

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shu-Wan Lin and Shiow-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 12, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

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

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,311,013	17	\$ 1,231,266	16	\$ 184,464	2
Financial assets at amortized cost - current (Note 7)	88,893	1	86,564	1	73,670	1
Notes and accounts receivable (Notes 8 and 16)	1,234,936	16	1,190,247	16	1,328,286	17
Accounts receivable from related parties (Notes 16 and 23)	51,343	1	19,754	-	43,498	1
Other receivables from related parties (Note 23)	142	-	373	-	528,266	7
Inventories (Note 9)	944,167	13	886,063	12	877,151	11
Other current assets (Note 23)	<u>279,667</u>	<u>4</u>	<u>373,087</u>	<u>5</u>	<u>332,948</u>	<u>4</u>
Total current assets	<u>3,910,161</u>	<u>52</u>	<u>3,787,354</u>	<u>50</u>	<u>3,368,283</u>	<u>43</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 11 and 23)	3,229,453	43	3,298,154	44	3,977,060	51
Right-of-use assets (Note 12)	293,933	4	306,207	4	371,821	5
Deferred tax assets	20,409	-	21,861	-	30,686	-
Prepayments for equipment	24,730	-	17,567	-	6,157	-
Other non-current assets	<u>109,097</u>	<u>1</u>	<u>110,404</u>	<u>2</u>	<u>117,204</u>	<u>1</u>
Total non-current assets	<u>3,677,622</u>	<u>48</u>	<u>3,754,193</u>	<u>50</u>	<u>4,502,928</u>	<u>57</u>
TOTAL	<u>\$ 7,587,783</u>	<u>100</u>	<u>\$ 7,541,547</u>	<u>100</u>	<u>\$ 7,871,211</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 13)	\$ 30,000	-	\$ 77,000	1	\$ 1,515,100	19
Short-term bills payable (Note 13)	-	-	-	-	549,689	7
Notes and accounts payable	435,214	6	431,154	6	443,871	5
Accounts payable to related parties (Note 23)	357,911	5	309,786	4	247,045	3
Other payables	865,012	11	1,028,712	14	842,161	11
Other payables to related parties (Note 23)	35,569	-	29,814	-	7,314	-
Current tax liabilities	313,523	4	256,032	3	214,118	3
Lease liabilities - current (Notes 12 and 23)	39,853	1	42,052	1	57,286	1
Other current liabilities (Note 23)	<u>86,292</u>	<u>1</u>	<u>65,199</u>	<u>1</u>	<u>68,743</u>	<u>1</u>
Total current liabilities	<u>2,163,374</u>	<u>28</u>	<u>2,239,749</u>	<u>30</u>	<u>3,945,327</u>	<u>50</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 13)	697,360	9	922,180	12	373,640	5
Deferred tax liabilities	57,455	1	57,455	1	57,133	1
Lease liabilities - non-current (Notes 12 and 23)	171,576	2	180,357	2	209,983	3
Net defined benefit liabilities (Note 14)	15,220	-	22,047	-	30,814	-
Other non-current liabilities	<u>38,128</u>	<u>1</u>	<u>38,139</u>	<u>1</u>	<u>41,211</u>	<u>-</u>
Total non-current liabilities	<u>979,739</u>	<u>13</u>	<u>1,220,178</u>	<u>16</u>	<u>712,781</u>	<u>9</u>
Total liabilities	<u>3,143,113</u>	<u>41</u>	<u>3,459,927</u>	<u>46</u>	<u>4,658,108</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 15)						
Share capital						
Ordinary shares	<u>2,449,060</u>	<u>32</u>	<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>219,055</u>	<u>3</u>	<u>156,481</u>	<u>2</u>
Retained earnings						
Legal reserve	76,248	1	76,248	1	29,780	1
Unappropriated earnings	<u>1,864,609</u>	<u>25</u>	<u>1,493,408</u>	<u>20</u>	<u>735,825</u>	<u>9</u>
Total retained earnings	<u>1,940,857</u>	<u>26</u>	<u>1,569,656</u>	<u>21</u>	<u>765,605</u>	<u>10</u>
Other equity	<u>(213,499)</u>	<u>(3)</u>	<u>(203,863)</u>	<u>(3)</u>	<u>(171,119)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>4,395,473</u>	<u>58</u>	<u>4,033,908</u>	<u>53</u>	<u>3,167,327</u>	<u>40</u>
NON-CONTROLLING INTERESTS						
Total equity	<u>4,444,670</u>	<u>59</u>	<u>4,081,620</u>	<u>54</u>	<u>3,213,103</u>	<u>41</u>
TOTAL	<u>\$ 7,587,783</u>	<u>100</u>	<u>\$ 7,541,547</u>	<u>100</u>	<u>\$ 7,871,211</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 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
NET SALES (Note 23)	\$ 2,589,318	100	\$ 2,461,795	100
COST OF GOODS SOLD (Notes 9, 17 and 23)	<u>(1,739,848)</u>	<u>(67)</u>	<u>(1,684,399)</u>	<u>(68)</u>
GROSS PROFIT	<u>849,470</u>	<u>33</u>	<u>777,396</u>	<u>32</u>
OPERATING EXPENSES (Notes 17 and 23)				
Selling and marketing	(283,883)	(11)	(296,719)	(12)
General and administrative	(118,260)	(5)	(96,002)	(4)
Research and development	<u>(13,902)</u>	<u>-</u>	<u>(16,526)</u>	<u>(1)</u>
Total operating expenses	<u>(416,045)</u>	<u>(16)</u>	<u>(409,247)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>433,425</u>	<u>17</u>	<u>368,149</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 17 and 23)	(4,192)	-	(9,654)	-
Interest income (Note 23)	7,421	-	2,671	-
Other income (Note 23)	3,001	-	9,497	-
Loss on disposal of property, plant and equipment	(10)	-	(984)	-
Other expenses	(29)	-	(1,866)	-
Foreign exchange loss (Note 25)	<u>(6,052)</u>	<u>-</u>	<u>(20,615)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>139</u>	<u>-</u>	<u>(20,951)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	433,564	17	347,198	14
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(60,878)</u>	<u>(3)</u>	<u>(64,086)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>372,686</u>	<u>14</u>	<u>283,112</u>	<u>11</u>
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	<u>(9,636)</u>	<u>-</u>	<u>(3,039)</u>	<u>-</u>
Other comprehensive loss for the period, net of income tax	<u>(9,636)</u>	<u>-</u>	<u>(3,039)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 363,050</u>	<u>14</u>	<u>\$ 280,073</u>	<u>11</u>

