	-	-	-	-
UMC Capital Corporation	4,000,000	1.63	-	-	-	-	-	-	-
UMC Capital Corporation Representative: Chia-Tsung Hung	-	-	-	-	-	-	-	-	-

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN NAMES OF THIRD PARTIES		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		NOTES
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relation	
Mei-Yu Ho	1,899,596	0.78	-	-	-	-	-	-	-
Chi Lin Investment Co., Ltd.	1,820,376	0.74	-	-	-	-	-	-	-
Chi Lin Investment Co., Ltd. Representative: Hsu-Ming Lu	-	-	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd.	1,625,663	0.66	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd. Representative: Cheng-Hsiung Lien	-	-	-	-	-	-	-	-	-

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

December 31, 2020 Unit: thousand shares; %

Investee Company	Investment by the Company		Investments by directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Consolidated investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Yuen Foong Yu Consumer Products Investment Ltd.	150,013	100	-	-	150,013	100
Ever Growing Agriculture Bio-tech Co., Ltd.	18,246	85.04	-	-	18,246	85.04
Yuen Foong Shop Co., Ltd.	5,000	100	-	-	5,000	100
YFY Investment Co., Ltd.	-	100	-	-	-	100
YFY Family Care (Kunshan) Co., Ltd.	-	100	-	-	-	100
YFY Consumer Products (Yangzhou) Co., Ltd.	-	100	-	-	-	100
YFY International Trading (Shanghai) Co.	-	100	-	-	-	100
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	100	-	-	-	100



Chapter 4. Fundraising

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

Fundraising

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

(I) Source of share capital

Unit: thousand shares; NT\$1,000

Year / month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
2015/7	10	240,000	2,400,000	214,562	2,145,622	Surplus profit distributed in the form of new shares	—	Note 1
2017/6	10	240,000	2,400,000	222,492	2,224,918	Surplus profit distributed in the form of new shares	—	Note 2
2018/6	10	240,000	2,400,000	227,299	2,272,994	Surplus profit distributed in the form of new shares	—	Note 3
2019/5	10	350,000	3,500,000	241,636	2,416,360	Surplus profit distributed in the form of new shares	—	Note 4
2020/7	15	350,000	3,500,000	244,906	2,449,060	Replacement of employee stock options by new shares	—	Note 5

Note 1: Date and document number of the change in registration: Jing-Shou-Shang No. 10401145200 dated July 21, 2015

Note 2: Date and document number of the change in registration: Jing-Shou-Shang No. 10601096910 dated July 20, 2017

Note 3: Date and document number of the change in registration: Jing-Shou-Shang No. 10701082980 dated July 26, 2018

Note 4: Date and document number of the change in registration: Jing-Shou-Shang No. 10801062290 dated May 30, 2019

Note 5: Date and document number of the change in registration: Jing-Shou-Shang No. 10901136650 dated July 20, 2020

Unit: Share

Shareholding type	Authorized capital			Notes
	Outstanding shares	Unissued shares	Total	
Registered common shares	244,906,021	105,093,979	350,000,000	Note

Note: The shares of the Company have been traded in the emerging stock market of TPEX.

(II) Shareholder structure

May 1, 2021; Unit: Person; share; %

Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	-	4	71	6,964	1	7,040
Number of shares	-	1,933,758	218,577,603	16,694,660	7,700,000	244,906,021
Shareholding ratio	-	0.79	89.25	6.82	3.14	100.00

(III) Shareholding distribution status

May 1, 2021; Unit: Person; share; %

Shareholding range (share)	Number of shareholders	Number of shares	Shareholding ratio
1 to 999	4,975	770,219	0.31
1,000 to 5,000	1,497	3,112,849	1.27
5,001 to 10,000	257	2,005,849	0.82
10,001 to 15,000	95	1,190,027	0.49
15,001 to 20,000	51	930,632	0.38
20,001 to 30,000	62	1,545,309	0.63
30,001 to 40,000	19	660,102	0.27
40,001 to 50,000	17	772,488	0.32
50,001 to 100,000	13	897,883	0.37
100,001 to 200,000	13	1,856,650	0.76
200,001 to 400,000	12	3,648,222	1.49
400,001 to 600,000	6	2,867,000	1.17
600,001 to 800,000	4	2,829,438	1.16
800,001 to 1,000,000	6	5,705,931	2.33
1,000,001 and above	13	216,113,422	88.24
Total	7,040	244,906,021	100.00

(IV) List of major shareholders

May 1, 2021; Unit: share; %

Name	Shares	Number of shares	Shareholding ratio
YFY Inc.		158,004,565	64.52
YFY Paradigm Investment Co., Ltd.		15,704,815	6.41
CTBC Venture Capital Co., Ltd.		12,000,000	4.90
Supreme Target International Corp.		7,700,000	3.14
Ray Foong Enterprise Co., Ltd.		5,136,400	2.10
YFYCPG Employee Stock Trust Management Committee		4,520,026	1.85
UMC Capital Corporation		4,000,000	1.63
Mei-Yu Ho		1,899,596	0.78
Chilin Investment Co., Ltd.		1,820,376	0.74
Jucheng Investment & Management Co., Ltd.		1,625,663	0.66

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

May 1, 2021; Unit: NT\$; thousand shares; %

Item	Year	2019	2020	Current year up to the print date of this annual report	
Market price per share	Highest	Unlisted	Unlisted	Unlisted	
	Lowest	Unlisted	Unlisted	Unlisted	
	Average	Unlisted	Unlisted	Unlisted	
Net asset value per share	Before distribution	11.95	16.47	—	
	After distribution	10.25	12.47 (Note 4)	—	
Earnings per share	Weighted average number of shares (thousand shares)		241,636	244,906	244,906
	Earnings per share	Before retroactive adjustment	1.92	6.12	—
		After retroactive adjustment	1.92	6.09	—
Dividend per share	Cash dividends		1.7055	4.00	—
	Stock dividends	Earnings	—	—	—
		Capital surplus	—	—	—
Accumulated undistributed dividends		—	—	—	
Return on investment analysis	PE ratio		Unlisted	Unlisted	Unlisted
	Price dividend ratio		Unlisted	Unlisted	Unlisted
	Cash dividend yield		Unlisted	Unlisted	Unlisted

Note: The 2020 earnings distribution proposal has yet to be approved by the 2021 annual general meeting of shareholders.

(VI) Dividend policy and implementation:

1. Dividend policy:

The company's Articles of Incorporation specifies that any surplus at the end of a year shall first be applied to pay income taxes according to the law and cover losses from the previous years. Then 10% of the balance will be allocated to a statutory surplus reserve, and a special surplus reserve shall be allocated or reserved according to the law. A special surplus reserve or retained earnings are set aside if needed. Any remaining balance plus accumulated undistributed earnings of previous years and undistributed earnings adjustments of the current year may be distributed as dividends to shareholders, for which the Board of Directors shall propose a surplus allocation plan to be submitted to the shareholders' meeting for distribution.

In consideration of external factors and the objectives of long term financial planning and in the interest of stable business growth, the Company's dividend policy measures future cash flows based on the capital budget and uses retained earnings to meet the cash flow requirements. The Company shall set aside no less than 30% of the profits available for distribution as shareholders' dividends each year. The dividends may be distributed in cash or shares and the cash dividends shall be at least 20% of the dividends. However, for the purpose of meeting other capital expenditure requirements, the company may distribute the aforementioned shareholder dividends in the form of share dividends only.

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

With respect to the earnings distribution for 2020, the company's board of directors resolved on February 25, 2021 to distribute NT\$979,624,084 in cash dividends, the equivalent of NT\$4 per share.

(VII) Impact of stock dividends proposed at this shareholders' meeting on business performance and earnings per share: not applicable

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

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

According to current policies, if the Company sustains profit every year, 1% or more of the income shall be set aside as employee remuneration,

and 2% or less shall be distributed as director remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.

Directors' remuneration may be distributed by way of cash dividends, and employees' remuneration may be distributed by way of cash dividends or stock dividends. The Board of Director shall be authorized to define the qualification requirements of employees entitled to receive shares or cash, including the employees of controlled companies or subsidiaries of the Company that meet certain specific requirements. The distribution ratio of directors' remunerations, and the method of distribution and ratio of employees' remunerations shall be resolved by a majority vote at a Board meeting attended by more than two thirds of the directors, and shall be reported at the shareholders' meeting.

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

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

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

3. Remuneration proposals approved by the Board of Directors:

(1) In 2020, the remuneration distributed to employees was NT\$17,215,901 in cash. Directors' remuneration was NT\$3,015,000.

(2) Amount in stock distributed as employee remuneration as a percentage with respect to the after-tax profit in current period's individual financial statement and total employee remuneration: None.

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

In 2019, the actual remuneration distributed to employees was NT\$5,769,155 in cash. No remuneration was distributed to directors or supervisors. The aforementioned amount did not differ from the amount approved by the Board of Directors.

(IX) Buyback of treasury stock: This event did not occur at the Company.

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

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

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

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

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

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

II. Implementation of Capital Allocation Plans

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

(II) Implementation status: N/A.



Chapter 5. Business overview

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

Business overview

I. Business Scope

(I) Business scope

1. Key areas of business:

The Company mainly engages in the production, design, marketing, and distribution of household paper and cleaning products.

2. Revenue breakdown:

Revenue mainly came from the marketing of household paper, accounting for approximately 88%. Cleaning products accounted for approximately 6%. Other items accounted for approximately 6%.

3. New products in development:

In addition to the promotion of existing products, new conceptual paper and cleaning products are being developed to expand market depth and width.

(II) Industry Overview

Overall Economic Environment

2020 was the year when the epidemic took over the global market. The first wave of the virus caused the collapse of the financial market, lockdowns, and economic decline in the first quarter. Global industry chains and supply chains were cut and reorganized which affected the daily lives, scientific disease prevention, and commercial activities of the people. Fortunately, the global economy has achieved a V-shaped economic recovery after gaining control of the epidemic in the third quarter. Mainland China was first hit by the epidemic but it also led the recovery and quickly restored industrial production and exports to pre-pandemic levels. According to IMF reports, the global economic growth rate was approximately -3.3% in 2020. Mainland China benefited from the gradual economic recovery and booming exports and focused on the internal economic and retail demand to support the growth of industrial activities. Its annual economic growth rate reached 2.3%. Taiwan imposed a face mask policy supported by all citizens and managed to control the spread of the disease without imposing large-scale closure of campuses, offices, and malls. The changes in global demand have been favorable for the manufacturing sector which occupies a favorable position. According to the Directorate General of Budget, Accounting and Statistics, Taiwan achieved an economic growth rate of 3.3% which was a hard-won accomplishment.

In conclusion, the development of the pandemic still requires close attention. The successful distribution and vaccination of the COVID-19 vaccines and the loose monetary policies adopted by the countries are set to help the global economy regain the momentum for growth in 2021. However, this wave of economic recovery is characterized by the different speed of recovery. Different countries, different industries, and groups with different income will have different paths to recovery. We must pay close attention to the resolution or continuation of the trade war between the United States and China, the pressure on inflation created as a result of loose monetary policies, and the profound impact caused by the differential recovery of different countries.

In this environment, the professional management teams of the Company shall focus on the fundamental parts of their operations and risk management for the supply chain. We shall also respond to the government's response and adjustment measures to demonstrate maximum mobility as we continue our stable operations and business development.

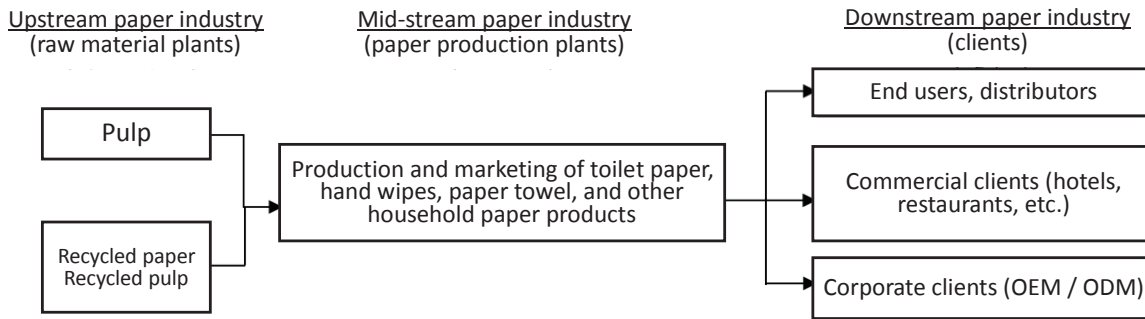
1. Current trends of the industry

Household products supply general consumers' daily life demands, so the sales are mainly domestic. The Company's brands are leaders in the market. Regarding household paper, the Company meets consumers' diverse needs through differentiated products and manage different customer groups, thus maintaining the market share. Regarding cleaning products, the brand Orange House became a leading brand for its natural ingredients and effectiveness. We continued to launch high-quality products that put consumers' minds at ease while developing the new brands "Fresh Sense" and "Delight" to increase breadth and attract different consumer groups in order to manage the cleaning product market steadily. We will also expand overseas markets for cleaning products based on the existing foundation.

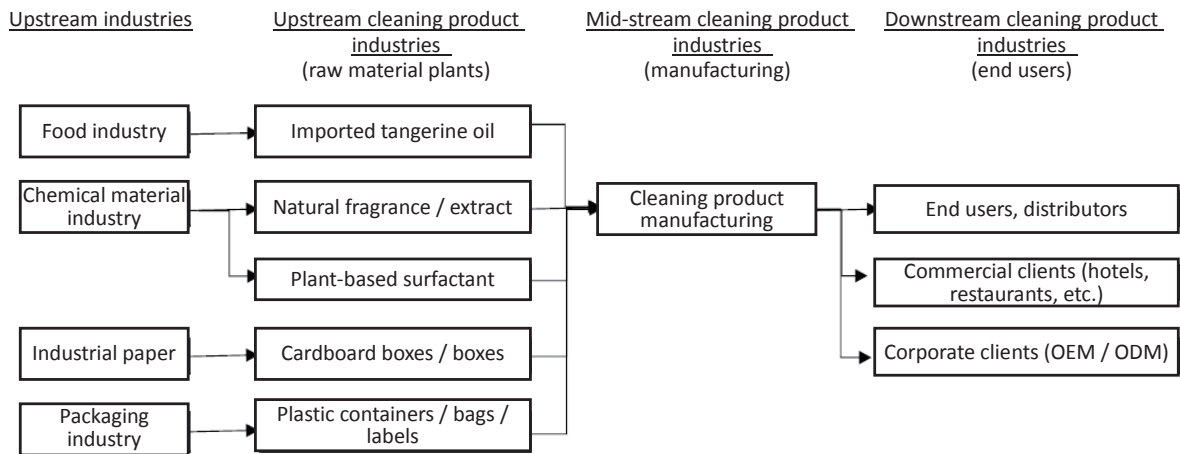
2. Relationships with upstream, mid-stream, and downstream companies

The Company's supply chain comprises upstream paper pulp manufacturers and downstream vendors, distributors, and end consumers. The upstream of the cleaning product industry is special ingredient (such as tangerine oil, natural fragrance, etc.), while the downstream is various retailers, distributors, and end consumers. The relevant relationships with upstream, mid-stream, and downstream companies are listed as follows:

A. Upstream, mid-stream, and downstream paper industry



B. Upstream, mid-stream, and downstream cleaning product industries



3. Product development and competitive landscape

A. Product development

YFY's brands such as "Mayflower," "Delight," and "Tender" have been ranked number one in the domestic market share for many years, and continues to meet the diversified needs of consumers with high-quality innovative products. In recent years, based on the consumer's trust and distribution advantages, we have expanded into the sanitary ware market. Our brand "Orange House" has stayed the number one natural sanitary ware brand among domestic consumers; the second brand "Fresh Sense" and mid-range "Delight detergent" are also promoted to achieve the goal of becoming a multi-category household brand.

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

B. Competitive landscape

Competition in the household paper product market in Taiwan and China is intense. Main suppliers in Taiwan include Kimberly-Clark, Cheng Loong, and Golden Century Paper. In China, there are Gold Hongye Paper, Hengan and Vinda. The management team has positioned the Company as a leading brand and used product differentiation to launch the high-end paper products to satisfy the diversified needs of consumers and successfully increase the Company's market share in the high-end market as well as begin the Company's multi-brand and multi-category developmental layout.

In terms of cleaning products, we continue to launch high-quality products that put consumers' minds at ease. Compared to other natural cleaning product suppliers, such as Nice and Namchow, the Company's "Orange House" has become a leading brand for natural cleaning products in Taiwan due to its natural ingredients and effectiveness. We promoted the second brand "Fresh Sense" with fashionable office workers as the target consumers. We adopted a broad marketing strategy for "Pride detergent" and succeeded in positioning the brand in the mid-range cleaning products market.

The "National Brand Yushan Award" is the most prestigious and iconic enterprise evaluation in Taiwan and is often referred to as the Academy Awards for national brands. YFY and subsidiaries have won three best product awards with the "Mayflower thick toilet papers," "Orange House Laundry Detergent Series," and "Orange Oil Food Ware Cleaning Agent" which demonstrated the quality of our products. Currently, we continue to expand overseas markets and focus on selling the primary household cleaning products in Taiwan to retail channels and e-commerce operators in Hong Kong, Macao, China, and the United States.

(III) Overview of Technology and R&D

1. Technological level of businesses

The Company has grasped the core technologies for the manufacturing of household paper and cleaning products and continues to research and develop innovative niche products. Currently, the Company continues to research and develop equipment, processes, formulas, applications, and energy consumption improvement and reuse of available resources for production units as well as actively conducted research and development of bio-based special materials and high-value applications. The Company also implemented the reuse of pulp by-products and Production Residue Reclamation to realize the concept of economic cycle.

2. Research and development

The Company owns various patents and has obtained FSC, HACCP, GMP, ISO 22000, the Green Mark and EEWH green building certifications. Currently the majority of household paper is boxed tissues. The Company launched a revolutionary product: thick boxed tissues, which has gained a customer satisfaction of 98%. Regarding cleaning products, the Company's cleaning products allow consumers to deal with all sorts of stains in their lives and the R&D team actively develops multi-functional detergents and condensed laundry detergents to help busy modern people finish the cleaning tasks more efficiently. In addition, in order to ease the environmental burden caused by plastic packaging and containers that do not degrade easily in earth and to meet the trends of environmental protection and recycling resources, the Company has currently succeeded in developing toilet paper packaging made of corn starch and environment-friendly materials. The corn starch packaging can automatically degrade in earth after use, which can significantly reduce the burden on Earth caused by plastic pollutants.

3. R&D investments during the recent year

Up to the print date of this annual report, direct R&D expenditure in 2021 was approximately NT\$18,234 thousand.

(IV) Long-term and Short-term Business Development Plans

1. Short-term business development plans

- A. Continue optimizing the product structure and increase automation productivity. Plan optimized production lines and accelerate collaboration with OEM customers to increase the utilization rate of production equipment.
- B. Expand high-end paper product markets, consolidate the Mayflower thick toilet papers sub-brand, and expand product categories.
- C. Make use of R&D technologies for cleaning products and continue to develop unique and innovative products. Actively expand the high-end and mid-range cleaning product markets. Develop existing channels for cleaning products and improve sales and turnover.
- D. Active develop special technologies for raw paper, expand niche products, and continue to improve production efficiency.
- E. Enhance the development of commercial channels and develop high-volume customers. Enhance strategies for cooperation with strategic distributors and create mutual benefits.
- F. Expand and work with online/offline channels to increase sales and continuously elevate brand reputation.

2. Mid-term and long-term business development plans

- A. Continue to optimize organization work efficiency and management and cultivate next-generation talents based on plans.
- B. Enhance brand management, shape approaches based on the target audience and market segmentation, and increase various brand values and product virtues.
- C. Expand the export market, develop OEM/ODM customers for paper and cleaning products, and work with high-end partners to create synergy.
- D. Invest in the development of innovative products, including household products, commercial products, and a diversity of products to enhance high-end market management.
- E. Develop new strategic partners, expand high value-added products, and develop new types of services.
- F. Implement a circular economy, establish measures for processing production wastes, and cultivate green energy and low-carbon development to ensure simultaneous advancement of both development and environmental protection and achieve sustainability.

II. Market outlook

(I) Market analysis

1. Market conditions:

Based on statistics by the Taiwan Paper Industry Association, the total production of household paper in Taiwan in 2020 was 307 thousand tons, increasing by 3.4% compared to 2019. The import was 128 thousand tons, which was a significant increase of 25.1%. In terms of sales volume, the domestic consumption was 404 thousand tons, increasing by 7.6% compared to 2019; Exports were 31 thousand tons, which was a 30.8% growth compared to the previous year despite the low volume.

2. Business overview:

In 2020, the Company's household paper production was 183,000 tons, declining by 0.3% compared to 2019. In 2020, the household product domestic sales were 82 thousand tons which was an 8% increase from 2019. It was mainly caused by changes in consumer habits as a result of the epidemic in Taiwan, mass production of new products, and changes in the product portfolio which increased sales. Exports were 117 thousand tons, declining by 7.9% from the previous year. The main reason was the impact of the epidemic in foreign markets and the reduction in business scale due to the adjustment of sales channels.

Competition in the household paper product market in Taiwan is intense. The management team has positioned the Company as a leading brand and used product differentiation to launch the high-end paper product "Mayflower thick toilet papers" to satisfy the diversified needs of consumers and successfully increase the Company's market share in the high-end market. In terms of cleaning products, anti-virus detergent and anti-virus sprays launched by "Orange House" created high user satisfaction rate and outstanding sales performance.

3. Market share:

According to the data of EOL iSurvey (from January to December, 2020), the Company's domestic market share in boxed tissues and kitchen paper (including brand and OEM sales volumes) was 34% with the products covering mid and high price ranges for different customer groups. The domestic market share in cleaning products was 32%. Orange House was the representative brand which satisfied the needs of consumers who pursue high quality with its natural and non-toxic ingredients. In the future, the Company will continue to launch high-quality and innovative products to become one of the leading brands in consumer goods in Taiwan.

4. Supply, demand and growth potential in the market in the future:

A. Paper products:

The domestic needs for household paper are polarized. High-end consumers pursue high-quality products that are thick and soft while other consumer groups pursue competitive prices and high cost-performance ratio. The Company and subsidiaries respond to market changes and cater to different groups' needs by launching products that meet the expectations to satisfy market demand. The Company will manage the market in-depth and maintain the leading position.

B. Cleaning products:

Orange House opened the way for domestic natural cleaning products to enter retail markets. While achieving cleaning purposes, it does not cause a burden to the environment, which answered the increasing call for environmental protection by domestic consumer groups, thus becoming the leading brand of domestic detergents. In combination with the multi-brand strategy, the Company will continue to expand domestic and overseas cleaning product markets.

5. Competitive niche and countermeasures:

Facing the maturity of Taiwan's household paper market in 2021, the Company will continue to improve the paper product businesses, accelerate expansion of cleaning products, enhance product quality through FSC, HACCP, GMP and ISO 22000 certifications and develop innovative products. We shall continue to leverage brand advantages to provide consumers with personalized experience and innovative

products of value as we strive for self-improvement and stable growth. Optimize the product and production and sales structure, enhance the organization structure, and increase manufacturing automation. Increase the sales of non-paper products by utilizing comprehensive distribution and channel marketing and expand sales in domestic and foreign markets. Increase the proportion of niche products and elevate business performance to even greater heights to achieve record sales and profitability.

The subsidiary initiated plans for public listing in early 2020 and completed public offering and emerging stock registration in the same year. It is expected to accelerate and complete the public listing process and use the public listing to improve the Company's image and maintain the company brand's leading position in Taiwan, which will create a valuable brand image for countering intense competition on the market. The brand image will also help attract talents, retain key talents, and create core value and a high-quality corporate culture.

(II) Application and production of key products

1. Household paper

Applications: Pull-up toilet tissue, kitchen towel and hand towel.

Production: Wood pulp → stir pulp → grind pulp → mix pulp → papermaking → first rolling → splitting into stripes → embossing → folding → cutting → product packaging → boxing.

2. Cleaning products

A. Liquids

Applications: Dishwashing detergents, kitchen detergents, laundry detergents, shower gels, hand cleansers and floor detergents.

Production: In the pre-mixing tanks, pre-mix all the ingredients → stir and mix well the pre-mixed ingredients in the main stirring tank → store the mixed half-finished product in the storage tank → the filler calls the storage tanks by the number of the ingredient to transport the half-finished product → fill in the packaging → box and stack.

B. Solids

Applications: laundry detergent balls, washing powder and bleaching powder.

Production: In the pre-mixing tanks and the main stirring tank, pre-mix the ingredients → store the mixed half-finished product in the storage tank → transport the mixture from the storage tank to the filler → fill in the packaging → box and stack.

(III) Supply status of primary raw materials

The main ingredients of the Company's household paper and cleaning products are listed as follows:

1. Household products

Key raw material(s)	Main suppliers	Supply status
Wood pulp	Chung Hwa Pulp Corp. and CMPC	Sufficient
Paper boxes	YFY Packaging Inc.	Sufficient
Packaging	AG film technology, SHIANN HANN PLASTICS MFG., Lien Bin Plastics MFG. and Gute Pack	Sufficient
Chemicals	Solenis Taiwan	Sufficient

2. Cleaning products

Key raw material(s)	Main suppliers	Supply status
Tangerine oil	Sucorrico Citrus Industrial	Sufficient
Plant-based surfactant	Taiwan NJC Corporation, Kao Chemical and BASF	Sufficient
Spray gun / dispenser	AFA Company	Sufficient

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

1. Major suppliers in last two years:

Unit: NT\$1,000; %

Item	2019				2020			
	Name	Amount	Percentage of net total annual purchase	Relationship with issuer	Name	Amount	Percentage of net total annual purchase	Relationship with issuer
1	Guangdong Ding Fung Pulp & Paper Co., Ltd.	1,060,125	16.95	Fellow subsidiary	Company B	663,948	12.59	-
2	Company B	782,980	12.52	-	Guangdong Ding Fung Pulp & Paper Co., Ltd.	604,260	11.46	Fellow subsidiary
3	Company C	726,895	11.62	-	-	-	-	-

2. Major sales clients in last two years:

Unit: NT\$1,000; %

Item	2019				2020			
	Name	Amount	Percentage of net total annual sales	Relationship with issuer	Name	Amount	Percentage of net total annual sales	Relationship with issuer
1	Company A	1,283,236	12.16	-	Company A	1,725,707	17.01	-

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

Unit: ton; NT\$1,000

Output volume Key product(s)	Year	2019			2020		
		Capacity	Production	Value	Capacity	Production	Value
Paper products		218,130	158,678	7,745,805	201,330	150,965	7,325,708
Cleaning products		19,162	6,180	201,917	19,338	6,427	233,486
Total		-	-	7,947,722	-	-	7,559,194

(VI) Sales in last two years

Unit: ton; NT\$1,000

Sales volume and value Key product(s)	Year	2019				2020			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Paper products		73,722	4,426,940	126,931	4,810,148	81,490	4,907,977	116,917	3,985,769
Cleaning products		5,327	456,084	479	62,585	6,037	561,723	317	29,399
Others		-	792,108	-	886	-	662,558	-	312
Total		-	5,675,132	-	4,873,619	-	6,132,258	-	4,015,480

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

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

Year		2019	2020	Current year up to the print date of this annual report
Number of employees	General personnel	889	871	850
	Technical personnel	607	573	570
	Total	1,496	1,444	1420
Average age (year old)		38.0	38.3	39.2
Average years of service		7.3	7.6	7.8
Academic qualification	Master's degree or higher	5.5%	6.1%	6.1%
	University/College	50.7%	51.9%	51.2%
	Senior high school and below	43.8%	42.0%	42.7%

Note: The number of employee does not include dispatched workers.

