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

<u>*Notice to Readers*</u>

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)

	2020		2019	
ASSETS	**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	185,598	3	100,789	1
Total current assets	1,478,151	22	2,161,872	31
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	22,583	-	29,106	-
Total non-current assets	5,335,338	78	4,875,423	69
TOTAL	$ 6,813,489	100	$ 7,037,295	100
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)	22,920	-	9,221	-
Total current liabilities	1,592,598	23	2,154,405	31
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	36,162	1	35,000	-
Total non-current liabilities	1,186,983	18	1,994,741	28
Total liabilities	2,779,581	41	4,149,146	59
EQUITY (Notes 4 and 15)				
Share capital				
Ordinary shares	2,449,060	36	2,416,360	34
Capital surplus	219,055	3	151,622	2
Retained earnings				
Legal reserve	76,248	1	29,780	-
Unappropriated earnings	1,493,408	22	458,588	7
Total retained earnings	1,569,656	23	488,368	7
Other equity	(203,863)	(3)	(168,201)	(2)
Total equity	4,033,908	59	2,888,149	41
TOTAL	$ 6,813,489	100	$ 7,037,295	100

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)	(3,823,018)	(65)	(4,239,286)	(74)
GROSS PROFIT	2,077,923	35	1,468,743	26
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	(37,793)	-	(29,838)	(1)
Total operating expenses	(1,004,607)	(17)	(945,271)	(17)
PROFIT FROM OPERATIONS	1,073,316	18	523,472	9
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)	(870)	-	(443)	-
Total non-operating income and expenses	626,892	11	47,674	1
PROFIT BEFORE INCOME TAX	1,700,208	29	571,146	10
INCOME TAX EXPENSE (Notes 4 and 18)	(212,980)	(4)	(106,464)	(2)
NET PROFIT FOR THE YEAR	1,487,228	25	464,682	8
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	$ 1,457,746	25	$ 373,889	7
EARNINGS PER SHARE (Note 19)				
Basic	$ 6.12		$ 1.92	
Diluted	$ 6.09		$ 1.92	

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			Retained Earnings (Note 15)			Other Equity	
	Shares (In Thousands)	Amount	Capital Surplus (Note 4)	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total Equity
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	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	(2,433)	(1,140)
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	(102,322)	(53,050)
Net cash generated from operating activities	1,168,053	897,029
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	8,127	(5,370)
Net cash generated from (used in) investing activities	849,333	(77,748)

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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	(30,041)	-
Net cash used in financing activities	(2,003,313)	(841,410)
NET INCREASE (DECREASE) IN CASH	14,073	(22,129)
CASH AT THE BEGINNING OF THE YEAR	46,232	68,361
CASH AT THE END OF THE YEAR	$ 60,305	$ 46,232

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

(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 remeasurement) 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. Remeasurement, 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. Remeasurement 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	60,097	46,024
	$ 60,305	$ 46,232

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Time deposits with original maturity between three months and a year	$ -	$ 149,327

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

	December 31	
	2020	2019
Notes receivable - operating	$ 13,996	$ 13,740
Accounts receivable - operating	659,064	679,989
Less: Allowance for impairment loss	(351)	(351)
	$ 672,709	$ 693,378

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)	-	(45)	(9)	-	(297)	(351)
Amortized cost	$ 663,647	$ 9,029	$ 33	$ -	$ -	$ 672,709

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)	(1)	(16)	(37)	-	(297)	(351)
Amortized cost	$ 681,608	$ 11,603	$ 167	$ -	$ -	$ 693,378

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	-	(10,012)
Balance at December 31	$ 351	$ 351

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	73,442	46,468
	$ 357,581	$ 337,600

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.	81,039	22,291
	$ 3,324,844	$ 2,707,628