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 371,201	14	\$ 277,237	12
Non-controlling interests	<u>1,485</u>	<u>-</u>	<u>5,875</u>	<u>-</u>
	<u>\$ 372,686</u>	<u>14</u>	<u>\$ 283,112</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 361,565	14	\$ 274,319	11
Non-controlling interests	<u>1,485</u>	<u>-</u>	<u>5,754</u>	<u>-</u>
	<u>\$ 363,050</u>	<u>14</u>	<u>\$ 280,073</u>	<u>11</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 1.52</u>		<u>\$ 1.15</u>	
Diluted	<u>\$ 1.51</u>		<u>\$ 1.14</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 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company (Notes 15 and 20)						Other Equity Exchange Differences on Translation Operations	Total	Non-controlling Interests (Notes 15 and 20)	Total Equity
	Share Capital		Capital Surplus	Legal Reserve	Retained Earnings					
	Shares (In Thousands)	Amount			Unappropriated Earnings	Total				
BALANCE AT JANUARY 1, 2020	241,636	\$ 2,416,360	\$ 151,622	\$ 29,780	\$ 458,588	\$ 488,368	\$ (168,201)	\$ 2,888,149	\$ 74,922	\$ 2,963,071
Net profit for the three months ended March 31, 2020	-	-	-	-	277,237	277,237	-	277,237	5,875	283,112
Other comprehensive loss for the three months ended March 31, 2020	-	-	-	-	-	-	(2,918)	(2,918)	(121)	(3,039)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	277,237	277,237	(2,918)	274,319	5,754	280,073
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	4,859	-	-	-	-	4,859	(34,900)	(30,041)
BALANCE AT MARCH 31, 2020	<u>241,636</u>	<u>\$ 2,416,360</u>	<u>\$ 156,481</u>	<u>\$ 29,780</u>	<u>\$ 735,825</u>	<u>\$ 765,605</u>	<u>\$ (171,119)</u>	<u>\$ 3,167,327</u>	<u>\$ 45,776</u>	<u>\$ 3,213,103</u>
BALANCE AT JANUARY 1, 2021	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
Net profit for the three months ended March 31, 2021	-	-	-	-	371,201	371,201	-	371,201	1,485	372,686
Other comprehensive loss for the three months ended March 31, 2021	-	-	-	-	-	-	(9,636)	(9,636)	-	(9,636)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	371,201	371,201	(9,636)	361,565	1,485	363,050
BALANCE AT MARCH 31, 2021	<u>244,906</u>	<u>\$ 2,449,060</u>	<u>\$ 219,055</u>	<u>\$ 76,248</u>	<u>\$ 1,864,609</u>	<u>\$ 1,940,857</u>	<u>\$ (213,499)</u>	<u>\$ 4,395,473</u>	<u>\$ 49,197</u>	<u>\$ 4,444,670</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 CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 433,564	\$ 347,198
Adjustments for:		
Depreciation expenses	103,122	119,325
Amortization expenses	764	1,628
Reversal of expected credit loss	(40)	-
Finance costs	4,192	9,654
Interest income	(7,421)	(2,671)
Loss on disposal of property, plant and equipment	10	984
(Reversal of) write-downs of inventories	(90)	14,085
Unrealized gain on foreign currency exchange	(170)	(13,483)
Changes in operating assets and liabilities		
Notes and accounts receivable	(46,480)	(121,866)
Accounts receivable from related parties	(31,919)	(24,252)
Other receivables from related parties	231	(436)
Inventories	(60,475)	160,299
Other current assets	92,820	(43,971)
Notes and accounts payable	4,825	19,864
Accounts payable to related parties	48,786	(6,757)
Other payables	(151,663)	(107,588)
Other payables to related parties	5,387	(23,121)
Other current liabilities	14,244	37,680
Net defined benefit liabilities	(6,827)	(1,390)
Cash generated from operations	402,860	365,182
Interest received	7,424	2,833
Interest paid	(3,923)	(7,308)
Income tax paid	(4,679)	(13,727)
Net cash generated from operating activities	401,682	346,980
CASH FLOWS FROM INVESTING ACTIVITIES		
(Acquisition) disposal of financial assets at amortized cost	(2,201)	178,347
Payments for property, plant and equipment	(46,620)	(84,221)
Proceeds from disposal of property, plant and equipment	17	9,072
Increase in other receivables from related parties	-	(87,245)
Decrease in other non-current assets	57	6,087
Net cash (used in) generated from investing activities	(48,747)	22,040
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(47,000)	690,100
Increase in short-term bills payable	-	350,000