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

Certification Title	Finance and accounting	Auditing
CPA of ROC	1	0
Certified internal auditor (CIA) organized by Institute of Internal Auditors	1	2

IV. Environmental protection expenditure information

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

(II) Environmental sustainability

1. Greenhouse gas emissions in the past two years

Inventory shows that the Company emitted 105,074 tons-CO₂e in 2020. Emission data for the year are provided below:

Year	2019			2020		
	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions
Total	72,557	61,537	134,094	57,486	47,588	105,074

Scope 1 (direct emissions): Emissions from operations that are owned or controlled by the reporting company, such as gas pipes, processes, ventilation facilities, and vehicles owned or controlled by the company are calculated based on the fuel consumption volume and the "Greenhouse Gas Emission Factor Management Table Version 6.0.4" of the Environmental Protection Administration.

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

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

In 2020, the Company's key energy conservation measures are listed below:

- Use of renewable fuel to replace coal in boilers.
- Recycling of residual heat from production.
- Improvement in production and replacement with energy-efficient, energy-saving air compressors and pumps.
- Participate in the demand response load management measures of Taiwan Power Company to actively reduce electricity consumption.

- Continue to introduce and promote the ISO 50001 Energy Management System.

The effectiveness of each energy measure is as below:

Energy conservation item	2020
Energy conservation effectiveness (thousand kWh)	324
GHG reduction effect (t-CO2e)	165

GHG emission reduction associated with reduction in energy consumption was estimated at 165 ton-CO2e.

Taipower carbon emission coefficient used in 2019: 0.509 kgCO2/kwhr

3. Acquisition of environmental management certification by the Company

The Company's main production units are equipped with ISO14001-certified environmental management systems. The systems are regularly verified by external verification units such as DNV. Internal and external auditing are conducted regularly to maintain system validity and continue to improve the effectiveness of environmental protection. Valid system certificates are kept in each production unit.

In addition to ISO 14001 environmental management systems, product and material environmental protection certifications are also obtained in an effort to work with our upstream suppliers and downstream consumers to protect the environment. These certifications include the Forest Stewardship Council- Chain of Custody (FSC-CoC) and ISO 50001.

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

V. Employer-employee relationship

(I) Present status of employer-employee relationship

1. Employee benefits measures

The Company provides employees with a comfortable, safe and friendly work environment and values employee health. Regular employee physical checkups are held. Non-scheduled company trips, family days, artistic and cultural events and diverse club activities are held to help employees balance work with life.

- Remuneration and bonuses: Sound salary structure, annual performance bonuses, employee bonus and stock option.
- Medical insurance and healthcare: Employee group insurance, employee physical checkups, labor insurance and health insurance and employee family insurance.
- Thoughtful welfare systems:
 - Chinese New Year bonus, Worker's Day, and birthday gifts
 - Subsidies for weddings, funerals, child birth, hospitalization, disability, and self-improvement activities
 - Scholarships for employees' children, and on-the-job training incentives
 - Preschool educational books for employees and free subscription to monthly publications and magazines
 - Retiree appreciation
 - Business trip allowance
 - Employee of the year and senior awards
 - Group insurance for employees and their dependents
 - Medical rooms in plants to ensure the occupational safety and health of employees
 - Regular medical check-ups that exceed requirements of the Labor Health Protection Regulations
- Leisure activities for employees
 - Employee club activities
 - Employee birthday celebrations, sports competition, and travel activities
 - Recreational facilities and audio-visual entertainment equipment in plants

2. Retirement program

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

year to protect labor rights.

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

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

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

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

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

The mental incapacity or physical disability specified in the preceding paragraph shall be determined by the level 1 to level 6 disabilities of Labor Insurance. An additional 20% on top of the amount calculated according to Article 55, Paragraph 1, Subparagraph 2 of the Labor Standards Act shall be given to workers forced to retire due to disability incurred from the execution of their duties.

- Calculation of the years of service and pension:
 - (6) Employees' years of service shall be calculated starting from the date of employment and the years of service before and after the implementation of the Labor Standards Act and the years of service after the implementation of

the Labor Pension Act shall be combined for calculation. The duration shall be based on the years of actual continuous service in this Company.

(7) The years of service of employees assigned to affiliated enterprises to provide services or transferred from affiliated enterprises to the Company to provide services shall be combined for calculation.

(8) Where an employee is employed by the Company and an affiliated enterprise and applies for retirement in accordance with regulations, the total pension payment amount shall be calculated based on the ratio of the number of months served in each company and paid by the companies.

- Status of YFY's appropriation of labor pension reserve in 2020

(1) Year-round appropriation: NT\$6,034 thousand.

(2) Balance of assets at the end of the year: NT\$93,398 thousand.

3. Labor-management communications

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

(II) Losses due to labor disputes in last year and up to the print date for this annual report: This event did not occur at the Company.

(III) Employee learning and development

"Talent management" is one of the important indicators of the Company's sustainable operation. In response to the organizational vision and goals, we aim at "supporting the team to reach performance goals" and "continuing to invest in and cultivate management and professional talents" as our training goals. We provide abundant and diverse learning channels and training contents to allow employees to obtain excellent development in management or professional fields based on their own qualities and strengths while developing their career. At the same time, we enhance the management abilities of supervisors at all levels and motivate employees to dedicate and commit so that employees can grow with the Company.

In addition to physical courses, the Company also promotes the LMS digital learning platform so that employees can learn at any time; We actively realize on-the-job training and skill assessment systems through rotation so that employees may learn and improve their work skills in the actual workplace.

(1) Orientation training: The aim is to assist new employees to adapt to the corporate culture and work environment rapidly and understand various businesses and the operations of the relevant departments.

- (2) New supervisor training: The aim is to enhance the new supervisors' team leading and strategic thinking abilities to improve the effectiveness of organizational management.
- (3) Talent cultivation training: In order to cultivate talents within the Company, training courses were planned based on the reserve management cultivation plan, the High Potential Talent Program (HIPO) and the Succession Plan to improve organizational strength and develop competitive edges in talents.
- (4) Core competency training: This is the Company's seven core competency training, including precise implementation, problem solving, communication and coordination, team work, strategic thinking, leadership and innovation. Every employee shall receive the core competency training courses and be familiarized with the important spirits and behavioral indicators of the core competencies. In addition, the training contents shall be designed based on the key conducts corresponding to general employees, mid- and base-level supervisors and high-level supervisors.
- (5) General training: This is the common course aimed at developing employees' knowledge and skills related to work management in independent operations to improve performance.
- (6) Professional training: This is the professional course aimed at enhancing work-related skills of departmental professionals.

The focus of education and training outcomes in 2020 is as below:

Course type	No. of classes	Total number of people	Total hours	Total costs (thousand NT\$)
Professional competency	563	6,652	18,902	1,614.7
Management and general knowledge	213	6,845	11,621	1,311.5
New employee training	95	1,695	9,999	59.5

(IV) Employee code of conduct or ethics

The Company's *Work Rules* provide a service guideline and clear work principles for employee compliance. To more effectively protect the Company's trade secrets, operating profits, and competitive edge in response to the amendment made to the Trade Secrets Act in 2013, the Company has prescribed Integrity and Confidentiality of Intellectual Property Agreement as a mandatory document for registration of new recruits.

YFY subsequently promulgated the *YFY Employee Code of Conduct* in May 2016. Employees' behavior must comply this Code of Conduct when performing daily tasks and operations: Employees must take the initiative to avoid improper benefits, perform their duties properly, and effectively utilize Company resources and public properties during work. The *Employee Code of Conduct* prescribes reporting channels and investigation procedures. Regular education and training programs are provided to raise employees' awareness towards ethical conduct.

The Ethical Corporate Management Operating Procedures and Code of Conduct were promulgated in August, 2020 in accordance with the Company's Ethical Corporate Management Guidelines and TWSE's Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. The Company performs business activities based on the principles of fairness, integrity, accountability, and transparency. The *Ethical Corporate Management Operating Procedures and Code of Conduct* were established to implement the ethical corporate management policy, actively prevent unethical conduct and conflicts of interest, establish whistleblowing channels, and regulate the conduct of relevant personnel.

(V) Employee safety and health

Employees are the Company's important assets. Therefore, the Company has the responsibility and the obligation to protect the health and safety of every member of this big family. YFY plants have obtained ISO 45001:2018 occupational health and safety management systems certification. Every year, an impartial third-party institution is commissioned to conduct audit to ensure the effective operation of the safety and health management systems. The implementation is adjusted and realized in timely response to legal requirements and on-site conditions. YFY plants have declared their determination to promote employee safety and the vision to create a corporate safety culture.

To ensure employee health and safety, the Company has adopted active measures:

1. Responsibilities of different levels of responsible units: The Company has established a dedicated unit and personnel for occupational safety and health, in

charge of formulating the Occupational Safety and Health Guidelines for the plants and the guidance, supervision and audit of occupational safety and health measures. The occupational safety teams of plants of all levels are directly responsible for the promotion, execution, and on-site management of occupational safety related works.

2. Safe operations promotion: Through safety education and labor safety systems, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.
3. Operation standardization: Standard operating procedures and work safety analysis are implemented for various operations.
4. Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. Health promotion programs for employees are developed according to health checkup results.
5. Employee safety training: Employees and contractors must receive safety training upon entering the Company and during reassignments. Departments hold ad hoc work safety training and education seminars to increase collective safety awareness.
6. Accident reporting and investigation: Any work accident at any of the plants must be reported to the dedicated officer immediately and an investigation for cause and improvement will take place. At the same time, investigation shall take place for relevant operations and the work accident shall be notified to all employees to prevent further occurrence of similar events.
7. Work safety reviews and disaster drills: Occupational safety and health meetings

health committee to participate in the discussion of safety and health operations. Communication channels and participation on safety and health matters are increased for employees in all departments via the employee representatives and safety and health policies are realized as well. The goal is to achieve zero work accident for all employees.

8. First aid training: All YFY plants are equipped with the automated external defibrillator (AED), and 70% or more of the employees have received the CPG+AED training and obtained certification. First aid training has been listed a mandatory training course for all employees.
9. Health nursing and activities: Worker health service nurses are commissioned to actively pay attention to employees' health status and provide appropriate assistance. The nurses also regularly follow up on employees' health status. Various health promotion activities are held to declare the determination to promote employee safety and health and the vision to create a corporate safety culture.

VI. Material contracts

Contract type	Parties Involved	Commencement date/expiration date	Content	Restrictive clauses
Long term loan contract	Made jointly by 7 banks including Chang Hwa Bank, Bank of Taiwan, and Land Bank of Taiwan with 5 participating banks	2019/12/25-2024/12/25	5-year syndicated loan repaid at maturity	N/A



Chapter 6. Financial Overview

- I. Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years
- II. Financial analysis for the last five years
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Financial Overview

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

(I) Simplified balance sheet and profit and loss statement - consolidated

1. Condensed consolidated balance sheet

Unit: NT\$1,000

Year Item		Financial data of the past five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets			4,077,204	4,190,690	3,373,870	3,787,354
Property, plant and equipment			4,728,473	4,385,605	4,024,234	3,298,154
Intangible assets			-	-	-	-
Right-of-use asset			-	-	389,841	306,207
Other assets			354,930	359,335	218,644	149,832
Total assets			9,160,607	8,935,630	8,006,589	7,541,547
Current liabilities	Before distribution		5,264,331	5,061,012	2,996,767	2,239,749
	After distribution		5,264,331	5,061,012	3,408,887	(Note 2)
Non-current liabilities			1,453,258	1,296,780	2,046,751	1,220,178
Total liabilities	Before distribution	N/A	6,717,589	6,357,792	5,043,518	3,459,927
	After distribution		6,717,589	6,357,792	5,455,638	(Note 2)
Equity attributable to owners of parent			2,399,019	2,514,260	2,888,149	4,033,908
Share capital			2,224,918	2,272,994	2,416,360	2,449,060
Capital surplus			151,622	151,622	151,622	219,055
Retained earnings (cumulative losses)	Before distribution		61,822	173,146	488,368	1,569,656
	After distribution		13,746	29,780	76,248	(Note 2)
Other equity			(39,343)	(83,502)	(168,201)	(203,863)
Treasury stock			-	-	-	-
Non-controlling interest			43,999	63,578	74,922	47,712

Total equity	Before distribution	2,443,018	2,577,838	2,963,071	4,081,620
	After distribution	2,443,018	2,577,838	2,550,951	(Note 2)

Data source: CPA-audited financial statements

Note 1: The Company did not prepare a consolidated financial statement in 2016 and only started in 2018. The data for 2017 are listed in the comparison section in the 2018 statement.

Note 2: The 2020 earnings distribution proposal has yet to be approved by the shareholders' meeting.

2. Condensed consolidated statement of comprehensive income

Unit: Except where New Taiwan Dollar is used for earnings per share, NT\$1,000 is used.

Item \ Year	Financial data of the past five years (Note)				
	2016	2017	2018	2019	2020
Operating revenue		10,766,695	11,729,027	10,548,751	10,147,738
Gross profit		1,831,017	1,816,158	2,360,637	3,236,116
Operating profit		97,944	295,862	778,478	1,545,970
Non-operating income and expenditure		6,059	(58,216)	(112,271)	205,153
Pre-tax profit (loss)		104,003	237,646	666,207	1,751,123
Net income (loss) from continuing operations		59,048	179,900	481,153	1,500,693
Loss from discontinued operations		-	-	-	-
Net profit (loss) for the current period	N/A	59,048	179,900	481,153	1,500,693
Other comprehensive income for the current period (after-tax profit)		(67,894)	(45,080)	(90,752)	(29,603)
Total comprehensive income for the current period		(8,846)	134,820	390,401	1,471,090
Net income attributable to owners of the parent		52,359	160,339	464,682	1,487,228
Net income attributable to non-controlling interest		6,689	19,561	16,471	13,465

Total comprehensive income attributable to owner of the parent		(15,550)	115,241	373,889	1,457,746
Total comprehensive income attributable to non-controlling interest		6,704	19,579	16,512	13,344
Earnings per share		0.22	0.66	1.92	6.12

Data source: CPA-audited financial statements

Note: The Company did not prepare a consolidated financial statement in 2016 and only started in 2018. The data for 2017 are listed in the comparison section in the 2018 statement.

(II) Simplified balance sheet and profit and loss statement - individual

1. Condensed individual balance sheet

Unit: NT\$1,000

Item	Year	Financial data of the past five years				
		2016	2017	2018	2019	2020
Current assets		2,392,251	2,491,087	2,556,320	2,161,872	1,478,151
Equity method-accounted investments		2,920,825	2,810,314	2,745,756	2,707,628	3,324,844
Property, plant and equipment		2,001,190	1,990,413	1,917,552	1,885,506	1,793,435
Intangible assets		-	-	-	-	-
Right-of-use asset		-	-	-	227,102	180,236
Other assets		33,726	36,273	58,734	55,187	36,823
Total assets		7,347,992	7,328,087	7,278,362	7,037,295	6,813,489
Current liabilities	Before distribution	4,105,998	3,483,468	3,481,242	2,154,405	1,592,598
	After distribution	4,105,998	3,483,468	3,481,242	2,566,525	(Note)
Non-current liabilities		827,425	1,445,600	1,282,860	1,994,741	1,186,983
Total liabilities	Before distribution	4,933,423	4,929,068	4,764,102	4,149,146	2,779,581

	After distribu tion	4,933,423	4,929,068	4,764,102	4,561,266	(Note)
Equity attributable to owners of parent		2,414,569	2,399,019	2,514,260	2,888,149	4,033,908
Share capital		2,145,622	2,224,918	2,272,994	2,416,360	2,449,060
Capital surplus		151,622	151,622	151,622	151,622	219,055
Retained earnings (cumulative losses)	Before distribu tion	87,806	61,822	173,146	488,368	1,569,656
	After distribu tion	8,510	13,746	29,780	76,248	(Note)
Other equity		29,519	(39,343)	(83,502)	(168,201)	(203,863)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribu tion	2,414,569	2,399,019	2,514,260	2,888,149	4,033,908
	After distribu tion	2,414,569	2,399,019	2,514,260	2,476,029	(Note)

Data source: CPA-audited financial statements

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

2. Condensed individual statement of comprehensive income

Unit: Except where New Taiwan Dollar is used for earnings per share, NT\$1,000 is used.

Item \ Year	Financial data of the past five years (Note)				
	2016	2017	2018	2019	2020
Operating revenue	5,617,562	5,085,055	5,781,118	5,708,029	5,900,941
Gross profit	1,612,351	1,070,577	1,133,317	1,468,743	2,077,923
Operating profit	307,213	144,851	250,917	523,472	1,073,316
Non-operating income and expenditure	(180,980)	(70,914)	(44,349)	47,674	626,892
Pre-tax profit (loss)	126,233	73,937	206,568	571,146	1,700,208

Net income (loss) from continuing operations	85,103	52,359	160,339	464,682	1,487,228
Loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the current period	85,103	52,359	160,339	464,682	1,487,228
Other comprehensive income for the current period (after-tax profit)	(133,950)	(67,909)	(45,098)	(90,793)	(29,482)
Total comprehensive income for the current period	(48,847)	(15,550)	115,241	373,889	1,457,746
Earnings per share	0.35	0.22	0.66	1.92	6.12

Note: CPA-audited financial statements

(III) Names of auditing CPAs of the past five years and their audit opinions

1. Names of auditing CPAs and their audit opinions

Year	Accounting firm	Certified Public Accountant	Review recommendations
2016	Deloitte and Touche Taiwan	Shu Wan Lin	Unqualified opinion
2017	Deloitte and Touche Taiwan	Shu Wan Lin	Unqualified opinion
2018	Deloitte and Touche Taiwan	Shu Wan Lin, Benjamin Shih	Unqualified opinion
2019	Deloitte and Touche Taiwan	Shu Wan Lin, Benjamin Shih	Unqualified opinion
2020	Deloitte and Touche Taiwan	Shu Wan Lin, Hsiu-Ming Hsu	Unqualified opinion

2. Explanations by the Company, the former and succeeding CPAs shall be given for any change or replacement of CPA in the last five years.

For the Company's plan to go public and apply for listing, the two CPAs Shu Wan Lin and Benjamin Shih had co-audited the financial statements since 2018 for compliance with legal

requirements. Subsequently, due to the internal position adjustments in Deloitte and Touche Taiwan, the CPAs were changed to Shu Wan Lin and Lilac Shue since the second quarter of 2020.

II. Financial analysis for the last five years

Financial analysis - consolidated

Item	Year	Financial analysis for the last five years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt-to-asset ratio		73.33	71.15	62.99	45.88
	Long-term capital to property, plant and equipment		82.40	88.35	124.49	160.75
Liquidity (%)	Current ratio		77.45	82.80	112.58	169.10
	Quick ratio		44.35	47.00	70.46	116.73
	Times interest earned ratio		297.96	608.20	1,596.32	5,731.89
Operating ability	Receivables turnover (times)		7.18	8.00	7.69	8.30
	Average days receivable		50.83	45.62	47.46	43.97
	Inventory turnover (times)		6.91	6.38	5.95	6.60
	Payables turnover (times)		5.50	5.34	6.22	9.45
	Average inventory turnover (days)		52.82	57.21	61.34	55.30
	Property, plant and equipment turnover (times)	N/A	2.24	2.57	2.51	2.77
	Total assets turnover (times)		1.19	1.30	1.25	1.31
Profitability	Return on assets (%)		1.13	2.40	6.10	19.62
	Return on equity (%)		2.41	7.17	17.37	42.60
	Pre-tax profit to paid-in capital ratio (%)		4.67	10.46	27.57	71.50
	Net margin (%)		0.55	1.53	4.56	14.79
	Earnings per share (NT\$)		0.22	0.66	1.92	6.12
Cash flows	Operating cash flow ratio (%)		9.18	8.07	29.28	94.13
	Cash flow adequacy ratio (%)		(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Cash flow reinvestment ratio (%)		6.44	5.20	10.20	20.52
Leverage	Operating leverage		6.02	2.56	1.65	1.29
	Financial leverage		2.16	1.19	1.06	1.02

Explanations for any financial ratio increase or decrease that reaches 20% in the last two years:

1. Debt-to-asset ratio decrease: This mainly resulted from the increase in profit in 2020 and the repayment of loans from banks that decreased the total debt. Furthermore, the selling of stock options in Beijing increased cash flow and the debt-to-asset ratio decreased accordingly.
2. Increase in long-term capital to property, plant and equipment: This mainly resulted from the increase in profit in 2020 that increased equity. Furthermore, the selling of stock options of YFY Inc. (Beijing) and the selling of equipment not in operation in the papermaking production line in Kunshan caused a simultaneous decrease in property, plant and equipment. Therefore, the long-term capital to property, plant and equipment increased.
3. Increase in current ratio and quick ratio: This mainly resulted from repayment of short-term loans

and short term bills payable that caused a decrease in current liabilities. Furthermore, the selling of stock options in Beijing increased cash flow, causing the increase in current ratio and quick ratio.

4. Increase in times interest earned ratio: This resulted from the increase in profit in 2020 and the selling of stock options of YFY Inc. (Beijing), causing the increase in times interest earned ratio.
5. Increase in payables turnover: The percentage of the purchase of spot pulp increased to obtain a better purchase price, causing the increase in payables turnover.
6. Increase in ROA: This resulted from the increase in profit in 2020.
7. Increase in ROE: This resulted from the increase in profit in 2020.
8. Increase in pre-tax profit to paid-in capital ratio: This resulted from the increase in profit in 2020.
9. Increase in net margin: This resulted from the increase in profit in 2020 and the increase in net profit after tax was greater than the decrease in sales revenue.
10. Increase in earnings per share: This resulted from the increase in profit in 2020.
11. Increase in operating cash flow ratio: This resulted from the increase in profit in 2020, causing the increase in operating cash flow. In addition, the repayment of loans and short term bills payable and the decrease in procurement from stakeholders caused a decrease in current debt, thus the overall operating cash flow ratio increased.
12. Increase in cash flow reinvestment ratio: This resulted from the increase in profit in 2020, causing the increase in operating cash flow, and the cash flow reinvestment ratio increased accordingly.
13. Decrease in operating leverage: This resulted from the increase in profit in 2020.

Note 1: All financial statements were CPA-audited.

Note 2: The Company only started to prepare the 2017 consolidated financial statement in 2018, so there were no data on the operating cash flow or capital expenditure for the last five years. Therefore, no calculation was conducted.

(II) Financial analysis - Individual

Item	Year	Financial analysis for the last five years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt-to-asset ratio	67.14	67.26	65.46	58.96	40.80
	Long-term capital to property, plant and equipment	162.00	193.16	198.02	258.97	291.11
Liquidity (%)	Current ratio	58.26	71.51	73.43	100.35	92.81
	Quick ratio	46.88	57.70	58.53	81.67	60.44
	Times interest earned ratio	424.23	290.42	659.90	1,715.83	7,580.02
Operating ability	Receivables turnover (times)	6.62	6.00	6.17	6.53	7.48
	Average days receivable	55.13	60.83	59.15	55.89	48.79
	Inventory turnover (times)	8.65	8.81	9.55	9.40	9.51
	Payables turnover (times)	5.80	5.73	6.57	7.44	7.78
	Average inventory turnover (days)	42.19	41.43	38.21	38.82	38.38
	Property, plant and equipment turnover (times)	3.00	2.55	2.96	3.00	3.21
Profitability	Total assets turnover (times)	0.75	0.69	0.79	0.80	0.85
	Return on assets (%)	1.58	1.15	2.60	6.89	21.74
	Return on equity (%)	3.49	2.18	6.53	17.20	42.97

	Pre-tax profit to paid-in capital ratio (%)	5.88	3.32	9.09	23.64	69.42
	Net margin (%)	1.51	1.03	2.77	8.14	25.20
	Earnings per share (NT\$)	0.35	0.22	0.66	1.92	6.12
Cash flows	Operating cash flow ratio (%)	12.11	5.34	6.72	41.64	73.34
	Cash flow adequacy ratio (%)	(Note 2)	(Note 2)	109.17	141.08	196.73
	Cash flow reinvestment ratio (%)	11.55	3.68	4.54	14.71	11.46
Leverage	Operating leverage	1.46	2.10	1.62	1.40	1.19
	Financial leverage	1.15	1.37	1.17	1.07	1.02

Explanations for any financial ratio increase or decrease that reaches 20% in the last two years:

1. Debt-to-asset ratio decrease: This mainly resulted from the increase in profit in 2020 and the repayment of loans, causing a decrease in total debt, and the debt-to-asset ratio decreased accordingly.
2. Decrease in quick ratio: This mainly resulted from the repayment of loans and short-term bills payable and the increase in prepayments, causing a greater decrease in current asset than in current debt.
3. Increase in times interest earned ratio: This resulted from the increase in profit in 2020 and the selling of stock options of YFY Inc. (Beijing), causing the increase in times interest earned ratio.
4. Increase in ROA: This resulted from the increase in profit in 2020.
5. Increase in ROE: This resulted from the increase in profit in 2020.
6. Increase in pre-tax profit to paid-in capital ratio: This resulted from the increase in profit in 2020.
7. Increase in net margin: This resulted from the increase in profit in 2020.
8. Increase in earnings per share: This resulted from the increase in profit in 2020.
9. Increase in operating cash flow ratio: This resulted from the increase in profit in 2020, causing an increase in the operating cash flow. In addition, current debt decreased, and the overall operating cash flow ratio increased accordingly.
10. Increase in cash flow adequacy ratio: This resulted from the increase in profit in 2020, causing an increase in net operating cash flow in the last five years.
11. Decrease in cash flow reinvestment ratio: This resulted from the increase in profit in 2020 and the distribution of cash dividend, causing the decrease in cash flow reinvestment ratio.

Note 1: All financial statements were CPA-audited.

Note 2: There were no data on the operating cash flow or capital expenditure for the last five years. Therefore, no calculation was conducted.

The calculation formulas for the above are as follows:

1. Financial structure:

- (1) Debt-to-asset ratio = Total liabilities / total assets.
- (2) Ratio of long-term capital to real estate properties, factories and equipment = (Total equity + Non-current liabilities)/net amount of real estate properties, factories and equipment.

2. Liquidity:

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
- (3) Times interest earned ratio = PBIT/Interests paid during for this period.

3. Operating ability:

- (1) Receivables turnover (including accounts receivable and notes receivable from

operations) = Net sales / Average balance of receivables (including accounts receivable and notes receivable from operations).

(2) Average days receivable = 365 / receivables turnover.

(3) Inventory turnover = Cost of goods sold / Average inventory.

(4) Payable turnover (including accounts payable and notes payable from operations) = Cost of goods sold / Average balance of payables (including accounts payable and notes payable from operations).

(5) Average inventory turnover (days) = 365 / inventory turnover.

(6) Turnover of real estate properties, factories and equipment = net sales/average net amount of real estate properties, factories and equipment.

(7) Asset turnover = Net sales/Average total assets.

4. Profitability:

(1) Return on assets = [Net income + interest expenses x (1 – tax rate)] / Total assets.

(2) ROE = Income after tax/Net average equity.

(3) Net profit ratio = Income after tax/Net sales.

(4) Earnings per share = (Income attributable to owner of parent - stock dividends of preferred stocks) / weighted average number of issued shares.

5. Cash flows:

(1) Operating cash flow ratio = Net cash flow from operations / Current liabilities.

(2) Cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year inventory increase + 5-year cash dividends).

(3) Cash flow reinvestment ratio = (Net cash flow from operations – cash dividends) / (Gross fixed assets + long-term investments + other assets + working capital).

6. Leverage:

(1) Operating leverage = (Net sales – variable operating costs and expenses) / Operating income.

(2) Financial leverage = Operating income / (Operating income – Interest expenses).