The Company's proportion of ownership and voting rights of its subsidiaries as of the balance sheet date were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiaries	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
Cost							
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	$ 675,822	$ 526,919	$ 1,689,621	$ 157,646	$ 100,653	$ 201,662	$ 3,352,323
Accumulated depreciation and impairment							
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	$ -	$ 285,914	$ 868,602	$ 77,704	$ 73,808	$ 160,789	$ 1,466,817
Carrying amounts at December 31, 2019	$ 675,822	$ 241,005	$ 821,019	$ 79,942	$ 26,845	$ 40,873	$ 1,885,506
Cost							
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	$ 675,822	$ 533,396	$ 1,674,370	$ 166,209	$ 108,875	$ 207,235	$ 3,365,907
Accumulated depreciation and impairment							
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	$ -	$ 304,728	$ 922,336	$ 88,107	$ 82,513	$ 174,788	$ 1,572,472
Carrying amounts at December 31, 2020	$ 675,822	$ 228,668	$ 752,034	$ 78,102	$ 26,362	$ 32,447	$ 1,793,435

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**
Carrying amounts		
Buildings	$ 176,772	$ 222,326
Office equipment	3,464	4,776
	$ 180,236	$ 227,102

	For the Year Ended December 31	
	2020	**2019**
Additions to right-of-use assets	$ 1,906	$ 3,042
Depreciation charge for right-of-use assets		
Buildings	$ 43,024	$ 47,782
Office equipment	3,173	3,055
	$ 46,197	$ 50,837

b. Lease liabilities

	December 31	
	2020	**2019**
Carrying amounts		
Current	$ 32,648	$ 45,919
Non-current	$ 149,461	$ 182,403

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	$ 32,248	$ 26,884
Total cash outflow for leases	$ 79,854	$ 79,189

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Bank credit loans	$ -	$ 600,000

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	-	(87)
	$ -	$ 199,913

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	-	450,000
	$ 922,180	$ 1,688,000

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	(93,398)	(90,134)
Net defined benefit liability	$ 22,047	$ 32,205

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)	1,695	(1,338)	357
Recognized in profit or loss	5,191	(1,338)	3,853

(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	6,239	-	6,239
Recognized in other comprehensive income	10,338	(2,720)	7,618
Benefits paid	(10,015)	10,015	-
Contributions from the employer	-	(4,993)	(4,993)
Balance at December 31, 2019	$ 122,339	$ (90,134)	$ 32,205
Balance at January 1, 2020	$ 122,339	$ (90,134)	$ 32,205
Service cost			
Current service cost	3,312	-	3,312
Net interest expense (income)	1,182	(893)	289
Recognized in profit or loss	4,494	(893)	3,601
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	(8,649)	-	(8,649)
Recognized in other comprehensive income	(4,920)	(2,805)	(7,725)
Benefits paid	(6,468)	6,468	-
Contributions from the employer	-	(6,034)	(6,034)
Balance at December 31, 2020	$ 115,445	$ (93,398)	$ 22,047

(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	$ (952)	$ (1,047)
0.125% decrease	$ 964	$ 1,061
Expected rates of salary increase		
0.125% increase	$ 958	$ 1,060
0.125% decrease	$ (948)	$ (1,048)

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	$ 3,665	$ 6,034
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)	350,000	350,000
Shares authorized	$ 3,500,000	$ 3,500,000
Number of shares issued and fully paid (in thousands)	244,906	241,636
Shares issued	$ 2,449,060	$ 2,416,360

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	$ 151,622	$ -	$ -	$ -	$ 151,622
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	-	-	(715)	715	-
Balance at December 31, 2020	$ 156,481	$ 61,859	$ -	$ 715	$ 219,055

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	$ 46,468	$ 16,034
Cash dividends	$ 412,120	$ -
Share dividends	$ -	$ 143,366
Cash dividends per share (NT$)	$ 1.71	$ -
Share dividends per share (NT$)	$ -	$ 0.63

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	$ 149,341
Special reserve	$ 203,863
Cash dividends	$ 979,624
Cash dividends per share (NT$)	$ 4

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	$ 5,900,941	$ 5,708,029

Contract Balances

	December 31	
	2020	2019
Notes receivable and accounts receivable (including related parties)	$ 842,519	$ 735,504
Contract liabilities - sale of goods (under other current liabilities)	$ 454	$ 1,440

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	$ 1,440	$ -

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	(23)	(24)
	$ 22,730	$ 35,347