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2021	2020
Repayments of long-term borrowings	\$ (224,820)	\$ (1,311,000)
Increase in other payables to related parties	21	69
Increase (decrease) in other non-current liabilities	10	(4,560)
Repayment of the principal portion of lease liabilities	(11,655)	(16,089)
Acquisition of interests in subsidiaries (Note 20)	<u>-</u>	<u>(30,041)</u>
Net cash used in financing activities	<u>(283,444)</u>	<u>(321,521)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>10,256</u>	<u>23,102</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,747	70,601
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,231,266</u>	<u>113,863</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,311,013</u>	<u>\$ 184,464</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 THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 March 31, 2021. 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 May 12, 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. New IFRSs in issue but not yet endorsed and issued into effect by the IASB

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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)

(Concluded)

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 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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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

d. Other significant accounting policies

Except for other accounting policies listed below, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the critical accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 1,103	\$ 1,130	\$ 1,191
Checking accounts and demand deposits	1,234,910	1,115,947	133,273
Cash equivalents (time deposits with original maturities of less than three months)			
Time deposits	-	2,189	-
Repurchase agreements collateralized by bonds	<u>75,000</u>	<u>112,000</u>	<u>50,000</u>
	<u>\$ 1,311,013</u>	<u>\$ 1,231,266</u>	<u>\$ 184,464</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Cash equivalents	0.19%	0.21%-1.00%	0.43%

7. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits with original maturities of more than 3 months and not exceeding 1 year	<u>\$ 88,893</u>	<u>\$ 86,564</u>	<u>\$ 73,670</u>

The interest rates for time deposits with original maturities between three months and one year as of March 31, 2021, December 31, 2020 and March 31, 2020 were 0.4%-2.1%, 0.73%-1.40% and 2.1%-2.95%, respectively.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable - operating	\$ 94,375	\$ 73,864	\$ 79,595
Accounts receivable - operating	1,144,390	1,120,270	1,251,688
Less: Allowance for impairment loss	<u>(3,829)</u>	<u>(3,887)</u>	<u>(2,997)</u>
	<u>\$ 1,234,936</u>	<u>\$ 1,190,247</u>	<u>\$ 1,328,286</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.

March 31, 2021

	Not Past Due	Less than 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,223,844	\$ 11,965	\$ -	\$ -	\$ 2,956	\$ 1,238,765
Loss allowance (Lifetime ECLs)	<u>(630)</u>	<u>(243)</u>	<u>-</u>	<u>-</u>	<u>(2,956)</u>	<u>(3,829)</u>
Amortized cost	<u>\$ 1,223,214</u>	<u>\$ 11,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234,936</u>

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>

March 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	\$ 1,284,100	\$ 42,534	\$ 579	\$ 2,745	\$ 1,325	\$ 1,331,283
Loss allowance (Lifetime ECLs)	<u>(689)</u>	<u>(93)</u>	<u>(3)</u>	<u>(1,856)</u>	<u>(356)</u>	<u>(2,997)</u>
Amortized cost	<u>\$ 1,283,411</u>	<u>\$ 42,441</u>	<u>\$ 576</u>	<u>\$ 889</u>	<u>\$ 969</u>	<u>\$ 1,328,286</u>

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

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 3,887	\$ 3,016
Net remeasurement of loss allowance	(40)	-
Foreign exchange differences	<u>(18)</u>	<u>(19)</u>
Balance at March 31	<u>\$ 3,829</u>	<u>\$ 2,997</u>

9. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Finished and purchased goods	\$ 383,383	\$ 419,645	\$ 362,852
Work in process	126,941	96,155	139,192
Materials	<u>433,843</u>	<u>370,263</u>	<u>375,107</u>
	<u>\$ 944,167</u>	<u>\$ 886,063</u>	<u>\$ 877,151</u>