III. Audit Committee's Review Report

Yuen Foong Yu Consumer Products Co., Ltd.

Audit Committee's Review Report

March 19, 2021

The Company's 2020 business report, financial statements, earnings distribution proposal, and auditors' reports relating to the financial statements were compiled by the Board of Directors, and have been examined and determined to be correct and accurate by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

We hereby submit the report.

2020 Annual General Shareholders' Meeting

Audit Committee Convener: Mei-Li Su

Handwritten signature of Mei-Li Su in black ink.

IV. Consolidated financial statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yuen Foong Yu Consumer Products Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Yuen Foong Yu Consumer Products Co., Ltd. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is as follows:

Valuation of Receivables

The Group has a large number of customers and its notes and accounts receivable are material in amount. When evaluating impairment of receivables, the management estimated less allowance based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we considered the valuation of receivables as a key audit matter.

For the disclosures related to receivables, refer to Notes 4,5 and 8 to the consolidated financial statements.

Our audit procedures for the abovementioned key audit matter included the following:

1. We obtained the reports of impaired receivables impairment and assessed the reasonableness of the methodology and data used in the reports.
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer's credit policy control and tracking of overdue receivables.

Other Matter

We have also audited the parent company only financial statements of Yuen Foong Yu Consumer Products Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe the matter 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 audits resulting in this independent auditors' report are Shu-Wan Lin and Shio-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,231,266	16	\$ 113,863	1
Financial assets at amortized cost - current (Notes 4 and 7)	86,564	1	238,058	3
Notes and accounts receivable (Notes 4, 8 and 16)	1,190,247	16	1,208,197	15
Accounts receivable from related parties (Notes 4, 16 and 25)	19,754	-	19,648	-
Other receivables from related parties (Note 25)	373	-	444,875	6
Inventories (Notes 4 and 9)	886,063	12	1,055,721	13
Other current assets	<u>373,087</u>	<u>5</u>	<u>293,508</u>	<u>4</u>
Total current assets	<u>3,787,354</u>	<u>50</u>	<u>3,373,870</u>	<u>42</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 17, 25 and 26)	3,298,154	44	4,024,234	50
Right-of-use assets (Notes 4, 12 and 25)	306,207	4	389,841	5
Investment properties	-	-	58,860	1
Deferred tax assets (Notes 4 and 18)	21,861	-	29,236	-
Other non-current assets	<u>127,971</u>	<u>2</u>	<u>130,548</u>	<u>2</u>
Total non-current assets	<u>3,754,193</u>	<u>50</u>	<u>4,632,719</u>	<u>58</u>
TOTAL	<u>\$ 7,541,547</u>	<u>100</u>	<u>\$ 8,006,589</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 77,000	1	\$ 825,000	10
Short-term bills payable (Note 13)	-	-	199,913	3
Notes and accounts payable	431,154	6	467,141	6
Accounts payable to related parties (Note 25)	309,786	4	254,677	3
Other payables	1,028,712	14	961,930	12
Other payables to related parties (Note 25)	29,814	-	30,294	-
Current tax liabilities (Notes 4 and 18)	256,032	3	162,262	2
Lease liabilities - current (Notes 12 and 25)	42,052	1	59,768	1
Other current liabilities (Note 25)	<u>65,199</u>	<u>1</u>	<u>35,782</u>	<u>-</u>
Total current liabilities	<u>2,239,749</u>	<u>30</u>	<u>2,996,767</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 26)	922,180	12	1,688,000	21
Deferred tax liabilities (Notes 4 and 18)	57,455	1	57,133	1
Lease liabilities - non-current (Notes 4, 12 and 25)	180,357	2	223,644	3
Net defined benefit liabilities (Notes 4 and 14)	22,047	-	32,205	-
Other non-current liabilities	<u>38,139</u>	<u>1</u>	<u>45,769</u>	<u>1</u>
Total non-current liabilities	<u>1,220,178</u>	<u>16</u>	<u>2,046,751</u>	<u>26</u>
Total liabilities	<u>3,459,927</u>	<u>46</u>	<u>5,043,518</u>	<u>63</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	<u>2,449,060</u>	<u>32</u>	<u>2,416,360</u>	<u>30</u>
Capital surplus	<u>219,055</u>	<u>3</u>	<u>151,622</u>	<u>2</u>
Retained earnings				
Legal reserve	76,248	1	29,780	-
Unappropriated earnings	<u>1,493,408</u>	<u>20</u>	<u>458,588</u>	<u>6</u>
Total retained earnings	<u>1,569,656</u>	<u>21</u>	<u>488,368</u>	<u>6</u>
Other equity	<u>(203,863)</u>	<u>(3)</u>	<u>(168,201)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>4,033,908</u>	<u>53</u>	<u>2,888,149</u>	<u>36</u>
NON-CONTROLLING INTERESTS	<u>47,712</u>	<u>1</u>	<u>74,922</u>	<u>1</u>
Total equity	<u>4,081,620</u>	<u>54</u>	<u>2,963,071</u>	<u>37</u>
TOTAL	<u>\$ 7,541,547</u>	<u>100</u>	<u>\$ 8,006,589</u>	<u>100</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
NET SALES (Notes 4, 16 and 25)	\$ 10,147,738	100	\$ 10,548,751	100
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 25)	<u>(6,911,622)</u>	<u>(68)</u>	<u>(8,188,114)</u>	<u>(77)</u>
GROSS PROFIT	<u>3,236,116</u>	<u>32</u>	<u>2,360,637</u>	<u>23</u>
OPERATING EXPENSES (Notes 4, 14, 17 and 25)				
Selling and marketing	(1,159,506)	(11)	(1,131,331)	(11)
General and administrative	(468,511)	(5)	(396,576)	(4)
Research and development	<u>(62,129)</u>	<u>(1)</u>	<u>(54,252)</u>	<u>-</u>
Total operating expenses	<u>(1,690,146)</u>	<u>(17)</u>	<u>(1,582,159)</u>	<u>(15)</u>
PROFIT FROM OPERATIONS	<u>1,545,970</u>	<u>15</u>	<u>778,478</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4, 17 and 25)	(31,093)	-	(44,523)	-
Interest income (Notes 4 and 25)	9,766	-	22,705	-
Other income (Note 25)	26,277	-	21,194	-
(Loss) gain on disposal of property, plant and equipment (Note 4)	(134,933)	(1)	798	-
Gain on disposal of investments (Note 22)	356,826	4	-	-
Other expenses (Notes 11 and 17)	(71,103)	(1)	(67,049)	(1)
Foreign exchange gain (loss) (Notes 4 and 28)	<u>49,413</u>	<u>-</u>	<u>(45,396)</u>	<u>-</u>
Total non-operating income and expenses	<u>205,153</u>	<u>2</u>	<u>(112,271)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,751,123	17	666,207	7
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(250,430)</u>	<u>(2)</u>	<u>(185,054)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,500,693</u>	<u>15</u>	<u>481,153</u>	<u>5</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	7,725	-	(7,618)	-
Tax effect of items that will not be reclassified (Notes 4 and 18)	<u>(1,545)</u>	<u>-</u>	<u>1,524</u>	<u>-</u>
	<u>6,180</u>	<u>-</u>	<u>(6,094)</u>	<u>-</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (35,783)	(1)	\$ (84,658)	(1)
Other comprehensive loss for the year, net of income tax	(29,603)	(1)	(90,752)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,471,090	14	\$ 390,401	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,487,228	15	\$ 464,682	5
Non-controlling interests	13,465	-	16,471	-
	\$ 1,500,693	15	\$ 481,153	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,457,746	14	\$ 373,889	4
Non-controlling interests	13,344	-	16,512	-
	\$ 1,471,090	14	\$ 390,401	4
EARNINGS PER SHARE (Note 19)				
Basic	\$ 6.12		\$ 1.92	
Diluted	\$ 6.09		\$ 1.92	

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company (Note 15)						Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus (Note 4)	Retained Earnings (Note 15)						
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Total				
BALANCE AT JANUARY 1, 2019	227,299	\$ 2,272,994	\$ 151,622	\$ 13,746	\$ 159,400	\$ 173,146	\$ (83,502)	\$ 2,514,260	\$ 63,578	\$ 2,577,838
Appropriation of 2018 earnings										
Legal reserve appropriated	-	-	-	16,034	(16,034)	-	-	-	-	-
Stock dividends of ordinary share	14,337	143,366	-	-	(143,366)	(143,366)	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	464,682	464,682	-	464,682	16,471	481,153
Other comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	(6,094)	(6,094)	(84,699)	(90,793)	41	(90,752)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	458,588	458,588	(84,699)	373,889	16,512	390,401
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(5,168)	(5,168)
BALANCE AT DECEMBER 31, 2019	241,636	2,416,360	151,622	29,780	458,588	488,368	(168,201)	2,888,149	74,922	2,963,071
Appropriation of 2019 earnings										
Legal reserve appropriated	-	-	-	46,468	(46,468)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,120)	(412,120)	-	(412,120)	-	(412,120)
Net income for the year ended December 31, 2020	-	-	-	-	1,487,228	1,487,228	-	1,487,228	13,465	1,500,693
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	6,180	6,180	(35,662)	(29,482)	(121)	(29,603)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,493,408	1,493,408	(35,662)	1,457,746	13,344	1,471,090
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	4,859	-	-	-	-	4,859	(34,900)	(30,041)
Share-based payment transactions	3,270	32,700	62,574	-	-	-	-	95,274	108	95,382
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(5,762)	(5,762)
BALANCE AT DECEMBER 31, 2020	244,906	\$ 2,449,060	\$ 219,055	\$ 76,248	\$ 1,493,408	\$ 1,569,656	\$ (203,863)	\$ 4,033,908	\$ 47,712	\$ 4,081,620

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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		
Income before income tax	\$ 1,751,123	\$ 666,207
Adjustments for:		
Depreciation expenses	447,429	498,906
Amortization expenses	4,819	6,835
Expected credit loss (reversed) recognized on accounts receivables	856	(10,508)
Finance costs	31,093	44,523
Interest income	(9,766)	(22,705)
Share-based compensation expense	46,332	-
Loss (gain) on disposal of property, plant and equipment	134,933	(798)
Gain on disposal of investments	(356,826)	-
Impairment loss on non-financial assets	4,780	-
Write-downs of inventories	15,469	43,076
Unrealized (gain) loss on foreign currency exchange	(13,838)	14,427
Changes in operating assets and liabilities		
Notes and accounts receivable	23,924	261,937
Accounts receivable from related parties	(52,177)	8,462
Other receivables from related parties	(4,522)	(11,297)
Inventories	159,117	480,637
Other current assets	(121,351)	55,912
Notes and accounts payable	(37,799)	(167,770)
Accounts payable to related parties	53,103	(1,017,831)
Other payables	156,730	161,293
Other payables to related parties	(1,046)	658
Other current liabilities	51,234	1,003
Net defined benefit liabilities	<u>(2,433)</u>	<u>(1,140)</u>
Cash generated from operations	2,281,184	1,011,827
Interest received	10,529	23,230
Interest paid	(32,984)	(42,266)
Income tax paid	<u>(150,446)</u>	<u>(115,392)</u>
Net cash generated from operating activities	<u>2,108,283</u>	<u>877,399</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Disposal (acquisition) of financial assets at amortized cost	161,108	(72,466)
Net cash inflow from disposal of subsidiary	749,344	-
Payments for property, plant and equipment	(181,838)	(110,805)
Proceeds from disposal of property, plant and equipment	32,254	46,752
Decrease (increase) in other receivables from related parties	443,313	(113,234)
Decrease in other non-current assets	<u>10,950</u>	<u>1,744</u>

Net cash generated from (used in) investing activities	<u>1,215,131</u>	<u>(248,009)</u>
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(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (748,000)	\$ (466,000)
Decrease in short-term bills payable	(200,000)	(599,793)
(Repayments of) proceeds from long-term borrowings	(765,820)	368,000
Decrease in other non-current liabilities	(7,747)	(2,905)
Increase (decrease) in other payables to related parties	155	(1)
Repayment of the principal portion of lease liabilities	(60,771)	(63,320)
Distribution of cash dividends	(412,120)	-
Employee stock options	49,050	-
Acquisition of interests in subsidiaries	(30,041)	-
Decrease in non-controlling interests	<u>(5,762)</u>	<u>(5,168)</u>
Net cash used in financing activities	<u>(2,181,056)</u>	<u>(769,187)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(24,955)</u>	<u>19,507</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,117,403	(120,290)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>113,863</u>	<u>234,153</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,231,266</u>	<u>\$ 113,863</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 19, 2021)

(Concluded)

V. Individual financial statements
INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yuen Foong Yu Consumer Products Co., Ltd.

Opinion

We have audited the accompanying financial statements of Yuen Foong Yu Consumer Products Co., Ltd. (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 (collectively referred to as the "financial statements").

In our opinion, 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.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2020. The matter was 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 the matter.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2020 is as follows:

Valuation of Receivables

The Company has a large number of customers and its notes and accounts receivable are material in amount. When evaluating impairment of receivables, the management estimated loss allowance based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we considered the valuation of receivables as a key audit matter.

For the disclosures related to receivables, refer to Notes 4,5 and 8 to the financial statements.

Our audit procedures for the abovementioned key audit matter included the following:

1. We obtained the reports of impaired receivables and assessed the reasonableness of the methodology and data.
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer's credit policy and tracking of overdue receivables.

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.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe the matter 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 audits resulting in this independent auditors' report are Shu-Wan Lin and Shioh-Ming Shue.

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 applied in the Republic of China.

For the convenience of readers, the independent 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.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 60,305	1	\$ 46,232	1
Financial assets at amortized cost - current (Notes 4 and 7)	-	-	149,327	2
Notes and accounts receivable (Notes 4, 8 and 16)	672,709	10	693,378	10
Accounts receivable from related parties (Notes 4, 16 and 23)	169,810	3	42,126	1
Other receivables from related parties (Note 23)	32,148	-	792,420	11
Inventories (Notes 4 and 9)	357,581	5	337,600	5
Other current assets	<u>185,598</u>	<u>3</u>	<u>100,789</u>	<u>1</u>
Total current assets	<u>1,478,151</u>	<u>22</u>	<u>2,161,872</u>	<u>31</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	3,324,844	49	2,707,628	39
Property, plant and equipment (Notes 4, 11, 23 and 24)	1,793,435	26	1,885,506	27
Right-of-use assets (Notes 4 and 12)	180,236	3	227,102	3
Deferred tax assets (Notes 4 and 18)	14,240	-	26,081	-
Other non-current assets	<u>22,583</u>	<u>-</u>	<u>29,106</u>	<u>-</u>
Total non-current assets	<u>5,335,338</u>	<u>78</u>	<u>4,875,423</u>	<u>69</u>
TOTAL	<u>\$ 6,813,489</u>	<u>100</u>	<u>\$ 7,037,295</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ -	-	\$ 600,000	9
Short-term bills payable (Note 13)	-	-	199,913	3
Notes and accounts payable	217,151	3	196,930	3
Accounts payable to related parties (Note 23)	335,623	5	233,395	3
Other payables	744,145	11	726,367	10
Other payables to related parties (Note 23)	3,455	-	6,366	-
Current tax liabilities (Notes 4 and 18)	236,656	3	136,294	2
Lease liabilities - current (Notes 4 and 12)	32,648	1	45,919	1
Other current liabilities (Note 16)	<u>22,920</u>	<u>-</u>	<u>9,221</u>	<u>-</u>
Total current liabilities	<u>1,592,598</u>	<u>23</u>	<u>2,154,405</u>	<u>31</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	922,180	14	1,688,000	24
Deferred tax liabilities (Notes 4 and 18)	57,133	1	57,133	1
Lease liabilities - non-current (Notes 4 and 12)	149,461	2	182,403	3
Net defined benefit liabilities (Notes 4 and 14)	22,047	-	32,205	-
Other non-current liabilities	<u>36,162</u>	<u>1</u>	<u>35,000</u>	<u>-</u>
Total non-current liabilities	<u>1,186,983</u>	<u>18</u>	<u>1,994,741</u>	<u>28</u>
Total liabilities	<u>2,779,581</u>	<u>41</u>	<u>4,149,146</u>	<u>59</u>
EQUITY (Notes 4 and 15)				
Share capital				
Ordinary shares	<u>2,449,060</u>	<u>36</u>	<u>2,416,360</u>	<u>34</u>
Capital surplus	<u>219,055</u>	<u>3</u>	<u>151,622</u>	<u>2</u>
Retained earnings				
Legal reserve	76,248	1	29,780	-
Unappropriated earnings	<u>1,493,408</u>	<u>22</u>	<u>458,588</u>	<u>7</u>
Total retained earnings	<u>1,569,656</u>	<u>23</u>	<u>488,368</u>	<u>7</u>
Other equity	<u>(203,863)</u>	<u>(3)</u>	<u>(168,201)</u>	<u>(2)</u>
Total equity	<u>4,033,908</u>	<u>59</u>	<u>2,888,149</u>	<u>41</u>
TOTAL	<u>\$ 6,813,489</u>	<u>100</u>	<u>\$ 7,037,295</u>	<u>100</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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	%
NET SALES (Notes 4, 16 and 23)	\$ 5,900,941	100	\$ 5,708,029	100
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 23)	<u>(3,823,018)</u>	<u>(65)</u>	<u>(4,239,286)</u>	<u>(74)</u>
GROSS PROFIT	<u>2,077,923</u>	<u>35</u>	<u>1,468,743</u>	<u>26</u>
OPERATING EXPENSES (Notes 4, 14, 17 and 23)				
Selling and marketing	(692,388)	(12)	(692,910)	(12)
General and administrative	(274,426)	(5)	(222,523)	(4)
Research and development	<u>(37,793)</u>	<u>-</u>	<u>(29,838)</u>	<u>(1)</u>
Total operating expenses	<u>(1,004,607)</u>	<u>(17)</u>	<u>(945,271)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>1,073,316</u>	<u>18</u>	<u>523,472</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 17)	(22,730)	-	(35,347)	-
Share of profit of subsidiaries (Notes 4 and 10)	642,810	11	75,948	1
Interest income (Notes 4 and 23)	8,898	-	21,380	1
Other income (Note 23)	7,293	-	17,077	-
(Loss) gain on disposal of property, plant and equipment (Note 4)	(909)	-	8,502	-
Foreign exchange loss (Note 4)	(7,600)	-	(39,443)	(1)
Other expenses (Note 11)	<u>(870)</u>	<u>-</u>	<u>(443)</u>	<u>-</u>
Total non-operating income and expenses	<u>626,892</u>	<u>11</u>	<u>47,674</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,700,208	29	571,146	10
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(212,980)</u>	<u>(4)</u>	<u>(106,464)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,487,228</u>	<u>25</u>	<u>464,682</u>	<u>8</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	7,725	-	(7,618)	-
Tax effect of items that will not be reclassified (Notes 4 and 18)	(1,545)	-	1,524	-

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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	%
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries	\$ (35,662)	-	\$ (84,699)	(1)
Other comprehensive loss for the year, net of income tax	(29,482)	-	(90,793)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,457,746</u>	<u>25</u>	<u>\$ 373,889</u>	<u>7</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.12</u>		<u>\$ 1.92</u>	
Diluted	<u>\$ 6.09</u>		<u>\$ 1.92</u>	

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

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus (Note 4)	Retained Earnings (Note 15)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriate d Earnings	Total		
BALANCE AT JANUARY 1, 2019	227,299	\$ 2,272,994	\$ 151,622	\$ 13,746	\$ 159,400	\$ 173,146	\$ (83,502)	\$ 2,514,260
Appropriation of 2018 earnings								
Legal reserve appropriated	-	-	-	16,034	(16,034)	-	-	-
Stock dividends of ordinary share	14,337	143,360	-	-	(143,366)	(143,366)	-	-
Net income for the year ended December 31, 2019	-	-	-	-	464,682	464,682	-	464,682
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	(6,094)	(6,094)	(84,699)	(90,793)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	458,588	458,588	(84,699)	373,889
BALANCE AT DECEMBER 31, 2019	241,636	2,416,360	151,622	29,780	458,588	488,368	(168,201)	2,888,149
Appropriation of 2019 earnings								
Legal reserve appropriated	-	-	-	46,468	(46,468)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,120)	(412,120)	-	(412,120)
Share-based payment transactions	3,270	32,700	62,574	-	-	-	-	95,274
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	4,859	-	-	-	-	4,859
Net income for the year ended December 31, 2020	-	-	-	-	1,487,228	1,487,228	-	1,487,228
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	6,180	6,180	(35,662)	(29,482)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,493,408	1,493,408	(35,662)	1,457,746
BALANCE AT DECEMBER 31, 2020	244,906	\$ 2,449,060	\$ 219,055	\$ 76,248	\$ 1,493,408	\$ 1,569,656	\$ (203,863)	\$ 4,033,908

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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		
Income before income tax	\$ 1,700,208	\$ 571,146
Adjustments for:		
Expected credit loss reversed	-	(10,012)
Depreciation expenses	205,195	209,271
Finance costs	22,730	35,347
Interest income	(8,898)	(21,380)
Share-based compensation expense	29,457	-
Share of profit of subsidiaries	(642,810)	(75,948)
Loss (gain) on disposal of property, plant and equipment	909	(8,502)
(Reversal of) write-downs of inventories	(11,790)	44,765
Unrealized (gain) loss on foreign currency exchange	(37,775)	37,829
Impairment loss on non-financial assets	724	-
Changes in operating assets and liabilities		
Notes and accounts receivable	20,995	59,602
Accounts receivable from related parties	(127,684)	215,792
Other receivables from related parties	(31,354)	6,076
Inventories	(8,191)	105,961
Other current assets	(85,051)	(64,524)
Notes and accounts payable	20,160	(79,240)
Accounts payable to related parties	102,228	(199,202)
Other payables	80,345	105,645
Other payables to related parties	(2,911)	1,194
Other current liabilities	13,699	2,267
Net defined benefit liabilities	<u>(2,433)</u>	<u>(1,140)</u>
Cash generated from operations	1,237,753	934,947
Interest received	15,068	21,081
Dividend received	40,969	29,376
Interest paid	(23,415)	(35,325)
Income tax paid	<u>(102,322)</u>	<u>(53,050)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Disposal (acquisition) of financial assets at amortized cost	160,728	(29,370)
Payments for property, plant and equipment	(141,091)	(76,877)
Proceeds from disposal of property, plant and equipment	9,131	27,432
Decrease in other receivables from related parties	812,438	6,437
Decrease (increase) in other non-current assets	<u>8,127</u>	<u>(5,370)</u>

Net cash generated from (used in) investing activities	<u>849,333</u>	<u>(77,748)</u>
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(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (600,000)	\$ (560,000)
Decrease in short-term bills payable	(200,000)	(599,793)
(Repayments of) proceeds from long-term borrowings	(765,820)	368,000
Increase in other non-current liabilities	1,044	-
Repayment of the principal portion of lease liabilities	(45,426)	(49,617)
Distribution of cash dividends	(412,120)	-
Employee stock options	49,050	-
Acquisition of interests in subsidiaries	<u>(30,041)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,003,313)</u>	<u>(841,410)</u>
NET INCREASE (DECREASE) IN CASH	14,073	(22,129)
CASH AT THE BEGINNING OF THE YEAR	<u>46,232</u>	<u>68,361</u>
CASH AT THE END OF THE YEAR	<u>\$ 60,305</u>	<u>\$ 46,232</u>

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

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

(Concluded)

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



Chapter 7. Financial Position, Financial Performance and Risk Analysis

- I. Financial comparison analysis
- II. Financial Performance Review and Analysis
- III. Cash flow analysis
- IV. Impact of Significant Capital Expenditures on Financial Operations in the Past Year
- V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year
- VI. Risk Analysis and Assessment in Last Year and Up to the Print Date of this Annual Report
- VII. Other important matters

Financial Position, Financial Performance and Risk Analysis

I. Financial comparison analysis

Unit: NT\$1,000; %

Item	2019	2020	Difference	
			Increase (decrease) in amount	Change (%)
Current assets	3,373,870	3,787,354	413,484	12.26
Property, plant and equipment	4,024,234	3,298,154	(726,080)	(18.04)
Intangible assets	-	-	-	-
Other non-current assets	608,485	456,039	(152,446)	(25.05)
Total assets	8,006,589	7,541,547	(465,042)	(5.81)
Current liabilities	2,996,767	2,239,749	(757,018)	(25.26)
Non-current liabilities	2,046,751	1,220,178	(826,573)	(40.38)
Total liabilities	5,043,518	3,459,927	(1,583,591)	(31.40)
Share capital	2,416,360	2,449,060	32,700	1.35
Capital surplus	151,622	219,055	67,433	44.47
Retained earnings	488,368	1,569,656	1,081,288	221.41
Other equity	(168,201)	(203,863)	(35,662)	21.20
Total equity	2,963,071	4,081,620	1,118,549	37.75

Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)

1. Other non-current assets: This mainly resulted from the amortization in the current period of the recognized right-of-use assets according to IFRS16 in the previous period.
2. Current liabilities: This mainly resulted from repayment of short-term loans and short term bills payable.
3. Non-current liabilities: This mainly resulted from repayment of long-term loans.
4. Total liabilities: This mainly resulted from the decrease in current and non-current liabilities.
5. Capital surplus: This mainly resulted from the issuance of employee stock options.
6. Retained earnings: This mainly resulted from the modification of sales strategies and the effect of integration of production capacity, which caused a higher gross margin and profit.
7. Other equity: This mainly resulted from the exchange rate difference while converting financial statements by overseas institutions.
8. Total equity: This mainly resulted from increased profit.

II. Financial Performance Review and Analysis - Consolidated

Unit: NT\$1,000; %

Item	2019	2020	Difference	
			Increase (decrease) in amount	Change (%)
Operating revenue	10,548,751	10,147,738	(401,013)	(3.80)
Operating costs	8,188,114	6,911,622	(1,276,492)	(15.59)
Gross profit	2,360,637	3,236,116	875,479	37.09
Operating expenses	1,582,159	1,690,146	107,987	6.83
Net operating profit	778,478	1,545,970	767,492	98.59
Non-operating income and expenditure	(112,271)	205,153	317,424	(282.73)
Pre-tax profit	666,207	1,751,123	1,084,916	162.85
Income tax expense	185,054	250,430	65,376	35.33
Net profit for the current period	481,153	1,500,693	1,019,540	211.90
Total comprehensive income for the current period	390,401	1,471,090	1,080,689	276.82

Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)

1. Gross profit: This mainly resulted from the modification of sales strategies and the effect of integration of production capacity, which caused a higher gross profit from sales.
2. Net operating profit: This mainly resulted from the increase in gross profit.
3. Non-operating income and expenditure: This mainly resulted from the increase in foreign exchange gains.
4. Pre-tax profit: This mainly resulted from increased profit.
5. Income tax expense: This mainly resulted from increased profit.
6. Net profit for the current period: This mainly resulted from increased profit.
7. Total comprehensive income for the current period: This mainly resulted from increased profit.

III. Cash flow analysis

(I) Analysis on the cash flow changes of recent years

Unit: NT\$1,000

Year Item	2019	2020	Increase (decrease)	
	Amount	Amount	Amount	%
Operating activities	877,399	2,108,283	1,230,884	140.29
Investment activities	(248,009)	1,215,131	1,463,140	(589.95)
Financing activities	(769,187)	(2,181,056)	(1,411,869)	183.55

Analysis on the cash flow changes:

- (1) Operating activities: The increase in net cash inflows mainly resulted from an increase in profit in 2020.
- (2) Investment activities: The increase in net cash inflows mainly resulted from the disposal of stock options of subsidiaries, causing an increase in cash inflow.
- (3) Financing activities: The increase in net cash outflows mainly resulted from the repayment of loans and the increase in the amount of payment of short-term bills payable.