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	158,998	158,434
	$ 205,195	$ 209,271
An analysis of depreciation by function		
Operating costs	$ 155,018	$ 154,935
Operating expenses	50,177	54,043
Non-operating expenses	-	293
	$ 205,195	$ 209,271

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	3,601	3,853
	27,571	27,231
Share-based payment		
Equity settled	29,457	-
Other employee benefits	721,894	649,180
Total employee benefit expense	$ 778,922	$ 676,411

(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	408,528	333,852
	$ 778,922	$ 676,411

(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	1,468	7,404
	202,684	118,086
Deferred tax		
In respect of the current year	10,264	(11,643)
Adjustments for prior years	32	21
	10,296	(11,622)
Income tax expense recognized in profit or loss	$ 212,980	$ 106,464

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	$ 1,700,208	$ 571,146
Income tax expense calculated at the statutory rate	$ 340,042	$ 114,229
Permanent differences	(128,562)	(15,190)
Adjustments for prior years	1,500	7,425
Income tax expense recognized in profit or loss	$ 212,980	$ 106,464

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
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plan	$ (1,545)	$ 1,524

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
Deferred tax assets				
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	33	115	-	148
	$ 26,081	$ (10,296)	$ (1,545)	$ 14,240
Deferred tax liabilities				
Temporary differences				
Land value increment tax	$ 57,133	$ -	$ -	$ 57,133

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
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	75	(42)	-	33
	$ 12,935	$ 11,622	$ 1,524	$ 26,081
Deferred tax liabilities				
Temporary differences				
Land value increment tax	$ 57,133	$ -	$ -	$ 57,133

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$)	$ 6.12	$ 1.92
Diluted earnings per share (NT$)	$ 6.09	$ 1.92

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	$ 1,487,228	$ 464,682

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	1,151	525
Weighted average number of ordinary shares used in the computation of diluted earnings per share	244,319	242,161

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 day after the grant date.

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	(50)	15
Balance at December 31	-	
Weighted-average fair value of options granted in July 2020 ($)	$ 14.3	

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

	December 31	
	2020	**2019**
<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.

<u>Sensitivity analysis</u>

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

Related Party Name	Related Party Category
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)

Related Party Name	Related Party Category
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

Related Party Category	For the Year Ended December 31 2020	2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	$ 883,180	$ 1,120,077
Others	33	4
	883,213	1,120,081
Fellow subsidiaries	9,007	11,491
Substantial related parties	10,233	7,880
Parent company	1,535	1,686
	$ 903,988	$ 1,141,138

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		
Chung Hwa Pulp Corporation	$ 408,252	$ 587,949
YFY Packaging Inc.	133,741	126,901
	541,993	714,850
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	332,315	281,234
Others	29,583	-
	361,898	281,234
Substantial related parties	185	412
	$ 904,076	$ 996,496

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	December 31 2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	$ 167,018	$ 34,996
Others	23	-
	167,041	34,996
Fellow subsidiaries	1,040	5,295
Substantial related parties	1,726	1,807
Parent company	3	28
	$ 169,810	$ 42,126

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

Related Party Category	December 31 2020	December 31 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.	46,707	44,758
	172,602	94,253
	$ 335,623	$ 233,395

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	December 31 2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	$ 21,804	$ 41
Ever Growing Agriculture Biotech Co., Ltd.	10,299	122
	32,103	163
Substantial related parties	45	-
	$ 32,148	$ 163

g. Other payables to related parties

Related Party Category	December 31 2020	December 31 2019
Subsidiaries	$ 350	$ 2,513
Fellow subsidiaries	1,955	2,610
Substantial related parties	1,150	1,243
	$ 3,455	$ 6,366

h. Loan to related parties (accounted as other receivables from related parties)

Related Party Category	December 31 2020	December 31 2019
Other receivables		
Subsidiaries		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	$ -	$ 792,257

Related Party Category	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Interest income		
Subsidiaries		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	$ 9,430	$ 15,173
YFY Family Care (Kunshan) Co., Ltd.	-	249
	$ 9,430	$ 15,422