The cost of goods sold for the three months ended March 31, 2021 and 2020 included reversal of inventories write-downs of \$90 thousand and inventory write-downs of \$14,085 thousand, respectively. Due to the disposal of inventories which were written down, net realizable value of inventory increased.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Yuen Foong Yu Consumer Products Investment Limited	Investment and holding.	100.0	100.0	100.0	
	Ever Growing Agriculture Biotech Co., Ltd.	Wholesale of agriculture products	85.0	85.0	85.0	
	Yuen Foong Shop Co., Ltd.	E-commerce of selling consumer products	100.0	100.0	100.0	
	YFY Consumer Products, Co.	E-commerce for intellectual property management and sales of consumer products	100.0	0.0	0.0	a. c.
Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Investment and holding and sale of paper	100.0	100.0	100.0	
YFY Investment Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	0.0	0.0	100.0	b.
	YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	100.0	
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	100.0	
Yuen Foong Shop Co., Ltd.	Shanghai YFY International Trade Co., Ltd.	General trade	100.0	100.0	100.0	
	Yuen Foong Shop (HK) Limited	General trade	100.0	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. The Company acquired 50% of the equity of Yuen Foong Shop Co., Ltd. from YFY Paradigm Investment Co., Ltd in March 2020, which increased its shareholding to 100%.
- 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 June 2020. The disposal of the subsidiary was completed in August 2020, refer to Note 22 to the consolidated financial statements for the year ended December 31, 2020.
- c. In order to expand the US market, the Company established YFY Consumer Products, Co., Ltd. in January 2021. It was registered on March 31, 2021.
- d. The financial statements of subsidiaries included in the abovementioned consolidated financial statements are based on the reviewed amounts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
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	-	4,552	5,528	4,998	829	3,338	-	19,245
Disposals	-	-	(56,755)	(358)	-	(2,664)	-	(59,777)
Effect of foreign currency exchange differences	-	(4,437)	(23,030)	(2,906)	(924)	(797)	(1)	(32,095)
Reclassifications	-	82,987	-	-	-	-	-	82,987
Balance at March 31, 2020	<u>\$ 675,822</u>	<u>\$ 1,422,513</u>	<u>\$ 4,894,322</u>	<u>\$ 556,489</u>	<u>\$ 229,334</u>	<u>\$ 323,098</u>	<u>\$ 179</u>	<u>\$ 8,101,757</u>
Accumulated depreciation								
Balance at January 1, 2020	\$ -	\$ 660,186	\$ 2,563,453	\$ 396,919	\$ 179,314	\$ 267,291	\$ -	\$ 4,067,163
Depreciation expenses	-	15,056	70,682	6,255	4,238	5,909	-	102,140
Disposals	-	-	(46,839)	(236)	-	(2,648)	-	(49,723)
Effect of foreign currency exchange differences	-	(2,591)	(12,554)	(2,377)	(777)	(711)	-	(19,010)
Reclassifications	-	24,127	-	-	-	-	-	24,127
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 696,778</u>	<u>\$ 2,574,742</u>	<u>\$ 400,561</u>	<u>\$ 182,775</u>	<u>\$ 269,841</u>	<u>\$ -</u>	<u>\$ 4,124,697</u>
Carrying amounts at March 31, 2020	<u>\$ 675,822</u>	<u>\$ 725,735</u>	<u>\$ 2,319,580</u>	<u>\$ 155,928</u>	<u>\$ 46,559</u>	<u>\$ 53,257</u>	<u>\$ 179</u>	<u>\$ 3,977,060</u>
Cost								
Balance at January 1, 2021	\$ 675,822	\$ 1,130,649	\$ 3,862,808	\$ 408,807	\$ 206,764	\$ 301,856	\$ 2,031	\$ 6,588,737
Additions	-	-	14,696	836	3,177	7,776	1,301	27,786
Disposals	-	(2,046)	(62)	(555)	(518)	(986)	-	(4,167)
Effect of foreign currency exchange differences	-	(1,583)	(10,501)	(1,245)	(486)	(417)	-	(14,232)
Reclassifications	-	-	1,783	(69)	19	125	(1,858)	-
Balance at March 31, 2021	<u>\$ 675,822</u>	<u>\$ 1,127,020</u>	<u>\$ 3,868,724</u>	<u>\$ 407,774</u>	<u>\$ 208,956</u>	<u>\$ 308,354</u>	<u>\$ 1,474</u>	<u>\$ 6,598,124</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ -	\$ 578,713	\$ 2,007,083	\$ 283,869	\$ 167,922	\$ 252,996	\$ -	\$ 3,290,583
Depreciation expenses	-	11,728	63,812	6,126	3,161	5,794	-	90,621
Disposals	-	(2,046)	(41)	(555)	(518)	(980)	-	(4,140)
Effect of foreign currency exchange differences	-	(1,051)	(5,526)	(1,034)	(424)	(358)	-	(8,393)
Reclassifications	-	-	58	(67)	9	-	-	-
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ 587,344</u>	<u>\$ 2,065,386</u>	<u>\$ 288,339</u>	<u>\$ 170,150</u>	<u>\$ 257,452</u>	<u>\$ -</u>	<u>\$ 3,368,671</u>
Carrying amounts at January 1, 2021	<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>
Carrying amounts at March 31, 2021	<u>\$ 675,822</u>	<u>\$ 539,676</u>	<u>\$ 1,803,338</u>	<u>\$ 119,435</u>	<u>\$ 38,806</u>	<u>\$ 50,902</u>	<u>\$ 1,474</u>	<u>\$ 3,229,453</u>

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Land	\$ 118,120	\$ 120,683	\$ 146,731
Buildings	172,386	181,802	220,659
Office equipment	<u>3,427</u>	<u>3,722</u>	<u>4,431</u>
	<u>\$ 293,933</u>	<u>\$ 306,207</u>	<u>\$ 371,821</u>

	For the Three Months Ended March 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 733</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,132	\$ 2,271
Buildings	9,419	14,098
Office equipment	<u>950</u>	<u>816</u>
	<u>\$ 12,501</u>	<u>\$ 17,185</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 39,853</u>	<u>\$ 42,052</u>	<u>\$ 57,286</u>
Non-current	<u>\$ 171,576</u>	<u>\$ 180,357</u>	<u>\$ 209,983</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Land	1.08%	1.08%	1.08%
Buildings	1.06%-2.37%	1.06%-2.37%	1.06%-2.37%
Office equipment	1.05%-1.42%	1.05%-1.42%	1.05%-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 2 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 Three Months Ended March 31	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 27,908</u>	<u>\$ 19,255</u>
Total cash outflow for leases	<u>\$ 40,155</u>	<u>\$ 36,110</u>

13. BORROWINGS

a. Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Bank credit loans	<u>\$ 30,000</u>	<u>\$ 77,000</u>	<u>\$ 1,515,100</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the interest rates of short-term borrowings were 0.80% per annum, 0.90%-1.00% per annum and 0.86%-1.10% per annum, respectively.

b. Short-term bills payable

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial paper	\$ -	\$ -	\$ 550,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>-</u>	<u>(311)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,689</u>

Short-term bills payable are commercial papers due within one year. Interest rate on these bills payable was 0.99%-1.01% as of March 31, 2020.

c. Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Bank credit loans	<u>\$ 697,360</u>	<u>\$ 922,180</u>	<u>\$ 373,640</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the interest rates of long-term borrowings were 0.89%-1.21% per annum, 0.99%-1.21% per annum and 0.93%-1.04% per annum, respectively.