(II) Improvement plans for inadequate liquidity: The Company does not have the issue of inadequate cash, so there is no concern for inadequate liquidity.

(III) Cash flow analysis for the coming year (2021)

Unit: NT\$1,000

Cash balance, beginning	Expected annual net cash flow from operating activities	Expected annual net cash flow from investment activities	Expected annual net cash flow from financing activities	Expected amount of surplus (inadequate) cash	Expected liquidity contingency plan	
					Investment plan	Financial planning
1,231,266	1,580,955	(569,313)	(1,074,373)	1,168,535	-	-

1. Analysis on the cash flow changes for the coming year:
 - (1) Cash inflow from operating activities: Expected cash inflow from operational profit.
 - (2) Cash outflow from investment activities: Expected capital expenditures on the purchase of equipment to expand production capacity; Idle fund will be used for short-term investment activities.
 - (3) Cash outflow from financing activities: Expected distribution of cash dividend and repayment of loans.
2. Expected liquidity contingency plan and liquidity analysis: The Company does not have the issue of inadequate cash flow in recent years.

IV. Major capital expenditures and impact on financial operations in last year: N/A.

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

(I) Reinvestment policy

The Company complies with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies stipulated by the competent authority and formulated the Asset Acquisition and Disposal Procedure as the base for reinvestment to understand the relevant business and financial statuses. In addition, the Company also maintains an understanding of the operation status, financial and business statuses of the invested companies to facilitate the post-investment follow-up and evaluation by the decision-making unit.

(II) Invested enterprises in the past year, profit/loss analysis and improvement plan

Unit: NT\$1,000

Name of the invested enterprise	Gain/loss on investments - 2020	Main reasons for Profit or loss	Improvement plan
Yuen Foong Yu Consumer Products Investment Limited	565,151	Profit from subsidiaries in China	-
Ever Growing Agriculture Bio-tech Co., Ltd.	45,043	Growth in production and sales caused an increase in profit	-
Yuen Foong Shop Co., Ltd.	32,616	Adjustment in product portfolio caused an increase in profit	-
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	-	-
YFY Investment Co., Ltd.	526,241	Adjustment in customer structure, control of costs and the 100% sale of stock option of Yuen Foong Yu Family Paper (Beijing) Co., Ltd. caused an increase in profit	-
YFY Family Care (Kunshan) Co., Ltd.	(148,665)	The production volume did not reach the economics of scale, causing a low utilization rate and	Collaboration with strategic partners

		high production costs. In addition, the impact on revenue and profit due to the lockdown and suspension of operation due to COVID-19 and the non-operating loss from the sale of equipment caused losses.	improved investment and production efficiency
Yuen Foong Yu Family Paper (Beijing) Co., Ltd.	(28,536)	The price competition in northern China and the fact that the production of papermaking machines did not reach the economics of scale caused a high production cost, resulting in losses.	Sold in August, 2020
YFY Consumer Products (Yangzhou) Co., Ltd.	31,484	Due to the fact that production reached the economics of scale and that the upgrade and improvement of some of the processing machines enhanced the automated production, production costs were effectively reduced to generate profit.	-
YFY International Trading (Shanghai) Co.	(133)	Sales could not cover operating costs.	Develop new businesses to improve sales.

(III) Investment plan in the coming year: N/A.

VI. Risk Analysis and Assessment in Last Year and Up to the Print Date of this Annual Report

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

Unit: NT\$1,000; %

Item / year	2019	2020
Total operating revenues	10,548,751	10,147,738
Pre-tax profit	666,207	1,751,123
Net interest income (expense)	(21,818)	(21,327)
Ratio of interest income (expense) to operating revenue	(0.21)	(0.21)
Ratio of interest income (expense) to pre-tax profit	(3.27)	(1.22)
Net foreign exchange gains (losses)	(45,396)	49,413
Ratio of foreign exchange gains (losses) to operating revenue	(0.43)	0.49
Ratio of foreign exchange gains (losses) to pre-tax profit	(6.81)	2.82

(1) Impact of interest rate changes and future response measures

The Company's ratios of net interest income (expense) to operating revenue for 2019 and 2020 were both (0.21)%. The ratios of interest income (expense) to pre-tax profit were (3.27)% and (1.22)% respectively. The effect on profit and loss was limited. The interest expenses were mainly interests of loans from financial institutions. In order to reduce the effect of interest rate changes on the Company, the Company not only pays close attention to global economy development and interest rate changes but also maintain good relationships with financial institutions in order to obtain better interest rates. The Company is also prepared to adopt response measures at any time. Taking into account future development and capital needs, the Company will also evaluate the costs of various capital sources and choose the appropriate financing method to respond to the needs for growth. In summary, interest rate changes shall not have significant influences on the Company's profit and loss.

(2) Impact on the Company's profit and loss from exchange rate changes and future response measures

The Company's ratios of foreign exchange gains (losses) to operating revenue for 2019 and 2020 were (0.43)% and 0.49%. The ratio of foreign exchange gains (losses) to pre-tax profit were (6.81)% and 2.82% respectively. The effect on profit and loss was limited. The Company continues to observe the trends in exchange rate changes and adjusts the foreign exchange position in spot markets and uses natural hedges to cancel out the exchange risks in receivables and payables to reduce the impact of exchange rate fluctuations. In summary, exchange rate changes shall not have significant influences on the Company's profit and loss.

(3) Impact on the Company's profit and loss from inflation and future response measures

The Company maintains close and friendly interactions with suppliers and clients, pays close attention to fluctuations and inflation in raw material prices and promptly adjusts the procurement and pricing strategies to reduce the impact of inflation. Therefore, inflation shall not have significant influences on the Company's profit and loss.

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

(1) Policies on high risk or high leverage investments, main reasons for profit or loss and response measures

The Company upholds the basis of steady operation, focuses on the business operations and values technological research and development and the expansion of sales and marketing, all under the premise of a sound financial development. Therefore, the Company did not engage in high risk or high leverage investments in last year and up to the print date.

(2) Policies on lending to others, making endorsements or guarantees, and trading derivatives, reasons for profit or loss, and response measures

Up to the print date, the Company engaged in lending to subsidiaries and affiliates of the group. In addition, the Company has formulated "Procedure for Lending Funds to Other Parties," "Procedures of Making of Endorsement and Guarantees," "Asset Acquisition and Disposal Procedure" and "Procedures for Engaging in Financial Derivative Transactions" to govern relevant matters.

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

(1) Future R&D Plans

The Company's growth strategy blueprint aims at "providing consumers with a healthy, carefree and beautiful life" and the R&D plans are mainly based on the product demands in the market and in line with business plans and industry development directions in order to develop marketable and futuristic products. The main development directions are as follows:

- A. Healthy and natural: For paper products, functional products shall be developed. For cleaning products, natural anti-bacterial and pandemic prevention products shall be upgraded and product categories shall be expanded to include personal cleaning products and household pandemic prevention products.
- B. Green opportunities: Research and develop green products; Develop green packaging.
- C. Market of middle-aged people: Develop personal cleaning products and personal care products suitable for middle-aged people.

(2) R&D expenditure to be invested

The Company plans to invest approximately NT\$58,620 thousand for R&D in 2021. In the future, R&D expenditure to be invested shall be budgeted based on the progress of the development of new products and technologies. With the ever-changing consumer needs, the Company will gradually increase the R&D expenditure to support future R&D plans and to accelerate the R&D and launching of new products. In addition to the procurement and R&D of relevant software and hardware, the Company will also continue to recruit R&D talents with abundant experience and creativity to enhance the R&D capacity and, in turn, the Company's competitive edge.

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

The Company conducts operation in compliance with government policies and laws at home and broad, pays close attention to the trends and changes in government policies and laws at home and abroad to fully understand changes in the market environment, and actively brings forth response measures. Up to the print date, the Company has not been significantly impacted in finances or business due to government policies and laws at home and abroad.

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

The Company constantly pays attention to the technological changes and developments in the industry to promptly grasp the industry dynamics while continuing to enhance and improve its own R&D capacity. The Company actively expands the fields of future market applications to respond to the impact of recent technological and market changes on the Company. Up to the print date, the Company has not been significantly impacted in finances or business due to recent technological and market changes.

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

The Company has dedicated to the business operation since its foundation and complied with relevant laws and regulations. The Company actively enhances internal management and is dedicated to providing excellent products to win customers' hearts. At the same time, the Company maintains a harmonious employer-employee relationship to maintain an excellent corporate image. Up to the print date, the Company has not been significantly impacted or suffered a crisis in its corporate image. However, a corporate crisis may cause tremendous damage to a company. Therefore, the Company will continue to realize all requirements of corporate governance to reduce the possibility of corporate risks and impacts on the Company.

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

(VIII) Expected benefits of plant expansion, potential risks, and response measures: N/A.

(1) Sales

The Company's main clients are hypermarket chains, supermarket chains and e-Commerce platforms. In the last two years, the sales percentage to the biggest client has not exceeded 20%; therefore, there were no concentrated sales.

(2) Procurement

In the last two years, the Company's procurement from the biggest supplier has not exceeded 20%. The procurement sources were relatively spread out and there was no risk of concentrated procurement. In addition, the Company maintains good and stable collaborative relationship with all suppliers to ensure the stable supply of main raw materials.

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

In 2020, the mass transfer of equity by directors, supervisors, or shareholders holding more than 10% equity of the Company was the result of the Company releasing shares to meet the regulations on shareholding distribution for future application for listing. There was no significant negative influences on or risks to the Company.

(XI) Impact of control transfer, associated risks and response measures: N/A.

(XII) Litigation or non-litigation events: N/A.

(XIII) Other significant risks and response measures:

Information security

In an era of rigorous technological development and prevalent Internet use, everyone, including business entities and individuals, must confront the growing risk of information security and the challenges, such as DDoS, social engineering, blackmail virus, etc., which form significant threats to a company's operation. From our perspective, information management requires both software and hardware comprising: Increasing employees' awareness towards information security, enhancing the information security team's technology, establishing endpoint protection framework, continually upgrading hardware, in hopes of minimizing possible information security damages via the aforementioned measures.

The management strategy and implementation approach are as follows:

(1) External blocking:

Effectively control contact and reduce the possibility of external invasion via

(2) Endpoint protection:

Practically speaking, with the technological development so far, no one can guarantee the construction of a completely safe information environment. Therefore, with the improvement on endpoint protection, even if an invasion occurs, the risks can still be effectively controlled to minimize the damage.

(3) Backup and redundancy:

Taking into account what is mentioned above, since there is no way to completely prevent information security incidents, important data are backed up regularly via a regular and systematic backup mechanism to prevent irreversible losses arising from information security incidents.

(4) Disaster recovery:

Significant information security incidents often cause suspension in corporate operation. Through disaster recovery planning and drills, different damage scenarios, corresponding handling procedures and time needed are defined in hopes of minimizing impact.

(5) Increasing employees' awareness towards information security:

The formats of information attack are no longer restricted to simple information attacks. Attack formats that combine social engineering with Advanced Persistent Threat (APT) are often seen. In addition to next-gen firewalls and e-mail blocking, same as anti-fraud awareness, increasing employees' awareness towards basic information security is the most effective way to prevent these attacks. Therefore, employees' awareness are enhanced through non-scheduled social engineering drills and training.

(6) Enhancing information security abilities:

In addition to cultivating information security personnel in an organized manner, the Company also participates in regular annual information security meetings to understand the newest information security risks and the newest defense mechanisms as well as keeps in contact with major domestic information security organizations to receive real-time information security updates.

(7) Regular audit:

Regular audits by the audit department are conducted every year to ensure the implementation of the aforementioned measures.

VII. Other material disclosures: N/A.



Chapter 8. Special disclosures

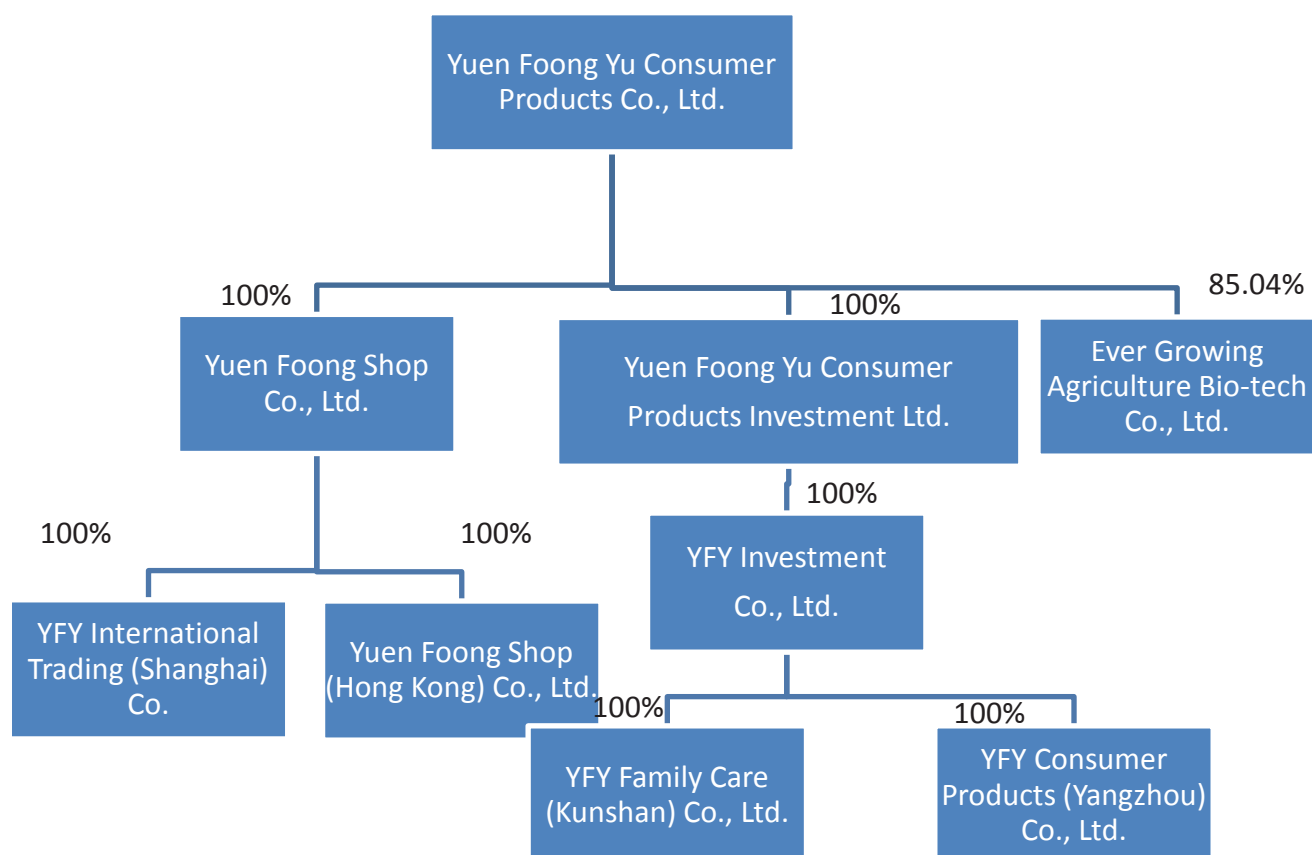
- I. Information of Affiliates
- II. Progress of Private Placement of Securities During the Last Year and Up to the Print Date of the Annual Report
- III. Holding or Disposal of the Company's Shares by Subsidiaries in the Past year and Up to the Print Date of the Annual Report
- IV. Other supplemental information
- V. Any Incidents with Material Impact on Shareholder Equity or Security Price as Described Under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Year and Up to the Print Date for the Annual Report
- VI. Appendix 1: Notes to consolidated financial statements
- VII. Appendix 2: Notes to individual financial statements

Special disclosures

I. Information of Affiliates

(I) Organization chart of affiliates

December 31, 2020



(II) Basic information of the various affiliated enterprises

December 31, 2020; Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Ever Growing Agriculture Bio-tech Co., Ltd.	1999/11/27	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	214,557	Manufacturing and wholesale of agricultural services, fertilizers and cleaning products.
Yuen Foong Shop Co., Ltd.	2014/09/19	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	50,000	E-commerce of selling consumer products
YFY International Trading (Shanghai) Co.	2015/05/13	Room 1307, 13F, No. 55 Xili Rd., Pilot Free Trade Zone, Shanghai	RMB 1,000	General trade
Yuen Foong Shop (Hong Kong) Co., Ltd.	2017/03/24	Rm 1702, Sino Centre, 582-592 Nathan Rd., MK, Kln. HK	HKD 0	General trade
YFY Consumer Products Investment Ltd.	2004/11/08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 150,013	General investment.
YFY Investment Co., Ltd.	2008/11/26	Rm. 301, 3F, Honghui Xinhui Garden, No. 6, Alley 4718, Gonghexin Rd., Jing'an District, Shanghai	USD 115,000	General investment and trading of paper products
YFY Family Care (Kunshan) Co., Ltd.	2004/12/28	No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu	USD 30,000	Production and sales of toilet paper, paper towels and napkins
YFY Consumer Products (Yangzhou) Co., Ltd.	2011/11/18	No. 168, Chuen Jiang Rd., Economic Development Park, Yuangzhou, Jiangsu	USD 30,000	Production and sales of toilet paper, paper towels and napkins

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

December 31, 2020; Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Ever Growing Agriculture Bio-tech Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	18,245,944	85.0
	Director	Myra Kuo (Representative of YFY Consumer Products Co., Ltd.)	3,209,775	15.0
	Director	Thomas Hsu (Representative of YFY Consumer Products Co., Ltd.)		
	Supervisor	Pao-Yu Hsieh (Representative of Cheng Yu Co., Ltd.)		
	President	Myra Kuo		
Yuen Foong Shop Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	5,000,000	100.0
	Director	Thomas Hsu (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Sky Liu (Representative of YFY Consumer Products Co., Ltd.)		
	Supervisor	Daphne Chen (Representative of YFY Consumer Products Co., Ltd.)		
	President	Sky Liu		
YFY International Trading (Shanghai) Co.	Managing director	Sky Liu (Representative of Yuen Foong Shop Co., Ltd.)	Capital Contribution RMB1,000,000	100.0
	Supervisor	Zhi-Qing Min (Representative of Yuen Foong Shop Co., Ltd.)		
	President	Sky Liu		
Yuen Foong Shop (Hong Kong) Co., Ltd.	Director	Yuen Foong Shop Co., Ltd.		
Yuen Foong Yu Consumer Products Investment Ltd.	Director	S. C. Ho		
	Director	Felix Ho		
YFY Investment Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Investment Ltd.)	Capital Contribution USD115,000,000	100.0
	Director	Ronald Lee (Representative of YFY Consumer		

	Supervisor President	Products Investment Ltd.) K. T. Yin (Representative of YFY Consumer Products Investment Ltd.) Daphne Chen (Representative of YFY Consumer Products Investment Ltd.) Ronald Lee		
YFY Family Care (Kunshan) Co., Ltd.	Chairman Director Director Supervisor President	Ronald Lee (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shih-Yang Tseng (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ming-Fa Tang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Daphne Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ronald Lee	Capital Contribution USD 30,000,000	100.0
YFY Consumer Products (Yangzhou) Co., Ltd.	Chairman Director Director Supervisor President	Ronald Lee (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shih-Yang Tseng (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ming-Fa Tang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Daphne Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ronald Lee	Capital Contribution USD 30,000,000	100.0

(IV) Financial and operational overview of affiliated companies

2020 Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after taxes)
Ever Growing Agriculture Bio-tech Co., Ltd.	214,557	556,567	237,636	318,931	338,692	71,019	56,720	2.64
Yuen Foong Shop Co., Ltd.	50,000	394,538	303,748	90,790	1,253,532	49,583	39,598	7.92
YFY International Trading (Shanghai) Co.	4,671	216	2,350	(2,134)	-	(54)	(133)	-
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	-	-	-	-	-	-	-
YFY Consumer Products Investment Ltd.	4,272,370	2,987,775	-	2,987,775	-	-	565,151	3.77
YFY Investment Co., Ltd.	3,275,200	3,411,795	1,369,264	2,042,531	4,995,726	310,657	526,241	-
YFY Family Care (Kunshan) Co., Ltd.	854,400	316,549	52,287	264,262	542,243	(2,524)	(149,296)	-
YFY Consumer Products (Yangzhou) Co., Ltd.	854,400	1,523,197	375,321	1,147,876	2,083,429	56,700	31,484	-

(V) Consolidated financial statements of various affiliated enterprises
**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF
AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent company and its subsidiaries as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent company and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2020.

Very truly yours,

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

By Felix Ho



March 19, 2021

II. Private placement of securities in last year and up to the print date for this annual report: N/A

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

IV. Other necessary supplements: N/A

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



Appendix



**Yuen Foong Yu Consumer Products Co.,
Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent company and its subsidiaries as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent company and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2020.

Very truly yours,

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

By:

March 19, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yuen Foong Yu Consumer Products Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Yuen Foong Yu Consumer Products Co., Ltd. and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is as follows:

Valuation of Receivables

The Group has a large number of customers and its notes and accounts receivable are material in amount. When evaluating impairment of receivables, the management estimated less allowance based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we considered the valuation of receivables as a key audit matter.

For the disclosures related to receivables, refer to Notes 4,5 and 8 to the consolidated financial statements.

Our audit procedures for the abovementioned key audit matter included the following:

1. We obtained the reports of impaired receivables impairment and assessed the reasonableness of the methodology and data used in the reports.
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer's credit policy control and tracking of overdue receivables.

Other Matter

We have also audited the parent company only financial statements of Yuen Foong Yu Consumer Products Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe the matter 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 audits resulting in this independent auditors' report are Shu-Wan Lin and Shio-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,231,266	16	\$ 113,863	1
Financial assets at amortized cost - current (Notes 4 and 7)	86,564	1	238,058	3
Notes and accounts receivable (Notes 4, 8 and 16)	1,190,247	16	1,208,197	15
Accounts receivable from related parties (Notes 4, 16 and 25)	19,754	-	19,648	-
Other receivables from related parties (Note 25)	373	-	444,875	6
Inventories (Notes 4 and 9)	886,063	12	1,055,721	13
Other current assets	<u>373,087</u>	<u>5</u>	<u>293,508</u>	<u>4</u>
Total current assets	<u>3,787,354</u>	<u>50</u>	<u>3,373,870</u>	<u>42</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 17, 25 and 26)	3,298,154	44	4,024,234	50
Right-of-use assets (Notes 4, 12 and 25)	306,207	4	389,841	5
Investment properties	-	-	58,860	1
Deferred tax assets (Notes 4 and 18)	21,861	-	29,236	-
Other non-current assets	<u>127,971</u>	<u>2</u>	<u>130,548</u>	<u>2</u>
Total non-current assets	<u>3,754,193</u>	<u>50</u>	<u>4,632,719</u>	<u>58</u>
TOTAL	<u>\$ 7,541,547</u>	<u>100</u>	<u>\$ 8,006,589</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 77,000	1	\$ 825,000	10
Short-term bills payable (Note 13)	-	-	199,913	3
Notes and accounts payable	431,154	6	467,141	6
Accounts payable to related parties (Note 25)	309,786	4	254,677	3
Other payables	1,028,712	14	961,930	12
Other payables to related parties (Note 25)	29,814	-	30,294	-
Current tax liabilities (Notes 4 and 18)	256,032	3	162,262	2
Lease liabilities - current (Notes 12 and 25)	42,052	1	59,768	1
Other current liabilities (Note 25)	<u>65,199</u>	<u>1</u>	<u>35,782</u>	<u>-</u>
Total current liabilities	<u>2,239,749</u>	<u>30</u>	<u>2,996,767</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 26)	922,180	12	1,688,000	21
Deferred tax liabilities (Notes 4 and 18)	57,455	1	57,133	1
Lease liabilities - non-current (Notes 4, 12 and 25)	180,357	2	223,644	3
Net defined benefit liabilities (Notes 4 and 14)	22,047	-	32,205	-
Other non-current liabilities	<u>38,139</u>	<u>1</u>	<u>45,769</u>	<u>1</u>
Total non-current liabilities	<u>1,220,178</u>	<u>16</u>	<u>2,046,751</u>	<u>26</u>
Total liabilities	<u>3,459,927</u>	<u>46</u>	<u>5,043,518</u>	<u>63</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	<u>2,449,060</u>	<u>32</u>	<u>2,416,360</u>	<u>30</u>
Capital surplus	<u>219,055</u>	<u>3</u>	<u>151,622</u>	<u>2</u>
Retained earnings				
Legal reserve	76,248	1	29,780	-
Unappropriated earnings	<u>1,493,408</u>	<u>20</u>	<u>458,588</u>	<u>6</u>
Total retained earnings	<u>1,569,656</u>	<u>21</u>	<u>488,368</u>	<u>6</u>
Other equity	<u>(203,863)</u>	<u>(3)</u>	<u>(168,201)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>4,033,908</u>	<u>53</u>	<u>2,888,149</u>	<u>36</u>
NON-CONTROLLING INTERESTS	<u>47,712</u>	<u>1</u>	<u>74,922</u>	<u>1</u>
Total equity	<u>4,081,620</u>	<u>54</u>	<u>2,963,071</u>	<u>37</u>
TOTAL	<u>\$ 7,541,547</u>	<u>100</u>	<u>\$ 8,006,589</u>	<u>100</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
NET SALES (Notes 4, 16 and 25)	\$ 10,147,738	100	\$ 10,548,751	100
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 25)	<u>(6,911,622)</u>	<u>(68)</u>	<u>(8,188,114)</u>	<u>(77)</u>
GROSS PROFIT	<u>3,236,116</u>	<u>32</u>	<u>2,360,637</u>	<u>23</u>
OPERATING EXPENSES (Notes 4, 14, 17 and 25)				
Selling and marketing	(1,159,506)	(11)	(1,131,331)	(11)
General and administrative	(468,511)	(5)	(396,576)	(4)
Research and development	<u>(62,129)</u>	<u>(1)</u>	<u>(54,252)</u>	<u>-</u>
Total operating expenses	<u>(1,690,146)</u>	<u>(17)</u>	<u>(1,582,159)</u>	<u>(15)</u>
PROFIT FROM OPERATIONS	<u>1,545,970</u>	<u>15</u>	<u>778,478</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4, 17 and 25)	(31,093)	-	(44,523)	-
Interest income (Notes 4 and 25)	9,766	-	22,705	-
Other income (Note 25)	26,277	-	21,194	-
(Loss) gain on disposal of property, plant and equipment (Note 4)	(134,933)	(1)	798	-
Gain on disposal of investments (Note 22)	356,826	4	-	-
Other expenses (Notes 11 and 17)	(71,103)	(1)	(67,049)	(1)
Foreign exchange gain (loss) (Notes 4 and 28)	<u>49,413</u>	<u>-</u>	<u>(45,396)</u>	<u>-</u>
Total non-operating income and expenses	<u>205,153</u>	<u>2</u>	<u>(112,271)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,751,123	17	666,207	7
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(250,430)</u>	<u>(2)</u>	<u>(185,054)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,500,693</u>	<u>15</u>	<u>481,153</u>	<u>5</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	7,725	-	(7,618)	-
Tax effect of items that will not be reclassified (Notes 4 and 18)	<u>(1,545)</u>	<u>-</u>	<u>1,524</u>	<u>-</u>
	<u>6,180</u>	<u>-</u>	<u>(6,094)</u>	<u>-</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (35,783)	(1)	\$ (84,658)	(1)
Other comprehensive loss for the year, net of income tax	(29,603)	(1)	(90,752)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,471,090	14	\$ 390,401	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,487,228	15	\$ 464,682	5
Non-controlling interests	13,465	-	16,471	-
	<u>\$ 1,500,693</u>	<u>15</u>	<u>\$ 481,153</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,457,746	14	\$ 373,889	4
Non-controlling interests	13,344	-	16,512	-
	<u>\$ 1,471,090</u>	<u>14</u>	<u>\$ 390,401</u>	<u>4</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.12</u>		<u>\$ 1.92</u>	
Diluted	<u>\$ 6.09</u>		<u>\$ 1.92</u>	