14. RETIREMENT BENEFIT PLANS

The amounts of pension cost in respect of the Group's defined benefit plans for the three months ended March 31, 2021 and 2020 were calculated based on the pension cost rate determined by the actuarial calculation as of December 31, 2020 and 2019, which amounted to \$916 thousand and \$903 thousand, respectively.

15. EQUITY

a. Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>244,906</u>	<u>244,906</u>	<u>241,636</u>
Shares issued	<u>\$ 2,449,060</u>	<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 receive dividends.

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)	Others (2)	Total
Balance at January 1, 2020	\$ 151,622	\$ -	\$ -	\$ 151,622
Difference between purchase price and the carrying amount of Yuen Foong Shop Co., Ltd. (Note 20)	<u>4,859</u>	<u>-</u>	<u>-</u>	<u>4,859</u>
Balance at March 31, 2020	<u>\$ 156,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,481</u>
Balance at January 1 and March 31, 2021	<u>\$ 156,481</u>	<u>\$ 61,859</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 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 were approved by the Company's board of directors (on behalf of the shareholders' meetings) on May 13, 2020 as follows:

	For the Year Ended December 31, 2019
Legal reserve	<u>\$ 46,468</u>
Cash dividends	<u>\$ 412,120</u>
Cash dividends per share (NT\$)	<u>\$ 1.71</u>

The appropriations of earnings for 2020 were proposed by the Company's board of directors on February 25, 2021 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 are subject to the resolution of the shareholders' meeting to be held on June 29, 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 Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 47,712	\$ 74,922
Attributable to non-controlling interests:		
Share of profit for the year	1,485	5,875
Exchange differences on translation of foreign financial statements	-	(121)
Equity transactions with non-controlling interests (Note 20)	<u>-</u>	<u>(34,900)</u>
Balance at March 31	<u>\$ 49,197</u>	<u>\$ 45,776</u>

16. REVENUE

	For the Three Months Ended March 31	
	2021	2020
Revenue from contracts with customers - sale of goods	<u>\$ 2,589,318</u>	<u>\$ 2,461,795</u>

Contract Balances

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable and accounts receivable (including related parties)	<u>\$ 1,286,279</u>	<u>\$ 1,210,001</u>	<u>\$ 1,371,784</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 44,367</u>	<u>\$ 11,431</u>	<u>\$ 10,542</u>

The amount of contract liabilities from the beginning of the year recognized as income in the current period is as follows:

	For the Three Months Ended March 31	
	2021	2020
Revenue from contracts with customers - sale of goods	<u>\$ 7,453</u>	<u>\$ 4,493</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 Three Months Ended March 31	
	2021	2020
Interest on bank loans	\$ 3,612	\$ 8,888
Interest on lease liabilities	592	766
Less: Capitalization amount of interest	<u>(12)</u>	<u>-</u>
	<u>\$ 4,192</u>	<u>\$ 9,654</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2021	2020
Capitalization interest rate	0.90%-1.09%	-

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
Right-of-use assets	\$ 12,501	\$ 17,185
Property, plant and equipment	<u>90,621</u>	<u>102,140</u>
	<u>\$ 103,122</u>	<u>\$ 119,325</u>
An analysis of depreciation by function		
Operating costs	\$ 86,995	\$ 98,521
Operating expenses	<u>16,127</u>	<u>20,804</u>
	<u>\$ 103,122</u>	<u>\$ 119,325</u>
An analysis of amortization by function		
Operating costs	\$ 85	\$ 849
Operating expenses	<u>679</u>	<u>779</u>
	<u>\$ 764</u>	<u>\$ 1,628</u>

c. Employee benefit expense

	For the Three Months Ended March 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 6,955	\$ 6,550
Defined benefit plans (Note 14)	<u>916</u>	<u>903</u>
	7,871	7,453
Other employee benefits	<u>295,223</u>	<u>265,685</u>
Total employee benefit expense	<u>\$ 303,094</u>	<u>\$ 273,138</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 153,863	\$ 131,076
Operating expenses	<u>149,231</u>	<u>142,062</u>
	<u>\$ 303,094</u>	<u>\$ 273,138</u>

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 estimated compensation of employees and remuneration of directors for the three months ended March 31, 2021 and 2020, respectively were as follows:

	For the Three Months Ended March 31	
	2021	2020
<u>Amount</u>		
Compensation of employees	\$ 4,314	\$ 2,977
Remuneration of directors	3,299	-

The compensation of employees and remuneration of directors for 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:

	For the Three Months Ended March 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 17,216	\$ 5,769
Remuneration of directors	3,015	-

There was no difference between the actual amounts of the compensation and remuneration proposed in 2020 and 2019, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 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 Three Months Ended March 31	
	2021	2020
Current tax	\$ 59,426	\$ 65,536
Deferred tax	<u>1,452</u>	<u>(1,450)</u>
Income tax expense recognized in profit or loss	<u>\$ 60,878</u>	<u>\$ 64,086</u>

- b. The tax filings of the Company through 2016 have been approved by the tax authorities. The tax filings of Yuen Foong Shop Co., Ltd. through 2018 have been approved by the tax authorities. The tax filings of Ever Growing Agriculture Biotech Co., Ltd. through 2019 have been approved by the tax authorities.

19. EARNINGS PER SHARE

	For the Three Months Ended March 31	
	2021	2020
Basic earnings per share (NT\$)	<u>\$ 1.52</u>	<u>\$ 1.15</u>
Diluted earnings per share (NT\$)	<u>\$ 1.51</u>	<u>\$ 1.14</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 period:

	For the Three Months Ended March 31	
	2021	2020
Profit for the period attributable to owners of the Company	<u>\$ 371,201</u>	<u>\$ 277,237</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Three Months Ended March 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	244,906	241,636
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>888</u>	<u>647</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>245,794</u>	<u>242,283</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. from YFY Paradigm Investment Co., Ltd. in March 2020.

The above transaction was accounted for as equity transaction since it did not result in the Group losing control of the subsidiary.

	Yuen Foong Shop Co., Ltd.
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. 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.

22. 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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 2,861,408	\$ 2,701,706	\$ 2,329,299
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	2,459,194	2,836,785	4,020,031

- 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 Three Months Ended March 31	
	2021	2020
Profit or loss at 5% variance		
USD	<u>\$ (42,637)</u>	<u>\$ (44,738)</u>
RMB	<u>\$ 365</u>	<u>\$ 887</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:

	March 31, 2021	December 31, 2020	March 31, 2020
Fair value interest rate risk			
Financial assets	\$ 163,893	\$ 200,753	\$ 651,466
Financial liabilities	\$ 699,710	\$ 1,146,931	\$ 925,531
Cash flow interest rate risk			
Financial assets	\$ 1,234,910	\$ 1,115,947	\$ 133,273
Financial liabilities	\$ 30,000	\$ 77,000	\$ 1,515,100

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 three months ended March 31, 2021 and 2020 would have decreased/increased as follows:

	For the Three Months Ended March 31	
	2021	2020
Increase (decrease)	\$ 301	\$ (345)

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.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group's unused financing facilities were \$6,149,220 thousand, \$5,927,250 thousand and \$4,342,929 thousand, respectively.

23. TRANSACTIONS WITH RELATED PARTIES

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

a. 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 Development Corp.	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
YFY Corporate Advisory & Services 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
YFY International Limited	Fellow subsidiary
YFY Packaging (Yangzhou) Investment Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Shanghai) 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 (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
E Ink Holdings Incorporated	Substantive related party
Shin-Yi Enterprise Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
YFY Biotechnology Co., Ltd.	Substantive related party
SinoPac Leasing Co., Ltd.	Substantive related party
Bank SinoPac Co., Ltd.	Substantive related party
Hsinex International Corp.	Substantive related party
Shin-Yi Foundation	Substantive related party
Shin-Yi Foundation Publishing	Substantive related party
Xingyuan Investment Co., Ltd.	Substantive related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Sung Yu Corporation	Substantive related party
Beautone Co., Ltd.	Substantive related party
SinoPac Financial Holdings Company Limited	Substantive related party
YFY Biotechnology (Kunshun) Co., Ltd.	Substantive related party
YFY Restaurant Management (Shanghai) Co., Ltd.	Substantive related party
Hotan Life Corporation	Substantive related party
SinoPac Securities Co., Ltd.	Substantive related party
Yuanhan Materials Inc.	Substantive related party
Hoi Toy & Play Corporation	Substantive related party
Synmax Biochemical Co., Ltd.	Substantive related party
Taiwan Stock Exchange	Substantive related party
Transcend Optronics (Yangzhou) Co., Ltd.	Substantive related party
	(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiaries	\$ 2,923	\$ 7,540
Substantive related parties	2,660	2,906
Parent company	<u>2,374</u>	<u>1,346</u>
	<u>\$ 7,957</u>	<u>\$ 11,792</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 Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 181,445	\$ 112,679
Chung Hwa Pulp Corporation	172,502	59,986
Others	<u>54,259</u>	<u>85,315</u>
	408,206	257,980
Substantive related parties	<u>296</u>	<u>325</u>
	<u>\$ 408,502</u>	<u>\$ 258,305</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	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries	\$ 48,967	\$ 17,791	\$ 40,934
Substantive related parties	2,044	1,960	2,517
Parent company	<u>332</u>	<u>3</u>	<u>47</u>
	<u>\$ 51,343</u>	<u>\$ 19,754</u>	<u>\$ 43,498</u>

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

Related Party Category	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries			
Chung Hwa Pulp Corporation	\$ 173,820	\$ 125,895	\$ 62,261
Guangdong Dingfung Pulp & Paper Co., Ltd.	106,601	106,132	92,830
Others	<u>77,388</u>	<u>77,727</u>	<u>91,935</u>
	357,809	309,754	247,026
Substantive related parties	<u>102</u>	<u>32</u>	<u>19</u>
	<u>\$ 357,911</u>	<u>\$ 309,786</u>	<u>\$ 247,045</u>

The outstanding accounts payable to related parties are unsecured.

f. Other receivables from related parties (excluding loans to related parties)

Related Party Category	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries	\$ 142	\$ 327	\$ 470
Substantive related parties	<u>-</u>	<u>46</u>	<u>-</u>
	<u>\$ 142</u>	<u>\$ 373</u>	<u>\$ 470</u>

g. Loans to related parties (accounted as other receivables from related parties)

Related Party Category	March 31, 2021	December 31, 2020	March 31, 2020
<u>Other receivables</u>			
Fellow subsidiaries			
YFY Paper MFG (Yangzhou) Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,796</u>

Related Party Category	For the Three Months Ended March 31	
	2021	2020
<u>Interest income</u>		
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u> -</u>	\$ <u> 3,024</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	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries	\$ 31,684	\$ 25,735	\$ 3,304
Substantive related parties	<u>1,535</u>	<u>1,737</u>	<u>1,808</u>
	<u>\$ 33,219</u>	<u>\$ 27,472</u>	<u>\$ 5,112</u>

- i. Loans from related parties (accounted as other payables to related parties)

Related Party Category	March 31, 2021	December 31, 2020	March 31, 2020
<u>Other payables</u>			
Fellow subsidiaries			
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u> 2,350</u>	\$ <u> 2,342</u>	\$ <u> 2,202</u>

Related Party Category	For the Three Months Ended March 31	
	2021	2020
<u>Interest paid</u>		
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ <u> 21</u>	\$ <u> 45</u>

The Group obtained loans from related parties with interest rate of 3.5%.