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

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company (Note 15)									
	Share Capital		Capital Surplus (Note 4)	Retained Earnings (Note 15)			Other Equity	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)			
BALANCE AT JANUARY 1, 2019	227,299	\$ 2,272,994	\$ 151,622	\$ 13,746	\$ 159,400	\$ 173,146	\$ (83,502)	\$ 2,514,260	\$ 63,578	\$ 2,577,838
Appropriation of 2018 earnings										
Legal reserve appropriated	-	-	-	16,034	(16,034)	-	-	-	-	-
Stock dividends of ordinary share	14,337	143,366	-	-	(143,366)	(143,366)	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	464,682	464,682	-	464,682	16,471	481,153
Other comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	(6,094)	(6,094)	(84,699)	(90,793)	41	(90,752)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	458,588	458,588	(84,699)	373,889	16,512	390,401
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(5,168)	(5,168)
BALANCE AT DECEMBER 31, 2019	241,636	2,416,360	151,622	29,780	458,588	488,368	(168,201)	2,888,149	74,922	2,963,071
Appropriation of 2019 earnings										
Legal reserve appropriated	-	-	-	46,468	(46,468)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,120)	(412,120)	-	(412,120)	-	(412,120)
Net income for the year ended December 31, 2020	-	-	-	-	1,487,228	1,487,228	-	1,487,228	13,465	1,500,693
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	6,180	6,180	(35,662)	(29,482)	(121)	(29,603)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,493,408	1,493,408	(35,662)	1,457,746	13,344	1,471,090
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	4,859	-	-	-	-	4,859	(34,900)	(30,041)
Share-based payment transactions	3,270	32,700	62,574	-	-	-	-	95,274	108	95,382
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(5,762)	(5,762)
BALANCE AT DECEMBER 31, 2020	244,906	\$ 2,449,060	\$ 219,055	\$ 76,248	\$ 1,493,408	\$ 1,569,656	\$ (203,863)	\$ 4,033,908	\$ 47,712	\$ 4,081,620

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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		
Income before income tax	\$ 1,751,123	\$ 666,207
Adjustments for:		
Depreciation expenses	447,429	498,906
Amortization expenses	4,819	6,835
Expected credit loss (reversed) recognized on accounts receivables	856	(10,508)
Finance costs	31,093	44,523
Interest income	(9,766)	(22,705)
Share-based compensation expense	46,332	-
Loss (gain) on disposal of property, plant and equipment	134,933	(798)
Gain on disposal of investments	(356,826)	-
Impairment loss on non-financial assets	4,780	-
Write-downs of inventories	15,469	43,076
Unrealized (gain) loss on foreign currency exchange	(13,838)	14,427
Changes in operating assets and liabilities		
Notes and accounts receivable	23,924	261,937
Accounts receivable from related parties	(52,177)	8,462
Other receivables from related parties	(4,522)	(11,297)
Inventories	159,117	480,637
Other current assets	(121,351)	55,912
Notes and accounts payable	(37,799)	(167,770)
Accounts payable to related parties	53,103	(1,017,831)
Other payables	156,730	161,293
Other payables to related parties	(1,046)	658
Other current liabilities	51,234	1,003
Net defined benefit liabilities	(2,433)	(1,140)
Cash generated from operations	2,281,184	1,011,827
Interest received	10,529	23,230
Interest paid	(32,984)	(42,266)
Income tax paid	(150,446)	(115,392)
Net cash generated from operating activities	<u>2,108,283</u>	<u>877,399</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (acquisition) of financial assets at amortized cost	161,108	(72,466)
Net cash inflow from disposal of subsidiary	749,344	-
Payments for property, plant and equipment	(181,838)	(110,805)
Proceeds from disposal of property, plant and equipment	32,254	46,752
Decrease (increase) in other receivables from related parties	443,313	(113,234)
Decrease in other non-current assets	10,950	1,744
Net cash generated from (used in) investing activities	<u>1,215,131</u>	<u>(248,009)</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (748,000)	\$ (466,000)
Decrease in short-term bills payable	(200,000)	(599,793)
(Repayments of) proceeds from long-term borrowings	(765,820)	368,000
Decrease in other non-current liabilities	(7,747)	(2,905)
Increase (decrease) in other payables to related parties	155	(1)
Repayment of the principal portion of lease liabilities	(60,771)	(63,320)
Distribution of cash dividends	(412,120)	-
Employee stock options	49,050	-
Acquisition of interests in subsidiaries	(30,041)	-
Decrease in non-controlling interests	<u>(5,762)</u>	<u>(5,168)</u>
Net cash used in financing activities	<u>(2,181,056)</u>	<u>(769,187)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(24,955)</u>	<u>19,507</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,117,403	(120,290)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>113,863</u>	<u>234,153</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,231,266</u>	<u>\$ 113,863</u>

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

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”), formerly known as Laiya Co., Ltd., was established and invested by YFY Inc. (originally the parent company which held 100% shares of the Company) in October 1986. In order to comply with the listing rules and regulations, YFY Inc. held 64.52% of the Company’s shares as of December 31, 2020. The Company was renamed as Yuen Foong Yu Consumer Products Co., Ltd. in May 2006. In line with YFY Inc.’s operating strategy to carry out integration, the Company acquired assets, liabilities and business of the household products division that was split from YFY Inc., in accordance with Mergers and Acquisitions Act in October 2007. The main business items are paper products, paper processed products and household cleaning supplies. The Company’s shares were approved for public offering on August 11, 2020 by the Taipei Exchange (TPEX), and became a listed company at emerging stock market on October 27, 2020.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 25, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on 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, which are described as follows:

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is

attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 10, Table 4 and 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

Depreciation of 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 effects of any changes in the 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 and/or for capital appreciation.

Investment properties are initially measured 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 asset and intangible assets

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

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 an entity in the Group becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

The category of financial assets held by the Group is the 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, including cash and cash equivalents and trade receivables 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including accounts receivable).

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by an entity in the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by an entity in the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Group identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location and the performance obligation is satisfied because it is the time when customers have obtained control of the promised goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities.

Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the group measures them at the original invoice amounts without discounting.

1. Leases

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

1) The Group as lessor

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.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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 that which is 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 services.

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. 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. Employee share options

1) Employee share options granted to the Group's employees

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 Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and non-controlling interests. The expense is recognized in full at the grant date if the grants are vested immediately

2) Employee share options granted to the parent company's employees

The grant by the Company of its share options to the employees of the parent company under equity-settled share-based payment arrangements is treated as a capital distribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as a return of capital surplus - share premium to the parent company, with a corresponding credit to capital surplus - employee share options.

At the end of each reporting period, the Group 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 capital surplus - employee share options.

p. Taxation

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

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits 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 profits will be available to allow all or part of the asset 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 liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group 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.

Valuation of Receivables

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2020	2019
Cash on hand	\$ 1,130	\$ 1,103
Checking accounts and demand deposits	1,115,947	112,760
Cash equivalents (Time deposits with original maturities of less than three months)		
Time deposits	2,189	-
Repurchase agreements collateralized by bonds	<u>112,000</u>	<u>-</u>
	<u>\$ 1,231,266</u>	<u>\$ 113,863</u>

The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Cash equivalents	0.21%-1.00%	-

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Time deposits with original maturity between three months and a year	\$ <u>86,564</u>	\$ <u>238,058</u>

The interest rates for time deposits with original maturities between three months and a year as of December 31, 2020 and 2019 were 0.73%-1.40% and 2.10%-3.05%, respectively.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes receivable - operating	\$ 73,864	\$ 76,104
Accounts receivable - operating	1,120,270	1,135,109
Less: Allowance for impairment loss	<u>(3,887)</u>	<u>(3,016)</u>
	<u>\$ 1,190,247</u>	<u>\$ 1,208,197</u>

The Group's customers are a large number of unrelated customers that did not create concentration of credit risk.

For the accounts receivable that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group held adequate collaterals or other credit enhancements for these receivables.

The Group applies the simplified approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2020

	Not Past Due	Less than 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,179,323	\$ 9,882	\$ 1,959	\$ -	\$ 2,970	\$ 1,194,134
Loss allowance (Lifetime ECLs)	<u>(267)</u>	<u>(98)</u>	<u>(552)</u>	<u>-</u>	<u>(2,970)</u>	<u>(3,887)</u>
Amortized cost	<u>\$ 1,179,056</u>	<u>\$ 9,784</u>	<u>\$ 1,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,247</u>

December 31, 2019

	Not Past Due	Less than 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,180,261	\$ 24,457	\$ 210	\$ 2,638	\$ 3,647	\$ 1,211,213
Loss allowance (Lifetime ECLs)	<u>(7)</u>	<u>(17)</u>	<u>(37)</u>	<u>-</u>	<u>(2,955)</u>	<u>(3,016)</u>
Amortized cost	<u>\$ 1,180,254</u>	<u>\$ 24,440</u>	<u>\$ 173</u>	<u>\$ 2,638</u>	<u>\$ 692</u>	<u>\$ 1,208,197</u>

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

	2020	2019
Balance at January 1	\$ 3,016	\$ 13,633
Net remeasurement of loss allowance	856	(10,508)
Amounts written off	(41)	-
Foreign exchange gains and losses	<u>56</u>	<u>(109)</u>
Balance at December 31	<u>\$ 3,887</u>	<u>\$ 3,016</u>

9. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished and purchased goods	\$ 419,645	\$ 501,725
Work in process	96,155	130,513
Materials	<u>370,263</u>	<u>423,483</u>
	<u>\$ 886,063</u>	<u>\$ 1,055,721</u>

The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$15,469 thousand and \$43,076 thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		
			December 31		Remark
			2020	2019	
The Company	Yuen Foong Yu Consumer Products Investment Limited	Investment and holding.	100.0	100.0	
	Ever Growing Agriculture Biotech Co., Ltd.	Wholesale of agriculture products	85.0	85.0	
	Yuen Foong Shop Co., Ltd.	E-commerce of selling consumer products	100.0	50.0	a.
Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Investment and holding and sale of paper	100.0	100.0	
YFY Investment Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	-	100.0	b.
	YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
Yuen Foong Shop Co., Ltd.	Shanghai YFY International Trade Co., Ltd.	General trade	100.0	100.0	
	Yuen Foong Shop (HK) Limited	General trade	100.0	100.0	

- a. The Company's shareholding in Yuen Foong Shop Co., Ltd. was originally 50%. However, considering that all directors of Yuen Foong Shop Co., Ltd. are reallocated by the Company, the Company has the substantive ability to direct the relevant activities of Yuen Foong Shop Co., Ltd.; thus, it is listed as a subsidiary of the Company. To boost management performance, the Company acquired 50% of the equity of Yuen Foong Shop Co., Ltd. from YFY Paradigm Investment Co., Ltd for a cash consideration of \$30,041 thousand in March 2020, which increased its shareholding to 100%. Since the transaction did not change the company's control of Yuen Foong Shop Co., Ltd, it was treated as equity transaction and the difference of the relevant equity transaction of 4,859 thousand was accounted under capital surplus. For more details, please refer to Note 20.
- b. In response to changes in the mainland China's market, the Group sold all the equity of YFY Family Paper (Beijing) Co., Ltd. in 2020. The disposal of the subsidiary was completed in August 2020, please refer to Note 22.
- c. The financial statements of subsidiaries included in the abovementioned consolidated financial statements are based on the audited amounts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2019	\$ 675,822	\$ 1,357,991	\$ 5,189,582	\$ 606,074	\$ 275,049	\$ 330,936	\$ 2,523	\$ 8,437,977
Additions	-	3,650	119,709	3,703	14,204	11,501	27,075	179,842
Disposals	-	(595)	(244,725)	(38,640)	(54,680)	(16,689)	-	(355,329)
Effect of foreign currency exchange differences	-	(21,635)	(123,336)	(16,382)	(5,144)	(4,593)	(3)	(171,093)
Reclassifications	-	-	27,349	-	-	2,066	(29,415)	-
Balance at December 31, 2019	<u>\$ 675,822</u>	<u>\$ 1,339,411</u>	<u>\$ 4,968,579</u>	<u>\$ 554,755</u>	<u>\$ 229,429</u>	<u>\$ 323,221</u>	<u>\$ 180</u>	<u>\$ 8,091,397</u>
Accumulated depreciation and impairment								
Balance at January 1, 2019	\$ -	\$ 616,381	\$ 2,543,877	\$ 416,555	\$ 216,296	\$ 259,263	\$ -	\$ 4,052,372
Depreciation expenses	-	57,710	292,193	31,274	18,189	27,729	-	427,095
Disposals	-	(589)	(204,440)	(37,721)	(50,969)	(15,656)	-	(309,375)
Effect of foreign currency exchange differences	-	(13,316)	(68,177)	(13,189)	(4,202)	(4,045)	-	(102,929)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 660,186</u>	<u>\$ 2,563,453</u>	<u>\$ 396,919</u>	<u>\$ 179,314</u>	<u>\$ 267,291</u>	<u>\$ -</u>	<u>\$ 4,067,163</u>
Carrying amounts at December 31, 2019	<u>\$ 675,822</u>	<u>\$ 679,225</u>	<u>\$ 2,405,126</u>	<u>\$ 157,836</u>	<u>\$ 50,115</u>	<u>\$ 55,930</u>	<u>\$ 180</u>	<u>\$ 4,024,234</u>
Cost								
Balance at January 1, 2020	\$ 675,822	\$ 1,339,411	\$ 4,968,579	\$ 554,755	\$ 229,429	\$ 323,221	\$ 180	\$ 8,091,397
Additions	-	7,717	69,708	9,907	8,993	17,453	2,160	115,938
Disposals	-	(3,350)	(804,812)	(89,819)	(12,319)	(25,350)	-	(935,650)
Disposal of subsidiary	-	(300,928)	(399,904)	(69,492)	(20,762)	(14,677)	-	(805,763)
Effect of foreign currency exchange differences	-	5,097	28,902	3,456	1,423	1,198	37	40,113
Reclassifications	-	82,702	335	-	-	11	(346)	82,702
Balance at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 1,130,649</u>	<u>\$ 3,862,808</u>	<u>\$ 408,807</u>	<u>\$ 206,764</u>	<u>\$ 301,856</u>	<u>\$ 2,031</u>	<u>\$ 6,588,737</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 660,186	\$ 2,563,453	\$ 396,919	\$ 179,314	\$ 267,291	\$ -	\$ 4,067,163
Depreciation expenses	-	53,617	268,025	24,642	14,590	23,242	-	384,116
Disposals	-	(3,188)	(645,633)	(86,104)	(8,956)	(24,582)	-	(768,463)
Disposal of subsidiary	-	(159,218)	(197,919)	(54,393)	(18,297)	(13,961)	-	(443,788)
Impairment loss	-	-	4,763	17	-	-	-	4,780
Effect of foreign currency exchange differences	-	3,272	14,394	2,788	1,271	1,006	-	22,731
Reclassifications	-	24,044	-	-	-	-	-	24,044
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 578,713</u>	<u>\$ 2,007,083</u>	<u>\$ 283,869</u>	<u>\$ 167,922</u>	<u>\$ 252,996</u>	<u>\$ -</u>	<u>\$ 3,290,583</u>
Carrying amounts at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 551,936</u>	<u>\$ 1,855,725</u>	<u>\$ 124,938</u>	<u>\$ 38,842</u>	<u>\$ 48,860</u>	<u>\$ 2,031</u>	<u>\$ 3,298,154</u>

Certain machinery and electrical equipment in the production department were left unused for a long period. The Group expects that the future economic benefits of these equipment will decrease, resulting in a recoverable amount of \$0, which was less than the book value of \$4,780 thousand. Therefore, it has recognized impairment loss of \$4,780 thousand in 2020. The impairment loss has been included under the item of expenditure in the consolidated statements of comprehensive income.

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

Buildings	5-55 years
Machinery	3-20 years
Electric equipment	5-15 years
Tools	3-10 years
Miscellaneous equipment	3-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 120,683	\$ 149,783
Buildings	181,802	234,812
Office equipment	<u>3,722</u>	<u>5,246</u>
	<u>\$ 306,207</u>	<u>\$ 389,841</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 2,566</u>	<u>\$ 4,151</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,761	\$ 9,208
Buildings	51,166	55,910
Office equipment	<u>3,386</u>	<u>3,262</u>
	<u>\$ 63,313</u>	<u>\$ 68,380</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 42,052</u>	<u>\$ 59,768</u>
Non-current	<u>\$ 180,357</u>	<u>\$ 223,644</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.08%	1.08%
Buildings	1.06%-2.37%	1.06%-2.37%
Office equipment	1.05%-1.42%	1.06%-1.42%

c. Material lease-in activities and terms

The Group leases certain equipment and buildings for the use of operating activities with lease terms of 1.25 to 12 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The lease contract for land and buildings located in mainland China specifies that land and buildings are mainly used as plants, and lease payments will be made at the beginning of the contract with lease terms of 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 86,885</u>	<u>\$ 82,138</u>
Total cash outflow for leases	<u>\$ 150,442</u>	<u>\$ 149,185</u>

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Bank credit loans	<u>\$ 77,000</u>	<u>\$ 825,000</u>

As of December 31, 2020 and 2019, the interest rates of short-term borrowings were 0.90%-1.00% per annum and 1.00%-1.23% per annum, respectively.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	\$ -	\$ 200,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>(87)</u>
	<u>\$ -</u>	<u>\$ 199,913</u>

Short-term bills payable are commercial papers due within one year. Interest rate on these bills payable was 0.99% as of December 31, 2019.

c. Long-term borrowings

	December 31	
	2020	2019
Bank credit loans	\$ 922,180	\$ 1,238,000
Bank secured loans	<u>-</u>	<u>450,000</u>
	<u>\$ 922,180</u>	<u>\$ 1,688,000</u>

Freehold land and buildings provided as collaterals for secured bank loans can be circulated within the line. For more information, please refer to Note 26.

As of December 31, 2020 and 2019, the interest rates of long-term borrowings were 0.99%-1.21% per annum and 1.00%-1.80% per annum, respectively.

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Yuen Foong Shop Co., Ltd. and Ever Growing Agriculture Biotech Co., Ltd of the Group adopted a pension plan under the Labor Pension Act (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.

The employees of the Group's subsidiary in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government of the Republic of China. Pension benefits are calculated on the basis of the length of service and average monthly salary of the six months before retirement. The Group contributes 4% 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. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

As a result of the division of employees transferred from YFY Inc. to the Company, their seniority is calculated by consolidation. Employee pensions are paid by each company's special employee retirement reserve account based on the proportion of their years of service in each company.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 115,445	\$ 122,339
Fair value of plan assets	<u>(93,398)</u>	<u>(90,134)</u>
Net defined benefit liability	<u>\$ 22,047</u>	<u>\$ 32,205</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 116,825</u>	<u>\$ (91,098)</u>	<u>\$ 25,727</u>
Service cost			
Current service cost	3,496	-	3,496
Net interest expense (income)	<u>1,695</u>	<u>(1,338)</u>	<u>357</u>
Recognized in profit or loss	<u>5,191</u>	<u>(1,338)</u>	<u>3,853</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,720)	(2,720)
Actuarial loss - changes in demographic assumptions	4,099	-	4,099
Actuarial loss - experience adjustments	<u>6,239</u>	<u>-</u>	<u>6,239</u>
Recognized in other comprehensive income	<u>10,338</u>	<u>(2,720)</u>	<u>7,618</u>
Benefits paid	<u>(10,015)</u>	<u>10,015</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(4,993)</u>	<u>(4,993)</u>
Balance at December 31, 2019	<u>\$ 122,339</u>	<u>\$ (90,134)</u>	<u>\$ 32,205</u>
Balance at January 1, 2020	<u>\$ 122,339</u>	<u>\$ (90,134)</u>	<u>\$ 32,205</u>
Service cost			
Current service cost	3,312	-	3,312
Net interest expense (income)	<u>1,182</u>	<u>(893)</u>	<u>289</u>
Recognized in profit or loss	<u>4,494</u>	<u>(893)</u>	<u>3,601</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,805)	(2,805)
Actuarial loss - changes in demographic assumptions	3,729	-	3,729
Actuarial gain - experience adjustments	<u>(8,649)</u>	<u>-</u>	<u>(8,649)</u>
Recognized in other comprehensive income	<u>(4,920)</u>	<u>(2,805)</u>	<u>(7,725)</u>
Benefits paid	<u>(6,468)</u>	<u>6,468</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(6,034)</u>	<u>(6,034)</u>
Balance at December 31, 2020	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u>

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

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

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

	<u>December 31</u>	
	2020	2019
Discount rates	0.50%	1.00%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

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

	<u>December 31</u>	
	2020	2019
Discount rates		
0.125% increase	<u>\$ (952)</u>	<u>\$ (1,047)</u>
0.125% decrease	<u>\$ 964</u>	<u>\$ 1,061</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 958</u>	<u>\$ 1,060</u>
0.125% decrease	<u>\$ (948)</u>	<u>\$ (1,048)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2020	2019
The expected contributions to the plans for the next year	<u>\$ 3,665</u>	<u>\$ 6,034</u>
The average duration of the defined benefit obligation	6.6 years	6.9 years

15. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2020	2019
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>244,906</u>	<u>241,636</u>
Shares issued	<u>\$ 2,449,060</u>	<u>\$ 2,416,360</u>

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

On May 13, 2019, the Company's board of directors (on behalf of the shareholders' meetings) resolved to increase the share capital with unappropriated earnings of \$143,366 thousand, and issued 14,337 thousand new shares, each have a par value of \$10 on May 22, 2019. The total paid-in capital after the capital increase was \$2,416,360 thousand.

The Company set July 15, 2020 as the subscription base date for the exercise of employee share options and issued 3,270 thousand new shares. The exercise price and par value were \$15 and \$10, respectively. The total paid-in capital after the capital increase was \$2,449,060 thousand.

b. Capital surplus

	Actual Acquisition or Disposal of Equity in Subsidiary (1)	Share Premium (1)	Employee Share Options (2)	Others (3)	Total
Balance at January 1 and December 31, 2019	<u>\$ 151,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,622</u>
Balance at January 1, 2020	\$ 151,622	\$ -	\$ -	\$ -	\$ 151,622
The different between purchase price and the carrying amount of Yuen Foong shop Co., Ltd.	4,859	-	-	-	4,859
Employee share options granted	-	(1,144)	47,368	-	46,224
Employee share options exercised	-	63,003	(46,653)	-	16,350
Employee share options expired	<u>-</u>	<u>-</u>	<u>(715)</u>	<u>715</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 156,481</u>	<u>\$ 61,859</u>	<u>\$ -</u>	<u>\$ 715</u>	<u>\$ 219,055</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus cannot be used for any purpose.
- 3) Such capital surplus can only be used to offset a deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 17(d).

An appropriation of earnings to 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.

The appropriations of earnings for 2019 and 2018, which were approved by the Company's board of directors (on behalf of the shareholders' meetings) on May 13, 2020 and May 13, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Legal reserve	<u>\$ 46,468</u>	<u>\$ 16,034</u>
Cash dividends	<u>\$ 412,120</u>	<u>\$ -</u>
Share dividends	<u>\$ -</u>	<u>\$ 143,366</u>
Cash dividends per share (NT\$)	<u>\$ 1.71</u>	<u>\$ -</u>
Share dividends per share (NT\$)	<u>\$ -</u>	<u>\$ 0.63</u>

The appropriations of earnings for 2020, which were proposed by the Company's board of directors on February 25, 2021, were as follows:

	For the Year Ended December 31, 2020
Legal reserve	<u>\$ 149,341</u>
Special reserve	<u>\$ 203,863</u>
Cash dividends	<u>\$ 979,624</u>
Cash dividends per share (NT\$)	<u>\$ 4</u>

The appropriations of earnings for 2020 will be approved by the shareholders in their meeting to be held in June 2021. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 74,922	\$ 63,578
Attributable to non-controlling interests:		
Share of profit for the year	13,465	16,471
Exchange differences on translating the financial statements of foreign operations	(121)	41
Equity transactions with non-controlling interests (Note 20)	(34,900)	-
The Company granted its share options to the employees of subsidiaries to adjust non-controlling interests	108	-
Subsidiaries release employee compensation to the Company's employees to adjust non-controlling interests	(112)	-
Cash dividends to non-controlling interests	<u>(5,650)</u>	<u>(5,168)</u>
Balance at December 31	<u>\$ 47,712</u>	<u>\$ 74,922</u>

16. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers - sale of goods	<u>\$ 10,147,738</u>	<u>\$ 10,548,751</u>

Contract Balances

	December 31	
	2020	2019
Notes receivable and accounts receivable (including related parties)	<u>\$ 1,210,001</u>	<u>\$ 1,227,845</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 11,431</u>	<u>\$ 7,440</u>

The amount of contract liabilities from the beginning of the year recognized as income in the current period is as follows:

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers - sale of goods	<u>\$ 5,662</u>	<u>\$ 9,789</u>

For information about notes receivable and accounts receivable, refer to Note 8. The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

17. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	\$ 2,786	\$ 3,465
Interest on bank loans	28,330	41,082
Less: Capitalization amount of interest	<u>(23)</u>	<u>(24)</u>
	<u>\$ 31,093</u>	<u>\$ 44,523</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalization interest rate	0.79%-1.26%	1.02%-1.06%

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Right-of -use assets	\$ 63,313	\$ 68,380
Property, plant and equipment	384,116	427,095
Investment properties	<u>-</u>	<u>3,431</u>
	<u>\$ 447,429</u>	<u>\$ 498,906</u>
 An analysis of depreciation by function		
Operating costs	\$ 370,725	\$ 414,551
Operating expenses	76,704	84,062
Non-operating expenses	<u>-</u>	<u>293</u>
	<u>\$ 447,429</u>	<u>\$ 498,906</u>
 An analysis of amortization by function		
Operating costs	\$ 1,781	\$ 3,635
Operating expenses	<u>3,038</u>	<u>3,200</u>
	<u>\$ 4,819</u>	<u>\$ 6,835</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 27,080	\$ 26,449
Defined benefit plans	<u>3,601</u>	<u>3,853</u>
	30,681	30,302
Share-based payment		
Equity settled	46,332	-
Other employee benefits	<u>1,161,513</u>	<u>1,109,248</u>
Total employee benefit expense	<u>\$ 1,238,526</u>	<u>\$ 1,139,550</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 571,699	\$ 554,480
Operating expenses	<u>666,827</u>	<u>585,070</u>
	<u>\$ 1,238,526</u>	<u>\$ 1,139,550</u>

As of December 31, 2020 and 2019, the Group had 1,591 and 1,595 employees, respectively. The numbers of directors who are not employee of the Group were 5 and 2, respectively. The calculation basis is consistent with the employee benefits.

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 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 were approved by the Company's board of directors on February 25, 2021 and March 19, 2020, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 17,216	\$ 5,769
Remuneration of directors	3,015	-

If there is a change in the proposed amounts after the consolidated financial statements of the fiscal year are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There was no difference between the actual amounts of the compensation and remuneration proposed in 2019, and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

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.