- j. Acquisition of property, plant and equipment

Related Party Category	For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	\$ <u> -</u>	\$ <u> 320</u>

k. Lease arrangements

Lease Liabilities	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries	\$ 34,966	\$ 36,374	\$ 40,577
Substantive related parties	<u>-</u>	<u>244</u>	<u>2,423</u>
	<u>\$ 34,966</u>	<u>\$ 36,618</u>	<u>\$ 43,000</u>
		For the Three Months Ended March 31	
		2021	2020
	Interest Paid		
Fellow subsidiaries		\$ 97	\$ 112
Substantive related parties		<u>-</u>	<u>10</u>
		<u>\$ 97</u>	<u>\$ 122</u>
		For the Three Months Ended March 31	
		2021	2020
	Lease Paid		
Fellow subsidiaries		\$ 8,739	\$ 1,233
Substantive related parties		<u>2,880</u>	<u>2,371</u>
		<u>\$ 11,619</u>	<u>\$ 3,604</u>

The lease period, rent and the payment condition for related parties are equivalent to non-related parties.

l. Other transactions with related parties

Related Party Category	Miscellaneous Expenses (Accounted as Operating Costs and Expenses)	
	For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	\$ 67,971	\$ 19,668
Substantive related parties	<u>2,519</u>	<u>2,078</u>
	<u>\$ 70,490</u>	<u>\$ 21,746</u>
	Agency Fees (Accounted as Operating Expenses)	
	For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	<u>\$ 2,201</u>	<u>\$ 3,017</u>

Related Party Category	Other Income (Accounted as Non-operating Revenue)	
	For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	<u>\$ 2,955</u>	<u>\$ 1,954</u>

Related Party Category	Unearned Sales Revenue (Accounted as Other Current Liabilities)		
	December 31,		
	March 31, 2021	2020	March 31, 2020
Fellow subsidiaries	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,830</u>

Related Party Category	Prepayments (Accounted as Other Current Assets)		
	December 31,		
	March 31, 2021	2020	March 31, 2020
Fellow subsidiaries	\$ 772	\$ -	\$ 328
Substantive related parties	<u>55</u>	<u>-</u>	<u>10</u>
	<u>\$ 827</u>	<u>\$ -</u>	<u>\$ 338</u>

m. Acquisition of financial assets

Refer to Note 10.

n. Compensation of key management personnel

	For the Three Months Ended March 31	
	2021	2020
	Salaries and benefits	<u>\$ 16,453</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. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Group's subsidiaries, clients and suppliers in certain locations are subject to quarantine and travel restriction policies. The Group considered that its overall operation and financial condition were not significantly impacted. There is no doubt on the Group's ability to continue as a going concern, and no impairment of assets or financing risk recognized.

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

The following information was aggregated by 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 were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 371	28.535	\$ 10,586
RMB	1,681	4.344	7,302
<u>Financial liabilities</u>			
Monetary items			
USD	30,255	28.535	863,326
	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
	March 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 447	30.225	\$ 13,511
RMB	4,170	4.255	17,743
<u>Financial liabilities</u>			
Monetary items			
USD	30,050	30.225	908,261

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Three Months Ended March 31			
	2021		2020	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	28.535 (USD:NTD)	\$ (1)	30.225 (USD:NTD)	\$ 145
USD	6.569 (USD:RMB)	(6,008)	7.103 (USD:RMB)	(14,396)
RMB	4.344 (RMB:NTD)	<u>(53)</u>	4.255 (RMB:NTD)	<u>(6,364)</u>
		<u>\$ (6,062)</u>		<u>\$ (20,615)</u>

26. 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) 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:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 2)
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 2)
 - The amount of property transactions and the amount of the resultant gains or losses.
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - 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.

27. SEGMENT INFORMATION

Segment revenue and results are as follows:

	Taiwan	Mainland China	Adjustment and Elimination	Total
For the three months ended <u>March 31, 2021</u>				
Revenue from external customers	\$ 1,583,505	\$ 1,005,813	\$ -	\$ 2,589,318
Revenue from other internal operating segments	\$ 293,421	\$ 988,775	\$ (1,282,196)	\$ -
Segment profit or loss before income tax	\$ 300,881	\$ 132,683	\$ -	\$ 433,564
For the three months ended <u>March 31, 2020</u>				
Revenue from external customers	\$ 1,740,968	\$ 720,827	\$ -	\$ 2,461,795
Revenue from other internal operating segments	\$ 255,774	\$ 721,307	\$ (977,081)	\$ -
Segment profit or loss before income tax	\$ 316,000	\$ 31,198	\$ -	\$ 347,198

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

a. Taiwan

Manufacture and sale of paper and paper-related merchandise in Taiwan.

b. Mainland China

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 intra-group transactions to reconcile the segment information with that reported for the Group as a whole.