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 239,214	\$ 186,513
Adjustments for prior years	<u>4,949</u>	<u>11,062</u>
	<u>244,163</u>	<u>197,575</u>
Deferred tax		
In respect of the current year	6,248	(12,542)
Adjustments for prior years	<u>19</u>	<u>21</u>
	<u>6,267</u>	<u>(12,521)</u>
Income tax expense recognized in profit or loss	<u>\$ 250,430</u>	<u>\$ 185,054</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 1,751,123</u>	<u>\$ 666,207</u>
Income tax expense calculated at the statutory rate	\$ 350,225	\$ 133,241
Permanent differences	(123,210)	52,451
Adjustments for prior years	4,968	11,083
Deduction for unrecognized loss	16,361	(21,251)
Effect of different tax rates of entities in the Group operating in other jurisdictions	<u>2,086</u>	<u>9,530</u>
Income tax expense recognized in profit or loss	<u>\$ 250,430</u>	<u>\$ 185,054</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ (1,545)</u>	<u>\$ 1,524</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 Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 15,006	\$ 1,109	\$ -	\$ 96	\$ 16,211
Defined benefit obligation	6,441	(487)	(1,545)	-	4,409
Others	<u>7,789</u>	<u>(6,566)</u>	<u>-</u>	<u>18</u>	<u>1,241</u>
	<u>\$ 29,236</u>	<u>\$ (5,944)</u>	<u>\$ (1,545)</u>	<u>\$ 114</u>	<u>\$ 21,861</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ -	\$ 57,133
Others	<u>-</u>	<u>323</u>	<u>-</u>	<u>(1)</u>	<u>322</u>
	<u>\$ 57,133</u>	<u>\$ 323</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 57,455</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 5,369	\$ 9,637	\$ -	\$ 15,006
Defined benefit obligation	5,147	(230)	1,524	6,441
Others	<u>4,675</u>	<u>3,114</u>	<u>-</u>	<u>7,789</u>
	<u>\$ 15,191</u>	<u>\$ 12,521</u>	<u>\$ 1,524</u>	<u>\$ 29,236</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 57,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,133</u>

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

YFY Investment Co., Ltd.

	December 31	
	2020	2019
Loss carryforwards		
Expiry in 2020	\$ -	\$ 288,379
Expiry in 2021	242,615	238,871
Expiry in 2022	100,214	98,668
Expiry in 2023	<u>68,743</u>	<u>67,683</u>
	<u>\$ 411,572</u>	<u>\$ 693,601</u>

- e. Income tax assessments

	Latest Approved Year
The Company	2016
Yuen Foong Shop Co., Ltd.	2018
Ever Growing Agriculture Biotech Co., Ltd.	2019

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share (NT\$)	<u>\$ 6.12</u>	<u>\$ 1.92</u>
Diluted earnings per share (NT\$)	<u>\$ 6.09</u>	<u>\$ 1.92</u>

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

Net profit for the year:

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	<u>\$ 1,487,228</u>	<u>\$ 464,682</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	243,146	241,636
Effect of potentially dilutive ordinary shares:		
Employee share options	22	-
Compensation of employees	<u>1,151</u>	<u>525</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>244,319</u>	<u>242,161</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

To boost management performance, the Group carried out a restructuring of the organization, and acquired 50% shares of Yuen Foong Shop Co., Ltd. owned by YFY Paradigm Investment Co., Ltd. in March 2020.

The above transactions were accounted for as equity transactions since the Group did not change the control over the subsidiary.

	<u>Yuen Foong Shop Co., Ltd.</u>
Consideration received	\$ (30,041)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>34,900</u>
Differences recognized from equity transactions	<u>\$ 4,859</u>

21. SHARE-BASED PAYMENT ARRANGEMENTS

The board of directors resolved to issue 3,320 units of employee share options to employees who met specific requirements on July 10, 2020. The granted employee share options comprised of 2,060 units to the Company's employees, 1,180 units to the subsidiaries' employees, and 80 units to the parent company's employees. Each unit of the options entitles the holder to subscribe for 1,000 ordinary shares and the exercise price is \$15 per share. The eligible participants of share options can exercise all share options one day after the grant date.

Information on employee share options issued in July 2020 is as follows:

Employee Share Options	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	3,320	15
Options exercised	(3,270)	15
Options expired	<u>(50)</u>	15
Balance at December 31	<u>-</u>	
Weighted-average fair value of options granted in July 2020 (\$)	<u>\$ 14.3</u>	

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

	July 2020
Share price at the grant date	\$29.3
Exercise price	\$15
Expected volatility (%)	45.69
Expected lives (days)	6
Expected dividend yield (%)	-
Risk free interest rate (%)	0.28

The employees' compensation cost recognized on the consolidated statements of comprehensive income was \$46,332 thousand for the year ended December 31, 2020.

22. DISPOSAL OF SUBSIDIARIES

On June 22, 2020, the subsidiary YFY Investment Co., Ltd. entered into a sale agreement to dispose of entire shares of YFY Family Paper (Beijing) Co., Ltd. The disposal was completed in August 2020.

a. Consideration received from disposals

	YFY Family Paper (Beijing) Co., Ltd.
Consideration received in cash	\$ 773,734
Disposal expense	<u>(24,081)</u>
Total consideration received	<u>\$ 749,653</u>

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

**YFY Family
Paper (Beijing)
Co., Ltd.**

Current assets	
Cash and cash equivalents	\$ 309
Accounts receivables	52,346
Other receivables from related parties	4,283
Inventories	1,668
Other current assets	42,975
Non-current assets	
Property, plant and equipment	361,975
Right-of-use assets	21,640
Other non-current assets	914
Current liabilities	
Notes and accounts payable	(2)
Accounts payable to related parties	(8)
Other payables, others	(37,324)
Other current liabilities	<u>(37,492)</u>
Net assets disposed of	<u>\$ 411,284</u>

c. Gain on disposal of subsidiary

**YFY Family
Paper (Beijing)
Co., Ltd.**

Consideration received	\$ 773,734
Disposal expense	(24,081)
Net assets disposed of	(411,284)
Cumulative exchange difference on net assets of the subsidiary reclassified from equity to profit or loss due to loss of control of the subsidiary	19,701
Net exchange difference	<u>(1,244)</u>
Gain on disposals	<u>\$ 356,826</u>

d. Net cash inflow on disposals of subsidiary

**YFY Family
Paper (Beijing)
Co., Ltd.**

Consideration received in cash and cash equivalents	\$ 749,653
Less: Cash and cash equivalent balances disposed of	<u>(309)</u>
	<u>\$ 749,344</u>

23. CAPITAL MANAGEMENT

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Group may adjust the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements to approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,701,706	\$ 2,195,339
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,836,785	4,472,724

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, accounts receivable from related parties, other receivables from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other non-current assets).

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, accounts payable to related parties, other payables, other payables to related parties, long-term borrowings, long-term payables (accounted as other non-current liabilities) and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

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

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures. The Group did not enter into or trade financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Group's income.

Sensitivity analysis

The Group is mainly exposed to the USD and RMB.

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

	For the Year Ended December 31	
	2020	2019
Profit or loss at 5% variance		
USD	<u>\$ (42,095)</u>	<u>\$ (43,666)</u>
RMB	<u>\$ 469</u>	<u>\$ 8,566</u>

b) Interest rate risk

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	<u>\$ 200,753</u>	<u>\$ 682,933</u>
Financial liabilities	<u>\$ 1,146,931</u>	<u>\$ 1,918,207</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 1,115,947</u>	<u>\$ 112,760</u>
Financial liabilities	<u>\$ 77,000</u>	<u>\$ 825,000</u>

Due to the close and long-term relationship with banks, the Group obtained better and flexible interest rates from banks. The impact of changing in interest rates is not significant to the Group.

Sensitivity analysis

For the Group's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased as follows:

	For the Year Ended December 31	
	2020	2019
Increase/decrease	\$ 1,039	\$ (712)

2) Credit risk

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

The Group's transactions are done with a large number of unrelated customers and various industries. The Group continuously evaluates the financial conditions of those customers.

To maintain the quality of the accounts receivable, the Group has developed a credit risk management procedure to reduce the credit risk from specific customer. The credit evaluation of individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Group's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, there was 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 required by business operation and to ensure the Group has sufficient financial flexibility.

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc. Company, which held 64.52% and 100% of the ordinary shares of the Company as of December 31, 2020 and 2019, respectively.

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
YFY Packaging Inc.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co, Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
YFY Biotech Management Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong) Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Fellow subsidiary
San Ying Enterprise Co., Ltd.	Fellow subsidiary

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY International BVI Corp.	Fellow subsidiary
Arizon RFID Technology (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Packaging (Yangzhou) Investment Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Shanghai) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Tianjin) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Kunshan) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Qingdao) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Nanjing) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Jiaxing) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Suzhou) Co., Ltd.	Fellow subsidiary
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Fellow subsidiary
Livebricks Inc.	Fellow subsidiary
Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
SinoPac Securities Co., Ltd.	Substantial related party
E Ink Holdings Incorporated	Substantial related party
Shin-Yi Enterprise Co., Ltd.	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
YFY Biotechnology Co., Ltd.	Substantial related party
SinoPac Leasing Co., Ltd.	Substantial related party
Bank SinoPac Co., Ltd.	Substantial related party
Hsinex International Corp.	Substantial related party
Shin-Yi Foundation	Substantial related party
Shin-Yi Foundation Publishing	Substantial related party
Xingyuan Investment Co., Ltd.	Substantial related party
Sung Yu Corporation	Substantial related party
Beautone Co., Ltd.	Substantial related party
SinoPac Financial Holdings Company Limited	Substantial related party
YFY Biotechnology (Kunshun) Co., Ltd.	Substantial related party
YFY Restaurant Management (Shanghai) Co., Ltd.	Substantial related party
Hotan Life Corporation	Substantial related party
Yuanhan Materials Inc.	Substantial related party
Hoi Toy & Play Corporation	Substantial related party
Synmax Biochemical Co., Ltd.	Substantial related party
Taiwan Stock Exchange	Substantial related party
Transcend Optronics (Yangzhou) Co., Ltd.	Substantial related party

(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Fellow subsidiaries	\$ 15,417	\$ 18,548
Substantial related parties	12,170	12,257
Parent company	<u>1,535</u>	<u>1,686</u>
	<u>\$ 29,122</u>	<u>\$ 32,491</u>

For sales of goods to related parties, the prices and terms of receivables approximate those with non-related parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 604,260	\$ 1,060,125
Chung Hwa Pulp Corporation	416,813	587,949
YFY International BVI Corp.	34,262	225,303
Others	<u>210,502</u>	<u>219,772</u>
	1,265,837	2,093,149
Substantial related parties	<u>881</u>	<u>1,352</u>
	<u>\$ 1,266,718</u>	<u>\$ 2,094,501</u>

For purchases of goods from related parties, the prices and terms of payables approximate those with non-related parties.

d. Accounts receivable from related parties

Related Party Category	December 31	
	2020	2019
Fellow subsidiaries	\$ 17,791	\$ 17,684
Substantial related parties	1,960	1,936
Parent company	<u>3</u>	<u>28</u>
	<u>\$ 19,754</u>	<u>\$ 19,648</u>

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

Related Party Category	December 31	
	2020	2019
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 125,895	\$ 49,495
Guangdong Dingfung Pulp & Paper Co., Ltd.	106,132	126,781
Others	<u>77,727</u>	<u>77,785</u>
	309,754	254,061
Substantial related-parties	<u>32</u>	<u>616</u>
	<u>\$ 309,786</u>	<u>\$ 254,677</u>

The outstanding accounts payable to related parties are unsecured.

f. Other receivables from related parties (excluding loans to related parties)

Related Party Category	December 31	
	2020	2019
Fellow subsidiaries	\$ 327	\$ 34
Substantial related parties	<u>46</u>	<u>-</u>
	<u>\$ 373</u>	<u>\$ 34</u>

g. Loans to related parties (accounted as other receivables from related parties)

Related Party Category	December 31	
	2020	2019
<u>Other receivables</u>		
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u> -</u>	\$ <u>444,841</u>

For the Year Ended December 31

Related Party Category	2020		2019	
	<u>Interest income</u>			
Fellow subsidiaries				
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u>7,196</u>	\$ <u>7,190</u>		

The Group provided loans to YFY Paper MFG (Yangzhou) Co., Ltd. with interest rate of 3.25%.

h. Other payables to related parties (excluding loans from related parties)

Related Party Category	December 31	
	2020	2019
Fellow subsidiaries	\$ 25,735	\$ 26,870
Substantial related parties	<u>1,737</u>	<u>1,274</u>
	\$ <u>27,472</u>	\$ <u>28,144</u>

i. Loans from related parties (accounted as other payables to related parties)

Related Party Category	December 31	
	2020	2019
<u>Other payables</u>		
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u>2,342</u>	\$ <u>2,150</u>

For the Year Ended December 31

Related Party Category	2020		2019	
	<u>Interest paid</u>			
Fellow subsidiaries				
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u>279</u>	\$ <u>1,780</u>		

The Group obtained loans from related parties with interest rate of 3.50%.

j. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ <u>855</u>	\$ <u>7,952</u>

k. Disposals of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Fellow subsidiaries	\$ <u>117</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

l. Acquisition of financial assets

Please refer to Note 10.

m. Lease arrangements

Acquisition of Right of Use Assets	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ -	\$ 47,507
Substantial related parties	<u>-</u>	<u>5,973</u>
	\$ <u>-</u>	\$ <u>53,480</u>

The amount of acquisition of right-of-use assets in 2019 included accounting adjustments in accordance with IFRS 16.

Lease Liabilities	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 36,374	\$ 41,970
Substantial related parties	<u>244</u>	<u>3,141</u>
	\$ <u>36,618</u>	\$ <u>45,111</u>

Interest Paid	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 425	\$ 485
Substantial related parties	<u>23</u>	<u>66</u>
	\$ <u>448</u>	\$ <u>551</u>

Lease Paid	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 36,238	\$ 39,623
Substantial related parties	<u>9,530</u>	<u>10,502</u>
	\$ <u>45,768</u>	\$ <u>50,125</u>

n. Other transactions with related parties

Related Party Category	Agency Fees (Accounted as Operating Expenses)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ <u>12,070</u>	\$ <u>9,870</u>

Related Party Category	Miscellaneous Expenses (Accounted as Operating Costs and Expenses)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 205,493	\$ 206,360
Substantial related parties	<u>10,192</u>	<u>10,505</u>
	\$ <u>215,685</u>	\$ <u>216,865</u>

Related Party Category	Other Income (Accounted as Non-operating Revenue)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ <u>12,198</u>	\$ <u>3,874</u>

Related Party Category	Unearned Sales Revenue (Accounted as Other Current Liabilities)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ <u>-</u>	\$ <u>1,187</u>

o. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Salaries and benefits	\$ 57,430	\$ 51,954
Share based payment	<u>26,598</u>	<u>-</u>
	\$ <u>84,028</u>	\$ <u>51,954</u>

The remuneration of directors and key executives as determined by the remuneration committee, was based on the performance of individuals and market trends.

26. PLEDGED ASSETS

The following assets were pledged as the Group's collateral for long-term borrowings:

	December 31	
	2020	2019
Property, plant and equipment - land and buildings, net	\$ -	\$ 475,009

27. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Group's subsidiaries, customers and suppliers were required to implement policies such as isolation and travel restrictions. However, there was no significant impact on the Group's overall operations. Because many countries are still under lockdown and the global economic situation continues to tighten, the Group will continue to evaluate the subsequent impact of epidemic on its operations.

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

The following is information on the foreign currencies other than the functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 448	28.48	\$ 12,759
RMB	2,142	4.377	9,376
<u>Financial liabilities</u>			
Monetary items			
USD	30,009	28.48	854,656
	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,182	29.98	\$ 35,436
RMB	39,794	4.305	171,313
<u>Financial liabilities</u>			
Monetary items			
USD	30,312	29.98	908,754

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Year Ended 2020		For the Year Ended 2019	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	28.48 (USD:NTD)	\$ (765)	29.98 (USD:NTD)	\$ (754)
USD	6.507 (USD:RMB)	56,803	6.964 (USD:RMB)	(5,205)
RMB	4.377 (RMB:NTD)	<u>(6,626)</u>	4.305 (RMB:NTD)	<u>(39,395)</u>
		<u>\$ 49,412</u>		<u>\$ (45,354)</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 7)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 6)
- 11) Information on investees (Table 4)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

30. SEGMENT INFORMATION

a. Consolidated revenue and results

	Taiwan Segment	China Segment	Adjustment and Elimination	Total
For the year ended <u>December 31, 2020</u>				
Revenue from external customers	<u>\$ 6,279,743</u>	<u>\$ 3,867,995</u>	<u>\$ -</u>	<u>\$ 10,147,738</u>
Revenue from other internal operating segments	<u>\$ 1,213,422</u>	<u>\$ 3,984,817</u>	<u>\$ (5,198,239)</u>	<u>\$ -</u>
Segment profit or loss before income tax	<u>\$ 1,172,631</u>	<u>\$ 578,492</u>	<u>\$ -</u>	<u>\$ 1,751,123</u>
For the year ended <u>December 31, 2019</u>				
Revenue from external customers	<u>\$ 5,868,873</u>	<u>\$ 4,679,878</u>	<u>\$ -</u>	<u>\$ 10,548,751</u>
Revenue from other internal operating segments	<u>\$ 1,403,653</u>	<u>\$ 5,344,937</u>	<u>\$ (6,748,590)</u>	<u>\$ -</u>
Segment profit or loss before income tax	<u>\$ 569,345</u>	<u>\$ 96,862</u>	<u>\$ -</u>	<u>\$ 666,207</u>

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

1) Taiwan segment

Manufacture and sale of paper and paper-related merchandise in Taiwan.

2) China segment

Manufacture and sale of paper and paper-related merchandise in Mainland China

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

b. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 6,279,743	\$ 5,868,873	\$ 2,354,674	\$ 2,516,794
Mainland China	<u>3,867,995</u>	<u>4,679,878</u>	<u>1,377,658</u>	<u>2,086,689</u>
	<u>\$ 10,147,738</u>	<u>\$ 10,548,751</u>	<u>\$ 3,732,332</u>	<u>\$ 4,603,483</u>

c. Information on major customers

Single customer contributed 10% or more to the Group's revenue for both 2020 and 2019 was as follows:

	2020		2019	
	Amount	%	Amount	%
A company	\$ 1,725,707	17.01	\$ 1,283,236	12.16

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (In Thousands of Foreign Currencies) (Notes 2 and 5)	Ending Balance (In Thousands of Foreign Currencies) (Notes 2 and 5)	Actual Borrowing Amount (In Thousands of Foreign Currencies) (Note 5)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (In Thousands of Foreign Currencies) (Notes 3 and 5)	Aggregate Financing Limit (In Thousands of Foreign Currencies) (Notes 3 and 5)	Note
													Item	Value			
0	Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 802,133	\$ -	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,227,933	\$ 1,227,933	Note 6
1	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	453,750	427,200	427,200	2.00	Short-term financing	-	Operating capital	-	-	-	4,845,802	4,845,802	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	453,750	427,200	427,200	2.00	Short-term financing	-	Operating capital	-	-	-	4,845,802	4,845,802	Note 6
2	YFY Family Care (Kunshan) Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	444,868	-	-	-	Short-term financing	-	Operating capital	-	-	-	41,147	164,589	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	412,867	411,471	75,801	3.25	Short-term financing	-	Operating capital	-	-	-	822,943	822,943	
3	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Paper MFG (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,098,840	-	-	-	Short-term financing	-	Operating capital	-	-	-	110,976	443,905	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	1,113,526	1,109,763	-	3.25	Short-term financing	-	Operating capital	-	-	-	2,219,525	2,219,525	
4	YFY Family Paper (Beijing) Co., Ltd. (Note 7)	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	458,002	-	-	-	Short-term financing	-	Operating capital	-	-	-	-	-	-
5	YFY Investment Co., Ltd.	YFY Paper MFG (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,477,841	-	-	-	Short-term financing	-	Operating capital	-	-	-	148,966	595,864	Note 6
		YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	1,494,711	1,489,660	-	3.50	Short-term financing	-	Operating capital	-	-	-	2,979,320	2,979,320	
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,494,711	1,489,660	77,301	3.50	Short-term financing	-	Operating capital	-	-	-	2,979,320	2,979,320	
		Shanghai YFY International Trade Co., Ltd.	Other receivables from related parties	Yes	3,092	3,082	-	3.50	Short-term financing	-	Operating capital	-	-	-	2,979,320	2,979,320	

Note 1: The number column of financing provided to others by Yuen Foong Yu Consumer Products Co., Ltd. and subsidiaries is illustrated as follows:

- The Company is numbered 0.
- The subsidiaries of the Company are sequentially numbered from 1 based on their investment structures.

Note 2: The balances are the approved amount that could be financed to others, including those not actually borrowed.

Note 3: In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender's net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender's net equity of the prior year while individual loans shall not exceed the 40% of the lender's net equity of the prior year. In summary, the total provision of loans due to business dealings and short-term-loans shall not exceed 80% of the lender's net equity of the prior year while individual loans shall not exceed the 80% of the lender's net equity of the prior year.

Note 4: Foreign companies that directly and indirectly hold 100% of the voting shares are not subject to the aforementioned restrictions when engaging in financing provided to others. The total amount of financing loans and individual object limits due to business relationships and the need for short-term financing are limited to no more than twice the net value of the Company at the end of the previous year.

Note 5: The exchange rates are US\$1=NT\$28.48 or RMB\$1=NT\$4.364818 as of December 31, 2020.

Note 6: In preparing the consolidated financial statements, the transaction has been eliminated

Note 7: On June 22, 2020, the subsidiary YFY Investment Co., Ltd. entered into a sale agreement to dispose of entire shares of YFY Family Paper (Beijing) Co., Ltd. The disposal was completed on August 2020. Financing provided to others remains the highest balance for the period, ending balance, actual borrowing amount, financing limit for each borrower and aggregate financing limit are set to zero.

TABLE 2

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Yuen Foong Shop Co., Ltd.	a.	Sale	\$ (883,180)	(15)	In agreed terms	\$ -	-	\$ 167,018	20	Note 2
	YFY Packaging Inc.	b.	Purchase	133,741	4	In agreed terms	-	-	(46,706)	(8)	
	Chung Hwa Pulp Corporation	b.	Purchase	408,252	14	In agreed terms	-	-	(125,895)	(23)	
Ever Growing Agriculture Biotech Co., Ltd.	The Company	a.	Sale	(330,058)	(97)	In agreed terms	-	-	159,244	100	Note 2
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	a.	Sale	(1,099,186)	(22)	In agreed terms	-	-	91,405	17	Note 2
	Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	Purchase	524,618	12	In agreed terms	-	-	(96,117)	(34)	
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(1,809,504)	(87)	In agreed terms	-	-	115,256	90	Note 2
	YFY Family Care (Kunshan) Co., Ltd.	a.	Sale	(27,441)	(13)	In agreed terms	-	-	12,335	10	
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(542,162)	(100)	In agreed terms	-	-	60,647	97	Note 2
YFY Family Paper (Beijing) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(163,762)	(71)	In agreed terms	-	-	-	-	Note 3

Note 1: a. Parent company and subsidiary.
b. Fellow subsidiaries.
c. Substantial related parties.

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

Note 3: On June 22, 2020, the subsidiary YFY Investment Co., Ltd. entered into a sale agreement to dispose of entire shares of YFY Family Paper (Beijing) Co., Ltd. The disposal was completed on August 2020. The relevant disclosure amount is the total number of transactions before the disposal.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	\$ 167,018	8.74	\$ -	-	\$ 137,633	\$ -
Ever Growing Agriculture Biotech Co., Ltd.	The Company	Parent company	159,244	2.20	-	-	101,999	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	115,256	6.62	-	-	115,256	-

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

TABLE 4

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

**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 Businesses and Products	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment and holding.	\$ 3,845,458	\$ 3,845,458	150,013,000	100.0	\$ 2,987,775	\$ 565,151	\$ 565,151	a. and b.
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	256,030	56,720	45,043	a. and b.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	25,000	5,000,000	100.0	81,039	39,598	32,616	a. and b.
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong	General trade	-	-	-	100.0	-	-	-	a. and b.

Note 1: a. Subsidiaries.
b. Investments accounted for using the equity method.
c. Refer to Table 5 for information on investments in mainland China.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (In Thousands of Foreign Currencies) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (In Thousands of Foreign Currencies) (Notes 1 and 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	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)	Investment in mainland China through companies set up in another country.	\$ 2,693,496 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,693,496 (US\$ 94,575 thousand)	\$ 526,241 (Note 2,b.)	100.0	\$ 526,241 (Note 2,b.)	\$ 2,042,531	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	854,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	(149,296) (Note 2,b.)	100.0	(148,665) (Note 2,b.)	259,745	-
YFY Family Paper (Beijing) Co., Ltd. (Note 4)	Manufacture and sale of tissue paper and napkins	996,800 (US\$ 35,000 thousand)	Investment in mainland China through companies set up in another country.	284,800 (US\$ 10,000 thousand)	-	-	284,800 (US\$ 10,000 thousand)	(28,536) (Note 2,b.)	-	(28,536) (Note 2,b.)	-	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	854,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	31,484 (Note 2,b.)	100.0	31,484 (Note 2,b.)	1,147,876	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,671 (US\$ 164 thousand)	Direct investment in mainland China.	4,671 (US\$ 164 thousand)	-	-	4,671 (US\$ 164 thousand)	(133) (Note 2,b.)	100.0	(133) (Note 2,b.)	-	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$2,982,967 (Note 1)	\$2,982,967 (Note 1)	Note 3

Note 1: The exchange rates are US\$1=NT\$28.48 or RMB\$1=NT\$4.364818 as of December 31, 2020.

Note 2: The recognition basis for investment gain (loss) are as follows:

- Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements audited by the ROC CPA firm.
- Others.

Note 3: According to Article 3 of the "Principles of Investing or Technical Cooperation in Mainland China" on August 29, 2008, companies approved by the Industrial Development Bureau, MOEA within the scope of operations of the operational headquarters are not subject to the upper limit. The Company is an enterprise that is eligible and is not subject to the aforementioned restrictions

Note 4: On June 22, 2020, the subsidiary YFY Investment Co., Ltd. entered into a sale agreement to dispose of entire shares of YFY Family Paper (Beijing) Co., Ltd. The disposal was completed on August 2020. The sale proceeds have not been remitted back to Taiwan; therefore, the Company has not yet processed the deduction of the accumulated investment amount to the Investment Commission, MOEA.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
1	Yuen Foong Yu Consumer Products Co., Ltd.	Ever Growing Agriculture Biotech Co., Ltd.	Subsidiary	Sales	\$ 33	By market price	-
				Accounts receivable	23	By market price	-
		Yuen Foong Shop Co., Ltd.	Subsidiary	Sales	883,180	By market price	8.70
				Accounts receivable	167,018	By market price	2.21
2	Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	Sales	330,058	By market price	3.25
				Accounts receivable	159,244	By market price	2.11
3	Yuen Foong Shop Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd. Ever Growing Agriculture Biotech Co., Ltd.	Parent company Fellow subsidiaries	Sales	37	By market price	-
				Sales	114	By market price	-
				Accounts receivable	5	By market price	-
4	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd. YFY Family Care (Kunshan) Co., Ltd.	Parent company Subsidiary	Sales	29,583	By market price	0.29
				Accounts receivable	508	By market price	0.01
		YFY Family Paper (Beijing) Co., Ltd. Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary (Note 2) Subsidiary	Sales	49	By market price	-
				Sales	293	By market price	-
				Sales	1,099,186	By market price	10.83
Accounts receivable	91,405	By market price	1.21				
5	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	1,809,504	By market price	17.83
				Accounts receivable	115,256	By market price	1.53
		YFY Family Care (Kunshan) Co., Ltd. YFY Family Paper (Beijing) Co., Ltd.	Fellow subsidiaries Fellow subsidiaries	Sales	271,442	By market price	2.67
				Accounts receivable	12,335	By market price	0.16
				Sales	653	By market price	0.01
6	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	542,162	By market price	5.34
				Accounts receivable	62,337	By market price	0.83
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Fellow subsidiaries	Sales	70	By market price	-
				Accounts receivable	22	By market price	-
7	YFY Family Paper (Beijing) Co., Ltd. (Note 2)	YFY Investment Co., Ltd. YFY Family Care (Kunshan) Co., Ltd. Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Parent company Fellow subsidiaries Fellow subsidiaries	Sales	163,762	By market price	1.61
				Sales	655	By market price	0.01
				Sales	66,999	By market price	0.66

Note 1: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 2: On June 22, 2020, the subsidiary YFY Investment Co., Ltd. entered into a sale agreement to dispose of entire shares of YFY Family Paper (Beijing) Co., Ltd. The disposal was completed on August 2020. The relevant disclosure amount is the number of transactions recognized before the equity transfer.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 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 Investment Co., Ltd.	Share certificate YFY Family Paper (Beijing) Co., Ltd.	Note 1	Huatong Development (HK) Limited	-	-	\$ 439,817	-	\$ -	-	\$ 773,734	\$ 435,365 (Note 2)	\$ 356,826 (Note 3)	\$ 18,457 (Note 4)	-	\$ -	-

Note 1: Accounted for as investments accounted for using equity method.