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

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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, 4 and 5)	Aggregate Financing Limit (In Thousands of Foreign Currencies) (Notes 3, 4 and 5)	Note
													Item	Value			
1	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 428,025	\$ 428,025	\$ 428,025	2.00	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 5,987,091	\$ 5,987,091	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	428,025	428,025	428,025	2.00	Short-term financing	-	Operating capital	-	-	-	5,987,091	5,987,091	Note 6
2	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	413,594	262,903	92,833	3.25	Short-term financing	-	Operating capital	-	-	-	525,806	525,806	Note 6
3	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	1,115,487	1,104,055	-	3.25	Short-term financing	-	Operating capital	-	-	-	2,283,943	2,283,943	Note 6
4	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	1,497,345	1,481,998	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,064,051	4,064,051	Note 6
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	1,497,345	1,481,998	159,582	3.50	Short-term financing	-	Operating capital	-	-	-	4,064,051	4,064,051	Note 6
		Shanghai YFY International Trade Co., Ltd.	Other receivables from related parties	Yes	3,097	3,066	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,064,051	4,064,051	Note 6

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 were US\$1=\$28.535 and RMB1=\$4.342368 as of March 31, 2021.

Note 6: In preparing the consolidated financial statements, the transaction has been eliminated

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 THREE MONTHS ENDED MARCH 31, 2021

(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	
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd. Chung Hwa Pulp Corporation	a.	Sale	\$ (214,206)	(14)	In agreed terms	\$ -	-	\$ 151,945	17	Note 2
		b.	Purchase	166,162	22	In agreed terms	-	-	(173,820)	(31)	
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd. Guangdong Dingfung Pulp & Paper Co., Ltd.	a.	Sale	(368,811)	(27)	In agreed terms	-	-	153,793	26	Note 2
		b.	Purchase	128,500	11	In agreed terms	-	-	(75,172)	(20)	
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(454,454)	(92)	In agreed terms	-	-	164,212	92	Note 2
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(125,344)	(100)	In agreed terms	-	-	53,139	97	Note 2

Note 1: a. Parent company and subsidiary.
b. Fellow subsidiaries.
c. Substantive related parties.

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

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

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

MARCH 31, 2021

(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	\$ 151,945	5.37	\$ -	-	\$ 48,068	\$ -
Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	104,477	2.40	-	-	21,378	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	153,793	12.03	-	-	153,793	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	164,212	13.01	-	-	164,212	-

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

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

INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				March 31, 2021	December 31, 2020	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	\$ 3,109,411	\$ 131,283	\$ 131,283	a. and b
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	267,566	9,927	11,537	a. and b.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	92,856	11,367	11,806	a. and b
	YFY Consumer Products, Co.	United States	E-commerce for intellectual property management and sales of consumer products	-	-	-	100.0	-	-	-	a. and b
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong	General trade	-	-	-	100.0	-	-	-	a. and b

Note: 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 THREE MONTHS ENDED MARCH 31, 2021
(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, 2021 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020 (In Thousands of Foreign Currencies) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,281,525 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 2,698,698 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,698,698 (US\$ 94,575 thousand)	\$ 126,887 (Note 2,b.)	100.0	\$ 126,887 (Note 2,b.)	\$ 2,157,919	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	856,050 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	(2,070) (Note 2,b.)	100.0	(1,909) (Note 2,b.)	256,515	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	856,050 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	(6,622) (Note 2,b.)	100.0	(6,622) (Note 2,b.)	1,135,401	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,680 (US\$ 164 thousand)	Direct investment in mainland China.	4,680 (US\$ 164 thousand)	-	-	4,680 (US\$ 164 thousand)	(34) (Note 2,b.)	100.0	(34) (Note 2,b.)	-	-

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$2,988,728 (Notes 1 and 4)	\$2,988,728 (Notes 1 and 4)	Note 3

Note 1: The exchange rates were US\$1 = \$28.535 and RMB1 = \$4.342368 as of March 31, 2021.

Note 2: The recognition basis for investment gain (loss) is 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 eligible enterprise that is eligible and is not subject to the aforementioned restrictions

Note 4: The disposal of entire shares of YFY Family Paper (Beijing) Co., Ltd was completed by the subsidiary YFY Investment Co., Ltd. in 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 THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Yuen Foong Yu Consumer Products Co., Ltd.	Ever Growing Agriculture Biotech Co., Ltd.	Subsidiary	Sales	\$ 10	By market price	-
				Accounts receivable	19	By market price	-
		Subsidiary	Yuen Foong Shop Co., Ltd.	Sales	214,206	By market price	8.27
				Accounts receivable	151,945	By market price	2.00
2	Ever Growing Agriculture Biotech Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	Sales	79,137	By market price	3.06
				Accounts receivable	104,477	By market price	1.38
3	Yuen Foong Shop Co., Ltd.	Yuen Foong Yu Consumer Products Co., Ltd.	Parent company	Sales	14	By market price	-
				Accounts receivable	4	By market price	-
		Fellow subsidiaries	Ever Growing Agriculture Biotech Co., Ltd.	Sales	54	By market price	-
				Accounts receivable	49	By market price	-
4	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales	368,811	By market price	14.24
				Accounts receivable	153,793	By market price	2.03
		Subsidiary	YFY Family Care (Kunshan) Co., Ltd.	Sales	149	By market price	0.01
				Accounts receivable	23	By market price	-
5	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	454,454	By market price	17.55
				Accounts receivable	164,212	By market price	2.16
		Fellow subsidiaries	YFY Family Care (Kunshan) Co., Ltd.	Sales	40,017	By market price	1.55
				Accounts receivable	14,591	By market price	0.19
6	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	125,344	By market price	4.84
				Accounts receivable	53,139	By market price	0.70

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