Note 2: Including disposal fees with an amount of \$24,081 thousand.

Note 3: Accounted for as gain on disposal of non-current disposal groups held for sale.

Note 4: Including net exchange differences on translation and cumulative exchange difference on net assets of the subsidiary reclassified from equity to profit or loss due to loss of control of the subsidiary.

**Yuen Foong Yu Consumer Products
Co., Ltd.**

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yuen Foong Yu Consumer Products Co., Ltd.

Opinion

We have audited the accompanying financial statements of Yuen Foong Yu Consumer Products Co., Ltd. (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 (collectively referred to as the “financial statements”).

In our opinion, 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.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2020. The matter was 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 the matter.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2020 is as follows:

Valuation of Receivables

The Company has a large number of customers and its notes and accounts receivable are material in amount. When evaluating impairment of receivables, the management estimated loss allowance based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we considered the valuation of receivables as a key audit matter.

For the disclosures related to receivables, refer to Notes 4,5 and 8 to the financial statements.

Our audit procedures for the abovementioned key audit matter included the following:

1. We obtained the reports of impaired receivables and assessed the reasonableness of the methodology and data.
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer's credit policy and tracking of overdue receivables.

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.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe the matter 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 audits resulting in this independent auditors' report are Shu-Wan Lin and Shiow-Ming Shue.

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 applied in the Republic of China.

For the convenience of readers, the independent 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.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 60,305	1	\$ 46,232	1
Financial assets at amortized cost - current (Notes 4 and 7)	-	-	149,327	2
Notes and accounts receivable (Notes 4, 8 and 16)	672,709	10	693,378	10
Accounts receivable from related parties (Notes 4, 16 and 23)	169,810	3	42,126	1
Other receivables from related parties (Note 23)	32,148	-	792,420	11
Inventories (Notes 4 and 9)	357,581	5	337,600	5
Other current assets	<u>185,598</u>	<u>3</u>	<u>100,789</u>	<u>1</u>
Total current assets	<u>1,478,151</u>	<u>22</u>	<u>2,161,872</u>	<u>31</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	3,324,844	49	2,707,628	39
Property, plant and equipment (Notes 4, 11, 23 and 24)	1,793,435	26	1,885,506	27
Right-of-use assets (Notes 4 and 12)	180,236	3	227,102	3
Deferred tax assets (Notes 4 and 18)	14,240	-	26,081	-
Other non-current assets	<u>22,583</u>	<u>-</u>	<u>29,106</u>	<u>-</u>
Total non-current assets	<u>5,335,338</u>	<u>78</u>	<u>4,875,423</u>	<u>69</u>
TOTAL	<u>\$ 6,813,489</u>	<u>100</u>	<u>\$ 7,037,295</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ -	-	\$ 600,000	9
Short-term bills payable (Note 13)	-	-	199,913	3
Notes and accounts payable	217,151	3	196,930	3
Accounts payable to related parties (Note 23)	335,623	5	233,395	3
Other payables	744,145	11	726,367	10
Other payables to related parties (Note 23)	3,455	-	6,366	-
Current tax liabilities (Notes 4 and 18)	236,656	3	136,294	2
Lease liabilities - current (Notes 4 and 12)	32,648	1	45,919	1
Other current liabilities (Note 16)	<u>22,920</u>	<u>-</u>	<u>9,221</u>	<u>-</u>
Total current liabilities	<u>1,592,598</u>	<u>23</u>	<u>2,154,405</u>	<u>31</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	922,180	14	1,688,000	24
Deferred tax liabilities (Notes 4 and 18)	57,133	1	57,133	1
Lease liabilities - non-current (Notes 4 and 12)	149,461	2	182,403	3
Net defined benefit liabilities (Notes 4 and 14)	22,047	-	32,205	-
Other non-current liabilities	<u>36,162</u>	<u>1</u>	<u>35,000</u>	<u>-</u>
Total non-current liabilities	<u>1,186,983</u>	<u>18</u>	<u>1,994,741</u>	<u>28</u>
Total liabilities	<u>2,779,581</u>	<u>41</u>	<u>4,149,146</u>	<u>59</u>
EQUITY (Notes 4 and 15)				
Share capital				
Ordinary shares	<u>2,449,060</u>	<u>36</u>	<u>2,416,360</u>	<u>34</u>
Capital surplus	<u>219,055</u>	<u>3</u>	<u>151,622</u>	<u>2</u>
Retained earnings				
Legal reserve	76,248	1	29,780	-
Unappropriated earnings	<u>1,493,408</u>	<u>22</u>	<u>458,588</u>	<u>7</u>
Total retained earnings	<u>1,569,656</u>	<u>23</u>	<u>488,368</u>	<u>7</u>
Other equity	<u>(203,863)</u>	<u>(3)</u>	<u>(168,201)</u>	<u>(2)</u>
Total equity	<u>4,033,908</u>	<u>59</u>	<u>2,888,149</u>	<u>41</u>
TOTAL	<u>\$ 6,813,489</u>	<u>100</u>	<u>\$ 7,037,295</u>	<u>100</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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	%
NET SALES (Notes 4, 16 and 23)	\$ 5,900,941	100	\$ 5,708,029	100
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 23)	<u>(3,823,018)</u>	<u>(65)</u>	<u>(4,239,286)</u>	<u>(74)</u>
GROSS PROFIT	<u>2,077,923</u>	<u>35</u>	<u>1,468,743</u>	<u>26</u>
OPERATING EXPENSES (Notes 4, 14, 17 and 23)				
Selling and marketing	(692,388)	(12)	(692,910)	(12)
General and administrative	(274,426)	(5)	(222,523)	(4)
Research and development	<u>(37,793)</u>	<u>-</u>	<u>(29,838)</u>	<u>(1)</u>
Total operating expenses	<u>(1,004,607)</u>	<u>(17)</u>	<u>(945,271)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>1,073,316</u>	<u>18</u>	<u>523,472</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 17)	(22,730)	-	(35,347)	-
Share of profit of subsidiaries (Notes 4 and 10)	642,810	11	75,948	1
Interest income (Notes 4 and 23)	8,898	-	21,380	1
Other income (Note 23)	7,293	-	17,077	-
(Loss) gain on disposal of property, plant and equipment (Note 4)	(909)	-	8,502	-
Foreign exchange loss (Note 4)	(7,600)	-	(39,443)	(1)
Other expenses (Note 11)	<u>(870)</u>	<u>-</u>	<u>(443)</u>	<u>-</u>
Total non-operating income and expenses	<u>626,892</u>	<u>11</u>	<u>47,674</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,700,208	29	571,146	10
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(212,980)</u>	<u>(4)</u>	<u>(106,464)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,487,228</u>	<u>25</u>	<u>464,682</u>	<u>8</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	7,725	-	(7,618)	-
Tax effect of items that will not be reclassified (Notes 4 and 18)	(1,545)	-	1,524	-

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries	\$ <u>(35,662)</u>	<u>-</u>	\$ <u>(84,699)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(29,482)</u>	<u>-</u>	<u>(90,793)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,457,746</u>	<u>25</u>	<u>\$ 373,889</u>	<u>7</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.12</u>		<u>\$ 1.92</u>	
Diluted	<u>\$ 6.09</u>		<u>\$ 1.92</u>	

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

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

	Share Capital		Capital Surplus (Note 4)	Retained Earnings (Note 15)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Total		
BALANCE AT JANUARY 1, 2019	227,299	\$ 2,272,994	\$ 151,622	\$ 13,746	\$ 159,400	\$ 173,146	\$ (83,502)	\$ 2,514,260
Appropriation of 2018 earnings								
Legal reserve appropriated	-	-	-	16,034	(16,034)	-	-	-
Stock dividends of ordinary share	14,337	143,366	-	-	(143,366)	(143,366)	-	-
Net income for the year ended December 31, 2019	-	-	-	-	464,682	464,682	-	464,682
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	(6,094)	(6,094)	(84,699)	(90,793)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	458,588	458,588	(84,699)	373,889
BALANCE AT DECEMBER 31, 2019	241,636	2,416,360	151,622	29,780	458,588	488,368	(168,201)	2,888,149
Appropriation of 2019 earnings								
Legal reserve appropriated	-	-	-	46,468	(46,468)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,120)	(412,120)	-	(412,120)
Share-based payment transactions	3,270	32,700	62,574	-	-	-	-	95,274
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	4,859	-	-	-	-	4,859
Net income for the year ended December 31, 2020	-	-	-	-	1,487,228	1,487,228	-	1,487,228
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	6,180	6,180	(35,662)	(29,482)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,493,408	1,493,408	(35,662)	1,457,746
BALANCE AT DECEMBER 31, 2020	<u>244,906</u>	<u>\$ 2,449,060</u>	<u>\$ 219,055</u>	<u>\$ 76,248</u>	<u>\$ 1,493,408</u>	<u>\$ 1,569,656</u>	<u>\$ (203,863)</u>	<u>\$ 4,033,908</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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		
Income before income tax	\$ 1,700,208	\$ 571,146
Adjustments for:		
Expected credit loss reversed	-	(10,012)
Depreciation expenses	205,195	209,271
Finance costs	22,730	35,347
Interest income	(8,898)	(21,380)
Share-based compensation expense	29,457	-
Share of profit of subsidiaries	(642,810)	(75,948)
Loss (gain) on disposal of property, plant and equipment	909	(8,502)
(Reversal of) write-downs of inventories	(11,790)	44,765
Unrealized (gain) loss on foreign currency exchange	(37,775)	37,829
Impairment loss on non-financial assets	724	-
Changes in operating assets and liabilities		
Notes and accounts receivable	20,995	59,602
Accounts receivable from related parties	(127,684)	215,792
Other receivables from related parties	(31,354)	6,076
Inventories	(8,191)	105,961
Other current assets	(85,051)	(64,524)
Notes and accounts payable	20,160	(79,240)
Accounts payable to related parties	102,228	(199,202)
Other payables	80,345	105,645
Other payables to related parties	(2,911)	1,194
Other current liabilities	13,699	2,267
Net defined benefit liabilities	(2,433)	(1,140)
Cash generated from operations	<u>1,237,753</u>	<u>934,947</u>
Interest received	15,068	21,081
Dividend received	40,969	29,376
Interest paid	(23,415)	(35,325)
Income tax paid	<u>(102,322)</u>	<u>(53,050)</u>
Net cash generated from operating activities	<u>1,168,053</u>	<u>897,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (acquisition) of financial assets at amortized cost	160,728	(29,370)
Payments for property, plant and equipment	(141,091)	(76,877)
Proceeds from disposal of property, plant and equipment	9,131	27,432
Decrease in other receivables from related parties	812,438	6,437
Decrease (increase) in other non-current assets	<u>8,127</u>	<u>(5,370)</u>
Net cash generated from (used in) investing activities	<u>849,333</u>	<u>(77,748)</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (600,000)	\$ (560,000)
Decrease in short-term bills payable	(200,000)	(599,793)
(Repayments of) proceeds from long-term borrowings	(765,820)	368,000
Increase in other non-current liabilities	1,044	-
Repayment of the principal portion of lease liabilities	(45,426)	(49,617)
Distribution of cash dividends	(412,120)	-
Employee stock options	49,050	-
Acquisition of interests in subsidiaries	<u>(30,041)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,003,313)</u>	<u>(841,410)</u>
NET INCREASE (DECREASE) IN CASH	14,073	(22,129)
CASH AT THE BEGINNING OF THE YEAR	<u>46,232</u>	<u>68,361</u>
CASH AT THE END OF THE YEAR	<u>\$ 60,305</u>	<u>\$ 46,232</u>

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

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”), formerly known as Laiya Co., Ltd., was established and invested by YFY Inc. (originally the parent company which held 100% shares of the Company) in October 1986. In order to comply with the listing rules and regulations, YFY Inc. held 64.52% of the Company's shares as of December 31, 2020. The Company was renamed as Yuen Foong Yu Consumer Products Co., Ltd. in May 2006. In line with YFY Inc.’s operating strategy to carry out integration, the Company acquired assets, liabilities and business of the household products division that was split from YFY Inc., in accordance with Mergers and Acquisitions Act in October 2007. The main business items are paper products, paper processed products and household cleaning supplies. The Company’s shares were approved for public offering on August 11, 2020, by the Taipei Exchange (TPEX), and became a listed company at emerging stock market on October 27, 2020.

The financial statements 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 25, 2021.

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

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

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

- b. The IFRSs endorsed by the 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 other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on 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, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the 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 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 financial statements, adjustments arising from the differences in accounting treatments between the parent Company only basis and the 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 of subsidiaries and associates and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

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

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

e. Inventories

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

f. 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 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 to recognize its share of further losses.

Any excess of acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the acquisition date 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 acquisition cost is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the estimated recoverable amount with the carrying amount based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Company will recognize 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) had no impairment loss been recognized in prior years. 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 of loss of control. 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 of loss of control is recognized as a gain or loss in profit or loss. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

When the Company transacts with its subsidiaries, profit and loss resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

Depreciation of 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 effects of any changes in the 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. 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, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

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.

i. Financial instruments

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

1) Financial assets

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

a) Measurement category

The category of financial assets held by the Company is the 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, including cash and cash equivalents and trade receivables 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime ECLs for accounts receivable. 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.

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

2) Equity instruments

Equity instruments issued by an entity in the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by an entity in the Group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

j. Revenue recognition

The Company identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location and the performance obligation is satisfied because it is the time when customers have obtained control of the promised goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities.

Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

k. Leases

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

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 cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are 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 (fixed 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 future lease payments resulting from a change in a lease term, the Company remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

l. 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 that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. 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.

n. Employee share options

1) Employee share options granted to the Company's employees

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 capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately

2) Employee share options granted to the subsidiaries' employees

The grant by the Company of its share options to the employees of the subsidiaries under equity-settled share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

3) Employee share options granted to the parent company's employees

The grant by the Company of its share options to the employees of the parent company under equity-settled share-based payment arrangements is treated as a capital distribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as a return of capital surplus - share premium to the parent company, with a corresponding credit to capital surplus - employee share options.

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 capital surplus - employee share options.

o. Taxation

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

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for investments to the extent that it is probable that taxable profits 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 profits 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 profits will be available to allow all or part of the asset 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 liability is settled or the asset 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; in which case, the current and deferred taxes are also recognized in other comprehensive income.

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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The 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.

Valuation of Receivables

The valuation of receivables is based on assumptions about rates of default and expected loss. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Company's historical experience, existing market conditions and forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH

	December 31	
	2020	2019
Cash on hand	\$ 208	\$ 208
Checking accounts and demand deposits	<u>60,097</u>	<u>46,024</u>
	<u>\$ 60,305</u>	<u>\$ 46,232</u>

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Time deposits with original maturity between three months and a year	\$ <u> -</u>	\$ <u>149,327</u>

The interest rate for time deposits with original maturities between three months and a year as of December 31, 2019 was 2.50%-3.05%.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes receivable - operating	\$ 13,996	\$ 13,740
Accounts receivable - operating	659,064	679,989
Less: Allowance for impairment loss	<u>(351)</u>	<u>(351)</u>
	<u>\$ 672,709</u>	<u>\$ 693,378</u>

The Company's customers are a large number of unrelated customers that did not create concentration of credit risk.

For the accounts receivable that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Company held adequate collaterals or other credit enhancements for these receivables.

The Company applies the simplified approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 663,647	\$ 9,074	\$ 42	\$ -	\$ 297	\$ 673,060
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(45)</u>	<u>(9)</u>	<u>-</u>	<u>(297)</u>	<u>(351)</u>
Amortized cost	<u>\$ 663,647</u>	<u>\$ 9,029</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,709</u>

December 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 681,609	\$ 11,619	\$ 204	\$ -	\$ 297	\$ 693,729
Loss allowance (Lifetime ECLs)	<u>(1)</u>	<u>(16)</u>	<u>(37)</u>	<u>-</u>	<u>(297)</u>	<u>(351)</u>
Amortized cost	<u>\$ 681,608</u>	<u>\$ 11,603</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,378</u>

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

	2020	2019
Balance at January 1	\$ 351	\$ 10,363
Net remeasurement of loss allowance	<u>-</u>	<u>(10,012)</u>
Balance at December 31	<u>\$ 351</u>	<u>\$ 351</u>

9. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 162,109	\$ 170,480
Purchased goods	56,181	71,014
Work in process	65,849	49,638
Materials	<u>73,442</u>	<u>46,468</u>
	<u>\$ 357,581</u>	<u>\$ 337,600</u>

The cost of goods sold for the years ended December 31, 2020 and 2019 included reversal of inventory write-downs of \$11,790 thousand and inventory write-downs of \$44,765 thousand, respectively.

10. INVESTMENTS IN SUBSIDIARIES USING THE EQUITY METHOD

	December 31	
	2020	2019
Non-listed (public) companies		
Yuen Foong Yu Consumer Products Investment Limited	\$ 2,987,775	\$ 2,442,215
Ever Growing Agriculture Biotech Co., Ltd.	256,030	243,122
Yuen Foong Shop Co., Ltd.	<u>81,039</u>	<u>22,291</u>
	<u>\$ 3,324,844</u>	<u>\$ 2,707,628</u>

The Company's proportion of ownership and voting rights of its subsidiaries as of the balance sheet date were as follows:

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Yuen Foong Yu Consumer Products Investment Limited	100%	100%
Ever Growing Agriculture Biotech Co., Ltd.	85%	85%
Yuen Foong Shop Co., Ltd. (a)	100%	50%

- a. The Company's shareholding in Yuen Foong Shop Co., Ltd. was originally 50%. However, considering that all directors of Yuen Foong Shop Co., Ltd. are reallocated by the Company, the Company has the substantive ability to direct the relevant activities of Yuen Foong Shop Co., Ltd.; thus, it is listed as a subsidiary of the Company. To boost management performance, the Company acquired 50% of the equity of Yuen Foong Shop Co., Ltd. from YFY Paradigm Investment Co., Ltd for a cash consideration of \$30,041 thousand in March 2020, which increased its shareholding to 100%. Since the transaction did not change the company's control of Yuen Foong Shop Co., Ltd, it was treated as equity transaction and the difference of the relevant equity transaction of 4,859 thousand was accounted under capital surplus. For more details, please refer to Note 20 of the Company's financial report.
- b. The financial statements of subsidiaries included in the abovementioned financial statements are based on the audited amounts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 675,822	\$ 524,239	\$ 1,643,961	\$ 157,525	\$ 93,278	\$ 194,333	\$ 3,289,158
Additions	-	2,760	121,298	2,963	9,281	9,016	145,318
Disposals	-	(80)	(75,638)	(2,842)	(1,906)	(1,687)	(82,153)
Balance at December 31, 2019	<u>\$ 675,822</u>	<u>\$ 526,919</u>	<u>\$ 1,689,621</u>	<u>\$ 157,646</u>	<u>\$ 100,653</u>	<u>\$ 201,662</u>	<u>\$ 3,352,323</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 266,419	\$ 824,668	\$ 69,112	\$ 66,461	\$ 144,946	\$ 1,371,606
Disposals	-	(80)	(56,937)	(2,623)	(1,906)	(1,677)	(63,223)
Depreciation expenses	-	19,575	100,871	11,215	9,253	17,520	158,434
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 285,914</u>	<u>\$ 868,602</u>	<u>\$ 77,704</u>	<u>\$ 73,808</u>	<u>\$ 160,789</u>	<u>\$ 1,466,817</u>
Carrying amounts at December 31, 2019	<u>\$ 675,822</u>	<u>\$ 241,005</u>	<u>\$ 821,019</u>	<u>\$ 79,942</u>	<u>\$ 26,845</u>	<u>\$ 40,873</u>	<u>\$ 1,885,506</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 675,822	\$ 526,919	\$ 1,689,621	\$ 157,646	\$ 100,653	\$ 201,662	\$ 3,352,323
Additions	-	7,627	42,988	9,384	8,256	9,436	77,691
Disposals	-	(1,150)	(58,239)	(821)	(34)	(3,863)	(64,107)
Balance at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 533,396</u>	<u>\$ 1,674,370</u>	<u>\$ 166,209</u>	<u>\$ 108,875</u>	<u>\$ 207,235</u>	<u>\$ 3,365,907</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 285,914	\$ 868,602	\$ 77,704	\$ 73,808	\$ 160,789	\$ 1,466,817
Disposals	-	(1,150)	(48,321)	(699)	(34)	(3,863)	(54,067)
Depreciation expenses	-	19,964	101,348	11,085	8,739	17,862	158,998
Impairment loss	-	-	707	17	-	-	724
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 304,728</u>	<u>\$ 922,336</u>	<u>\$ 88,107</u>	<u>\$ 82,513</u>	<u>\$ 174,788</u>	<u>\$ 1,572,472</u>
Carrying amounts at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 228,668</u>	<u>\$ 752,034</u>	<u>\$ 78,102</u>	<u>\$ 26,362</u>	<u>\$ 32,447</u>	<u>\$ 1,793,435</u>

Certain machinery and electrical equipment in the production department were left unused for a long period. The Company expects that the future economic benefits of these equipment will decrease, resulting in a recoverable amount of \$0, which was less than the book value of \$724 thousand. Therefore, it has recognized impairment loss of \$724 thousand in 2020. The impairment loss has been included under the item of expenditure in the statements of comprehensive income.

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

Buildings	5-55 years
Machinery	3-20 years
Electric equipment	3-20 years
Tools	3-10 years
Miscellaneous equipment	3-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Buildings	\$ 176,772	\$ 222,326
Office equipment	<u>3,464</u>	<u>4,776</u>
	<u>\$ 180,236</u>	<u>\$ 227,102</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 1,906</u>	<u>\$ 3,042</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 43,024	\$ 47,782
Office equipment	<u>3,173</u>	<u>3,055</u>
	<u>\$ 46,197</u>	<u>\$ 50,837</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 32,648</u>	<u>\$ 45,919</u>
Non-current	<u>\$ 149,461</u>	<u>\$ 182,403</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.06%	1.06%
Office equipment	1.05%-1.06%	1.06%

c. Material lease-in activities and terms

The Company leases certain equipment and buildings for the use of operating activities with lease terms of 1.25 to 12 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 32,248</u>	<u>\$ 26,884</u>
Total cash outflow for leases	<u>\$ 79,854</u>	<u>\$ 79,189</u>

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Bank credit loans	<u>\$ -</u>	<u>\$ 600,000</u>

As of December 31, 2019, the interest rates of short-term borrowings was 1.00%-1.01% per annum.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial papers	\$ -	\$ 200,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>(87)</u>
	<u>\$ -</u>	<u>\$ 199,913</u>

Short-term bills payable are commercial papers due within one year. Interest rate on these bills payable was 0.99% as of December 31, 2019.

c. Long-term borrowings

	December 31	
	2020	2019
Bank credit loans	\$ 922,180	\$ 1,238,000
Bank secured loans	<u>-</u>	<u>450,000</u>
	<u>\$ 922,180</u>	<u>\$ 1,688,000</u>

Freehold land and buildings provided as collaterals for secured bank loans can be circulated within the line. For more information, please refer to Note 24.

As of December 31, 2020 and 2019, the interest rates of long-term borrowings were 0.99%-1.21% per annum and 1.00%-1.80% per annum, respectively.

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (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 defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the Republic of China. Pension benefits are calculated on the basis of the length of service and average monthly salary of the six months before retirement. The Company contributes 4% 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. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. 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.

As a result of the division of employees transferred from YFY Inc. to the Company, their seniority is calculated by consolidation. Employee pensions are paid by each company's special employee retirement reserve account based on the proportion of their years of service in each company.

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	\$ 115,445	\$ 122,339
Fair value of plan assets	<u>(93,398)</u>	<u>(90,134)</u>
Net defined benefit liability	<u>\$ 22,047</u>	<u>\$ 32,205</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	\$ 116,825	\$ (91,098)	\$ 25,727
Service cost			
Current service cost	3,496	-	3,496
Net interest expense (income)	<u>1,695</u>	<u>(1,338)</u>	<u>357</u>
Recognized in profit or loss	<u>5,191</u>	<u>(1,338)</u>	<u>3,853</u>
			(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (2,720)	\$ (2,720)
Actuarial loss - changes in demographic assumptions	4,099	-	4,099
Actuarial loss - experience adjustments	<u>6,239</u>	<u>-</u>	<u>6,239</u>
Recognized in other comprehensive income	<u>10,338</u>	<u>(2,720)</u>	<u>7,618</u>
Benefits paid	<u>(10,015)</u>	<u>10,015</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(4,993)</u>	<u>(4,993)</u>
Balance at December 31, 2019	<u>\$ 122,339</u>	<u>\$ (90,134)</u>	<u>\$ 32,205</u>
Balance at January 1, 2020	<u>\$ 122,339</u>	<u>\$ (90,134)</u>	<u>\$ 32,205</u>
Service cost			
Current service cost	3,312	-	3,312
Net interest expense (income)	<u>1,182</u>	<u>(893)</u>	<u>289</u>
Recognized in profit or loss	<u>4,494</u>	<u>(893)</u>	<u>3,601</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,805)	(2,805)
Actuarial loss - changes in demographic assumptions	3,729	-	3,729
Actuarial gain - experience adjustments	<u>(8,649)</u>	<u>-</u>	<u>(8,649)</u>
Recognized in other comprehensive income	<u>(4,920)</u>	<u>(2,805)</u>	<u>(7,725)</u>
Benefits paid	<u>(6,468)</u>	<u>6,468</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(6,034)</u>	<u>(6,034)</u>
Balance at December 31, 2020	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u> (Concluded)

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 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rates	0.50%	1.00%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

If possible reasonable changes 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>\$ (952)</u>	<u>\$ (1,047)</u>
0.125% decrease	<u>\$ 964</u>	<u>\$ 1,061</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 958</u>	<u>\$ 1,060</u>
0.125% decrease	<u>\$ (948)</u>	<u>\$ (1,048)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plans for the next year	<u>\$ 3,665</u>	<u>\$ 6,034</u>
The average duration of the defined benefit obligation	6.6 years	6.9 years

15. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>244,906</u>	<u>241,636</u>
Shares issued	<u>\$ 2,449,060</u>	<u>\$ 2,416,360</u>

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

On May 13, 2019, the Company's board of directors (on behalf of the shareholders' meetings) resolved to increase the share capital with unappropriated earnings of \$143,366 thousand, and issued 14,337 thousand new shares, each have a par value of \$10 on May 22, 2019. The total paid-in capital after the capital increase was \$2,416,360 thousand.

The Company set July 15, 2020 as the subscription base date for the exercise of employee share options and issued 3,270 thousand new shares. The exercise price and par value were \$15 and \$10, respectively. The total paid-in capital after the capital increase was \$2,449,060 thousand.

b. Capital surplus

	Actual Acquisition or Disposal of Equity in Subsidiary (1)	Share Premium (1)	Employee Share Options (2)	Others (3)	Total
Balance at January 1 and December 31, 2019	<u>\$ 151,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,622</u>
Balance at January 1, 2020	\$ 151,622	\$ -	\$ -	\$ -	\$ 151,622
The different between purchase price and the carrying amount of Yuen Foong shop Co., Ltd.	4,859	-	-	-	4,859
Employee share options granted	-	(1,144)	47,368	-	46,224
Employee share options exercised	-	63,003	(46,653)	-	16,350
Employee share options expired	<u>-</u>	<u>-</u>	<u>(715)</u>	<u>715</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 156,481</u>	<u>\$ 61,859</u>	<u>\$ -</u>	<u>\$ 715</u>	<u>\$ 219,055</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus cannot be used for any purpose.

3) Such capital surplus can only be used to offset a deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 17(d).

An appropriation of earnings to 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.

The appropriations of earnings for 2019 and 2018, which were approved by the Company's board of directors (on behalf of the shareholders' meetings) on May 13, 2020 and May 13, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Legal reserve	<u>\$ 46,468</u>	<u>\$ 16,034</u>

The appropriations of earnings for 2020, which were proposed by the Company's board of directors on February 25, 2021, were as follows:

	For the Year Ended December 31, 2020
Legal reserve	<u>\$ 149,341</u>
Special reserve	<u>\$ 203,863</u>
Cash dividends	<u>\$ 979,624</u>
Cash dividends per share (NT\$)	<u>\$ 4</u>

The appropriations of earnings for 2020 will be approved by the shareholders in their meeting to be held in June 2021. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

16. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers - sale of goods	<u>\$ 5,900,941</u>	<u>\$ 5,708,029</u>

Contract Balances

	December 31	
	2020	2019
Notes receivable and accounts receivable (including related parties)	<u>\$ 842,519</u>	<u>\$ 735,504</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 454</u>	<u>\$ 1,440</u>

The amount of contract liabilities from the beginning of the year recognized as income in the current period is as follows:

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers - sale of goods	<u>\$ 1,440</u>	<u>\$ -</u>

For information about notes receivable and accounts receivable, refer to Note 8. The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

17. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	\$ 2,180	\$ 2,687
Interest on bank loans	20,573	32,684
Less: Capitalization amount of interest	<u>(23)</u>	<u>(24)</u>
	<u>\$ 22,730</u>	<u>\$ 35,347</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalization interest rate	0.79%-1.26%	1.02%-1.06%

b. Depreciation

	For the Year Ended December 31	
	2020	2019
Right-of -use assets	\$ 46,197	\$ 50,837
Property, plant and equipment	<u>158,998</u>	<u>158,434</u>
	<u>\$ 205,195</u>	<u>\$ 209,271</u>
An analysis of depreciation by function		
Operating costs	\$ 155,018	\$ 154,935
Operating expenses	50,177	54,043
Non-operating expenses	<u>-</u>	<u>293</u>
	<u>\$ 205,195</u>	<u>\$ 209,271</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 23,970	\$ 23,378
Defined benefit plans	<u>3,601</u>	<u>3,853</u>
	27,571	27,231
Share-based payment		
Equity settled	<u>29,457</u>	<u>-</u>
Other employee benefits	<u>721,894</u>	<u>649,180</u>
Total employee benefit expense	<u>\$ 778,922</u>	<u>\$ 676,411</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
An analysis of employee benefit expense by function		
Operating costs	\$ 370,394	\$ 342,559
Operating expenses	<u>408,528</u>	<u>333,852</u>
	<u>\$ 778,922</u>	<u>\$ 676,411</u>
		(Concluded)

As of December 31, 2020 and 2019, the Company had 721 and 709 employees, respectively. The numbers of directors who are not employees of the Company were 5 and 2, respectively. The calculation basis is consistent with the employee benefits.

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 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 were approved by the Company's board of directors on February 25, 2021 and March 19, 2020, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 17,216	\$ 5,769
Remuneration of directors	3,015	-

If there is a change in the proposed amounts after the financial statements of the fiscal year are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There was no difference between the actual amounts of the compensation and remuneration proposed in 2019, and the amounts recognized in the financial statements for the year ended December 31, 2019.

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.

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 201,216	\$ 110,682
Adjustments for prior years	<u>1,468</u>	<u>7,404</u>
	<u>202,684</u>	<u>118,086</u>
Deferred tax		
In respect of the current year	10,264	(11,643)
Adjustments for prior years	<u>32</u>	<u>21</u>
	<u>10,296</u>	<u>(11,622)</u>
Income tax expense recognized in profit or loss	<u>\$ 212,980</u>	<u>\$ 106,464</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 1,700,208</u>	<u>\$ 571,146</u>
Income tax expense calculated at the statutory rate	\$ 340,042	\$ 114,229
Permanent differences	(128,562)	(15,190)
Adjustments for prior years	<u>1,500</u>	<u>7,425</u>
Income tax expense recognized in profit or loss	<u>\$ 212,980</u>	<u>\$ 106,464</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ (1,545)</u>	<u>\$ 1,524</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 Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 12,001	\$ (2,358)	\$ -	\$ 9,643
Defined benefit obligation	6,441	(487)	(1,545)	4,409
Unrealized exchange loss	7,606	(7,566)	-	40
Others	<u>33</u>	<u>115</u>	<u>-</u>	<u>148</u>
	<u>\$ 26,081</u>	<u>\$ (10,296)</u>	<u>\$ (1,545)</u>	<u>\$ 14,240</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 57,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,133</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 3,237	\$ 8,764	\$ -	\$ 12,001
Defined benefit obligation	5,147	(230)	1,524	6,441
Unrealized exchange loss	4,476	3,130	-	7,606
Others	<u>75</u>	<u>(42)</u>	<u>-</u>	<u>33</u>
	<u>\$ 12,935</u>	<u>\$ 11,622</u>	<u>\$ 1,524</u>	<u>\$ 26,081</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 57,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,133</u>

d. Income tax assessments

	Latest Approved Year	
The Company	2016	

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share (NT\$)	<u>\$ 6.12</u>	<u>\$ 1.92</u>
Diluted earnings per share (NT\$)	<u>\$ 6.09</u>	<u>\$ 1.92</u>

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

Net profit for the year:

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	<u>\$ 1,487,228</u>	<u>\$ 464,682</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	243,146	241,636
Effect of potentially dilutive ordinary shares:		
Employee share options	22	-
Compensation of employees	<u>1,151</u>	<u>525</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>244,319</u>	<u>242,161</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS

The board of directors resolved to issue 3,320 units of employee share options to employees who met specific requirements on July 10, 2020. The granted employee share options comprised of 2,060 units to the Company's employees, 1,180 units to the subsidiaries' employees, and 80 units to the parent company's employees. Each unit of the options entitles the holder to subscribe for 1,000 ordinary shares and the exercise price is \$15 per share. The eligible participants of share options can exercise all share options one

Information on employee share options issued in July 2020 is as follows:

Employee Share Options	Number of Units (In Thousand)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	3,320	15
Options exercised	(3,270)	15
Options expired	<u>(50)</u>	15
Balance at December 31	<u>-</u>	
Weighted-average fair value of options granted in July 2020 (\$)	<u>\$ 14.3</u>	

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

	July 2020
Share price at the grant date	\$29.3
Exercise price	\$15
Expected volatility (%)	45.69
Expected lives (days)	6
Expected dividend yield (%)	-
Risk free interest rate (%)	0.28

The employees' compensation cost recognized on the statements of comprehensive income was \$29,457 thousand for the year ended 2020.

21. CAPITAL MANAGEMENT

Key management personnel of the Company review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Company may adjust the amount of new debt issued or existing debt redeemed.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The management of the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements to approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 966,324	\$ 1,770,406
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,258,716	3,685,972

- 1) The balances include financial assets measured at amortized cost, which comprise cash, financial assets at amortized cost, notes and accounts receivable, accounts receivable from related parties, other receivables from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other non-current assets).
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, accounts payable to related parties, other payables, other payables to related parties, long-term borrowings, long-term payables (accounted as other non-current liabilities) and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

The Company's main target of financial risk management is to manage the market risk related to operating activity including foreign currency risk, interest rate 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 endeavors to identify, estimate and hedge the uncertainties of the market.

The Company's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures. The Company did not enter into or trade financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Company's income.

Sensitivity analysis

The Company is mainly exposed to the USD and RMB.

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

	For the Year Ended December 31	
	2020	2019
Profit or loss at 5% variance		
USD	\$ 406	\$ 1,168
RMB	\$ 6	\$ 47,171

b) Interest rate risk

The carrying amounts 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 assets	\$ -	\$ 935,764
Financial liabilities	\$ 1,104,289	\$ 1,688,000
Cash flow interest rate risk		
Financial assets	\$ 60,097	\$ 46,024
Financial liabilities	\$ -	\$ 799,913

Due to the close and long-term relationship with banks, the Company obtained better and flexible interest rates from banks. The impact of changing in interest rates is not significant to the Company.

Sensitivity analysis

For the Company's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased as follows:

	For the Year Ended December 31	
	2020	2019
Increase/decrease	\$ 60	\$ (754)

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 the failure of the counterparty to discharge its obligation is at the level of the carrying amounts of the respective recognized financial assets which comprise receivables from operating activities and financial assets from investing activities as stated in the balance sheets.

The Company's transactions are done with a large number of unrelated customers and various industries. The Company continuously evaluates the financial conditions of those customers.

To maintain the quality of the accounts receivable, the Company has developed a credit risk management procedure to reduce the credit risk from specific customer. The credit evaluation of individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Company's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, there was 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 required by business operation and to ensure the Company has sufficient financial flexibility.

23. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc. Company, which held 64.52% and 100% of the ordinary shares of the Company as of December 31, 2020 and 2019, respectively.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary
YFY Family Care (Kunshan) Co., Ltd.	Subsidiary
YFY Investment Co., Ltd.	Subsidiary
Ever Growing Agriculture Biotech Co., Ltd.	Subsidiary
Yuen Foong Shop Co., Ltd.	Subsidiary
YFY Packaging Inc.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co, Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
YFY Biotech Management Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong) Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
E Ink Holdings Incorporated	Substantial related party
Shin-Yi Enterprise Co., Ltd.	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
YFY Biotechnology Co., Ltd.	Substantial related party
SinoPac Leasing Co., Ltd.	Substantial related party
Bank SinoPac Co., Ltd.	Substantial related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Hsinex International Corp.	Substantial related party
Shin-Yi Foundation	Substantial related party
Shin-Yi Foundation Publishing	Substantial related party
SinoPac Financial Holdings Company Limited	Substantial related party
Xingyuan Investment Co., Ltd.	Substantial related party
Sung Yu Corporation	Substantial related party
Beautone Co., Ltd.	Substantial related party
Yuanhan Materials Inc.	Substantial related party
Hoi Toy & Play Corporation	Substantial related party
Synmax Biochemical Co., Ltd.	Substantial related party
Taiwan Stock Exchange	Substantial related party
SinoPac Securities Co., Ltd.	Substantial related party

(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 883,180	\$ 1,120,077
Others	<u>33</u>	<u>4</u>
	883,213	1,120,081
Fellow subsidiaries	9,007	11,491
Substantial related parties	10,233	7,880
Parent company	<u>1,535</u>	<u>1,686</u>
	<u>\$ 903,988</u>	<u>\$ 1,141,138</u>

For sales of goods to related parties, the prices and terms of receivables approximate those with non-related parties.

c. Purchases of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 408,252	\$ 587,949
YFY Packaging Inc.	<u>133,741</u>	<u>126,901</u>
	541,993	714,850
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	332,315	281,234
Others	<u>29,583</u>	<u>-</u>
	361,898	281,234
Substantial related parties	<u>185</u>	<u>412</u>
	<u>\$ 904,076</u>	<u>\$ 996,496</u>

For purchases of goods from related parties, the prices and terms of payables approximate those with non-related parties.

d. Accounts receivable from related parties

Related Party Category	December 31	
	2020	2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 167,018	\$ 34,996
Others	<u>23</u>	<u>-</u>
	167,041	34,996
Fellow subsidiaries	1,040	5,295
Substantial related parties	1,726	1,807
Parent company	<u>3</u>	<u>28</u>
	<u>\$ 169,810</u>	<u>\$ 42,126</u>

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

Related Party Category	December 31	
	2020	2019
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	\$ 163,021	\$ 139,142
Fellow subsidiaries		
Chung Hwa Pulp Corporation	125,895	49,495
YFY Packaging Inc.	<u>46,707</u>	<u>44,758</u>
	<u>172,602</u>	<u>94,253</u>
	<u>\$ 335,623</u>	<u>\$ 233,395</u>

The outstanding accounts payable to related parties are unsecured.

f. Other receivables from related parties (excluding loans to related parties)

Related Party Category	December 31	
	2020	2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 21,804	\$ 41
Ever Growing Agriculture Biotech Co., Ltd.	<u>10,299</u>	<u>122</u>
	32,103	163
Substantial related parties	<u>45</u>	<u>-</u>
	<u>\$ 32,148</u>	<u>\$ 163</u>

g. Other payables to related parties

Related Party Category	December 31	
	2020	2019
Subsidiaries	\$ 350	\$ 2,513
Fellow subsidiaries	1,955	2,610
Substantial related parties	<u>1,150</u>	<u>1,243</u>

h. Loan to related parties (accounted as other receivables from related parties)

Related Party Category	December 31	
	2020	2019
<u>Other receivables</u>		
Subsidiaries		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	\$ _____	\$ <u>792,257</u>

Related Party Category	For the Year Ended December 31	
	2020	2019
<u>Interest income</u>		
Subsidiaries		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	\$ 9,430	\$ 15,173
YFY Family Care (Kunshan) Co., Ltd.	_____	_____ 249
	<u>\$ 9,430</u>	<u>\$ 15,422</u>

The Company provided loans to subsidiaries with interest rate of 2%.

i. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ <u>855</u>	\$ <u>200</u>

j. Lease arrangements

Related Party Category	For the Year Ended December 31	
	2020	2019
Lease paid		
Substantial related parties	\$ 9,434	\$ 9,024
Fellow subsidiaries	_____ 1,314	_____ 1,314
	<u>\$ 10,748</u>	<u>\$ 10,338</u>

k. Other transactions with related parties

Related Party Category	Other Income	
	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 1,371	\$ 2,529
Others	_____ 105	_____ 286
	<u>\$ 1,476</u>	<u>\$ 2,815</u>

Related Party Category	Agency Fees (Accounted as Operating Expenses)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ <u>12,070</u>	\$ <u>9,870</u>

Related Party Category	Miscellaneous Expenses	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 7,212	\$ 6,829
Subsidiaries	2,274	7,456
Substantial related parties	<u>2,760</u>	<u>2,296</u>
	\$ <u>12,246</u>	\$ <u>16,581</u>

Related Party Category	Manufacturing Expenses (Accounted as Cost of Goods Sold)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 186	\$ 68
Substantial related parties	63	59
Subsidiaries	<u>8</u>	<u>-</u>
	\$ <u>257</u>	\$ <u>127</u>

l. Acquisition of financial assets

Please refer to Note 10.

m. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Salaries and benefits	\$ 37,659	\$ 35,112
Share based payment	<u>15,158</u>	<u>-</u>
	\$ <u>52,817</u>	\$ <u>35,112</u>

The remuneration of directors and key executives as determined by the remuneration committee, was based on the performance of individuals and market trends.

24. PLEDGED ASSETS

The following assets were pledged as the Company's collateral for long term borrowings:

	December 31	
	2020	2019

25. 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, there was no significant impact on the Company's overall operations. Because many countries are still under lockdown and the global economic situation continues to tighten, the Company will continue to evaluate the subsequent impact of epidemic on its operations.

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

The following is information on the foreign currencies other than the functional currencies of the Company and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 293	28.48	\$ 8,345
RMB	29	4.377	127
<u>Financial liabilities</u>			
Monetary items			
USD	8	28.48	228
	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,042	29.98	\$ 31,247
RMB	219,466	4.30	943,411
<u>Financial liabilities</u>			
Monetary items			
USD	263	29.98	7,883

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Year Ended 2020		For the Year Ended 2019	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	28.48 (USD:NTD)	\$ (774)	29.98 (USD:NTD)	\$ (779)
RMB	4.377 (RMB:NTD)	<u>(6,827)</u>	4.30 (RMB:NTD)	<u>(38,622)</u>
		<u>\$ (7,601)</u>		<u>\$ (39,401)</u>

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (None)
- 10) Information on investees (Table 4)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (In Thousands of Foreign Currencies) (Notes 2 and 4)	Ending Balance (In Thousands of Foreign Currencies) (Notes 2 and 4)	Actual Borrowing Amount (In Thousands of Foreign Currencies) (Note 4)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (In Thousands of Foreign Currencies) (Note 3)	Aggregate Financing Limit (In Thousands of Foreign Currencies) (Note 3)
													Item	Value		
0	Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 802,133	\$ -	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,227,933	\$ 1,227,933

Note 1: The number column of financing provided to others by Yuen Foong Yu Consumer Products Co., Ltd. is illustrated as follows:

- The Company is numbered 0.

Note 2: The balances are the approved amount that could be financed to others, including those not actually borrowed.

Note 3: In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender's net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender's net equity of the prior year while individual loans shall not exceed the 40% of the lender's net equity of the prior year. In summary, the total provision of loans due to business dealings and short-term-loans shall not exceed 80% of the lender's net equity of the prior year while individual loans shall not exceed the 80% of the lender's net equity of the prior year.

Note 4: The exchange rates is RMB\$1=NT\$4.364818 as of December 31, 2020.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% of Total
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd. Ever Growing Agriculture Biotech Co., Ltd.	a.	Sale	\$ (883,180)	(15)	In agreed terms	\$ -	-	\$ 167,018	20	\$ 9,751
		a.	Purchase	332,315	11	In agreed terms	-	-	(163,021)	(29)	15,189
	YFY Packaging Inc. Chung Hwa Pulp Corporation	b.	Purchase	133,741	4	In agreed terms	-	-	(46,706)	(8)	-
		b.	Purchase	408,252	14	In agreed terms	-	-	(125,895)	(23)	-

Note: a. Parent company and subsidiary.
b. Fellow subsidiaries.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	\$ 167,018	8.74	\$ -	-	\$ 137,633	\$ -

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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 Businesses and Products	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment and holding.	\$ 3,845,458	\$ 3,845,458	150,013,000	100.0	\$ 2,987,775	\$ 565,151	\$ 565,151	a.
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	256,030	56,720	45,043	a.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	25,000	5,000,000	100.0	81,039	39,598	32,616	a.

Note: a. Subsidiaries.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (In Thousands of Foreign Currencies) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (In Thousands of Foreign Currencies) (Notes 1 and 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	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)	Investment in mainland China through companies set up in another country.	\$ 2,693,496 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,693,496 (US\$ 94,575 thousand)	\$ 526,241 (Note 2,b.)	100.0	\$ 526,241 (Note 2,b.)	\$ 2,042,531	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	854,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	(149,296) (Note 2,b.)	100.0	(148,665) (Note 2,b.)	259,745	-
YFY Family Paper (Beijing) Co., Ltd. (Note 4)	Manufacture and sale of tissue paper and napkins	996,800 (US\$ 35,000 thousand)	Investment in mainland China through companies set up in another country.	284,800 (US\$ 10,000 thousand)	-	-	284,800 (US\$ 10,000 thousand)	(28,536) (Note 2,b.)	-	(28,536) (Note 2,b.)	-	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	854,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	31,484 (Note 2,b.)	100.0	31,484 (Note 2,b.)	1,147,876	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,671 (US\$ 164 thousand)	Direct investment in mainland China	4,671 (US\$ 164 thousand)	-	-	4,671 (US\$ 164 thousand)	(133) (Note 2,b.)	100.0	(133) (Note 2,b.)	-	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$2,982,967 (Note 1)	\$2,982,967 (Note 1)	Note 3

Note 1: The exchange rates are US\$1=NT\$28.48 or RMB\$1=NT\$4.364818 as of December 31, 2020.

Note 2: The recognition basis for investment gain (loss) are as follows:

- a. Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
- b. Financial statements audited by the ROC CPA firm.
- c. Others.

Note 3: According to Article 3 of the "Principles of Investing or Technical Cooperation in Mainland China" on August 29, 2008, companies approved by the Industrial Development Bureau, MOEA within the scope of operations of the operational headquarters are not subject to the upper limit. The company is an enterprise that is eligible and is not subject to the aforementioned restrictions

Note 4: On June 22, 2020, the subsidiary YFY Investment Co., Ltd. entered into a sale agreement to dispose of entire shares of YFY Family Paper (Beijing) Co., Ltd. and signed the contract on July 2020. The disposal was completed on August 2020. The sale proceeds have not been remitted back to Taiwan, therefore, the Company has not yet processed the deduction of the accumulated investment amount to the Investment Commission, MOEA.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Costco President Taiwan Inc.	\$ 165,963
Chuan Lian Enterprise Co., Ltd.	119,144
Presicarre Corporation	90,343
Taiwan Distribution Center Co., Ltd.	36,716
Others (Note)	260,894
Less: Allowance for impairment loss	<u>(351)</u>
	<u>\$ 672,709</u>

Note: The amount included in others does not exceed 5% of the account balance.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Purchased goods	\$ 71,786	\$ 56,181
Finished goods	162,264	162,109
Work in process	65,984	65,849
Materials	<u>105,759</u>	<u>73,442</u>
	405,793	<u>\$ 357,581</u>
Less: Write-downs of inventories (Note)	<u>(48,212)</u>	
	<u>\$ 357,581</u>	

Note: Included purchased goods of \$15,605 thousand, work in process of \$135 thousand, finished goods of \$155 thousand and materials of \$32,317 thousand.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

Investee	Balance, January 1, 2020		Additions in Investment		Decrease in Investment (Note 3)		Share of Profit of Subsidiaries (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2020			Market Value or Net Assets Value
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	
Yuen Foong Yu Consumer Products Investment Limited	150,013,000	\$ 2,442,215	-	\$ -	-	\$ -	\$ 565,151	\$ (19,591)	150,013,000	100.0	\$ 2,987,775	\$ 2,987,775
Ever Growing Agriculture Biotech Co., Ltd.	18,245,944	243,122	-	-	-	32,743	45,043	608	18,245,944	85.0	256,030	271,219
Yuen Foong Shop Co., Ltd.	2,500,000	<u>22,291</u>	2,500,000	<u>30,041</u>	-	<u>8,856</u>	<u>32,616</u>	<u>4,947</u>	5,000,000	100.0	<u>81,039</u>	<u>90,790</u>
		<u>\$ 2,707,628</u>		<u>\$ 30,041</u>		<u>\$ 41,599</u>	<u>\$ 642,810</u>	<u>\$ (14,036)</u>			<u>\$ 3,324,844</u>	<u>\$ 3,349,784</u>

Note 1: The recognition basis for investment gain are the financial statements audited by ROC CPA firm.

Note 2: Including exchange differences arising on translating the financial statements of foreign operations of \$(35,662) thousand, differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary of \$4,859 thousand and granted share options to employees of subsidiaries to adjust capital surplus of \$16,767 thousand.

Note 3: Included cash dividends collected of \$40,969 thousand and employee compensation paid by subsidiaries to the Company's employees of \$630 thousand.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE TO RELATED PARTIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Ever Growing Agriculture Biotech Co., Ltd.	\$ 163,021
Chung Hwa Pulp Corporation	125,896
YFY Packaging Inc.	<u>46,706</u>
	<u>\$ 335,623</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Payables on wages and employee benefits	\$ 173,647
Payables on channel marketing expense	93,613
Payables on equipment	36,276
Others (Note)	<u>440,609</u>
	<u>\$ 744,145</u>

Note: The amount included in others does not exceed 5% of the account balance.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020

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

Name	Contract Period	Repayment Method	Annual Interest Rate (%)	Expires within One Year	Expires over One Year	Total	Collateral and Guarantee	Note
a. Bank credit loans								
KGI Commercial Bank Co., Ltd.	2020/12/22-2022/12/22	Repayment at maturity, monthly interest payment	0.99	\$ -	\$ 500,000	\$ 500,000	-	-
Chang Hwa Commercial Bank, Ltd.	2020/11/30-2022/11/30	Repayment at maturity, monthly interest payment	1.21	-	<u>425,000</u>	<u>425,000</u>	-	-
				-	925,000	925,000		
Less: Syndicated loan expense				-	<u>(2,820)</u>	<u>(2,820)</u>		
				<u>\$ -</u>	<u>\$ 922,180</u>	<u>\$ 922,180</u>		

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

Item	Quantity (In Tons)	Amount
Paper	87,916	\$ 4,830,472
Others (Note)	-	<u>1,070,469</u>
		<u>\$ 5,900,941</u>

Note: The amount included in others does not exceed 10% of the account balance.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	\$ 1,968,019
Direct labor	248,221
Manufacturing expenses	<u>608,969</u>
Manufacturing cost	2,825,209
Add (less):	
Work in process, beginning of year	49,698
Transferred to other accounts	26,811
Work in process, end of year	<u>(65,984)</u>
Cost of finished goods	2,835,734
Add (less):	
Finished goods, beginning of year	171,221
Finished goods, end of year	(162,264)
Transferred to other accounts	(12,281)
Reversal of write-down of inventories	<u>(17,352)</u>
Cost of homemade products sold	2,815,058
Purchased goods, beginning of year	81,056
Finished goods purchased	1,000,507
Add (less)	
Transferred to other accounts	(7,379)
Write-down of inventories	5,562
Purchased goods, end of year	<u>(71,786)</u>
	<u>\$ 3,823,018</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and wages expense	\$ 196,091	\$ 188,886	\$ 23,551	\$ 408,528
Freight expense	293,902	-	-	293,902
Advertising and marketing expense	115,048	-	-	115,048
Remuneration expense	4,792	29,592	3,323	37,707
Depreciation	44,961	2,448	2,768	50,177
Others (Note)	<u>37,595</u>	<u>53,500</u>	<u>8,151</u>	<u>99,246</u>
	<u>\$ 692,389</u>	<u>\$ 274,426</u>	<u>\$ 37,793</u>	<u>\$ 1,004,608</u>

Note: The amount included in others does not exceed 5% of the account balance.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF EMPLOYMENT BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

	2020			2019			
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Non-operating Expenses	Total
Employment benefit expense							
Salary expense	\$ 300,247	\$ 349,022	\$ 649,269	\$ 277,061	\$ 279,728	\$ -	\$ 556,789
Insurance expense	28,875	23,815	52,690	28,232	22,826	-	51,058
Pension expense	14,160	13,411	27,571	13,769	13,462	-	27,231
Remuneration of directors	-	3,015	3,015	-	-	-	-
Other expense	<u>27,112</u>	<u>19,265</u>	<u>46,377</u>	<u>23,497</u>	<u>17,836</u>	<u>-</u>	<u>41,333</u>
	<u>\$ 370,394</u>	<u>\$ 408,528</u>	<u>\$ 778,922</u>	<u>\$ 342,559</u>	<u>\$ 333,852</u>	<u>\$ -</u>	<u>\$ 676,411</u>
Depreciation expense	<u>\$ 155,018</u>	<u>\$ 50,177</u>	<u>\$ 205,195</u>	<u>\$ 154,935</u>	<u>\$ 54,043</u>	<u>\$ 293</u>	<u>\$ 209,271</u>

Note: As of December 31, 2020 and 2019, the Company had 721 and 709 employees, respectively; 5 and 2 board of directors, respectively, who were not classified as employees.

Notice to readers

This English-version annual report is a translation version from the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

YFYCPG



Chairman of the Board
Felix Ho

A handwritten signature in black ink, appearing to read 'Felix Ho' in a cursive, flowing style.





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