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	For the Year Ended December 31 2019
Fellow subsidiaries	$ 855	$ 200

j. Lease arrangements

Related Party Category	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Lease paid		
Substantial related parties	$ 9,434	$ 9,024
Fellow subsidiaries	1,314	1,314
	$ 10,748	$ 10,338

k. Other transactions with related parties

Related Party Category	Other Income For the Year Ended December 31 2020	Other Income For the Year Ended December 31 2019
Subsidiaries		
Yuen Foong Shop Co., Ltd.	$ 1,371	$ 2,529
Others	105	286
	$ 1,476	$ 2,815

Related Party Category	Agency Fees (Accounted as Operating Expenses) For the Year Ended December 31 2020	2019
Fellow subsidiaries	$ 12,070	$ 9,870

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	2,760	2,296
	$ 12,246	$ 16,581

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	8	-
	$ 257	$ 127

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	15,158	-
	$ 52,817	$ 35,112

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
Property, plant and equipment - land and buildings, net	$ -	$ 475,009

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**
Financial assets			
Monetary items			
USD	$ 293	28.48	$ 8,345
RMB	29	4.377	127
Financial liabilities			
Monetary items			
USD	8	28.48	228

	December 31, 2019		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 1,042	29.98	$ 31,247
RMB	219,466	4.30	943,411
Financial liabilities			
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 Exchange Rate (Foreign Currency: Functional Currency)	For the Year Ended 2020 Net Foreign Exchange Gains (Losses)	For the Year Ended 2019 Exchange Rate (Foreign Currency: Functional Currency)	For the Year Ended 2019 Net Foreign Exchange Gains (Losses)
USD	28.48 (USD:NTD)	$ (774)	29.98 (USD:NTD)	$ (779)
RMB	4.377 (RMB:NTD)	(6,827)	4.30 (RMB:NTD)	(38,622)
		$ (7,601)		$ (39,401)

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

TABLE 1

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 RMB1=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.	a.	Sale	$ (883,180)	(15)	In agreed terms	$ -	-	$ 167,018	20	$ 9,751
	Ever Growing Agriculture Biotech Co., Ltd.	a.	Purchase	332,315	11	In agreed terms	-	-	(163,021)	(29)	15,189
	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)	-

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	$ -

TABLE 4

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

INFORMATION ON INVESTEES
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.

TABLE 5

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 RMB1=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.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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	(351)
	$ 672,709

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	Amount: Net Realizable Value
Purchased goods	$ 71,786	$ 56,181
Finished goods	162,264	162,109
Work in process	65,984	65,849
Materials	105,759	73,442
	405,793	$ 357,581
Less: Write-downs of inventories (Note)	(48,212)	
	$ 357,581	

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)

	Balance, January 1, 2020		Additions in Investment		Decrease in Investment (Note 3)		Share of Profit of Subsidiaries	Equity Adjustments	Balance, December 31, 2020			Market Value or Net Assets
Investee	Shares	Amount	Shares	Amount	Shares	Amount	(Note 1)	(Note 2)	Shares	%	Amount	Value
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	22,291	2,500,000	30,041	-	8,856	32,616	4,947	5,000,000	100.0	81,039	90,790
		$ 2,707,628		$ 30,041		$ 41,599	$ 642,810	$ (14,036)			$ 3,324,844	$ 3,349,784

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.	46,706
	$ 335,623

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)	440,609
	$ 744,145

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	-	425,000	425,000	-	-
				-	925,000	925,000		
Less: Syndicated loan expense				-	(2,820)	(2,820)		
				$ -	$ 922,180	$ 922,180		

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)	-	1,070,469
		$ 5,900,941

Note: The amount included in others does not exceed 10% of the account balance.

STATEMENT 8

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	608,969
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	(65,984)
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	(17,352)
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	(71,786)
	$ 3,823,018

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)	37,595	53,500	8,151	99,246
	$ 692,389	$ 274,426	$ 37,793	$ 1,004,608

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	27,112	19,265	46,377	23,497	17,836	-	41,333
	$ 370,394	$ 408,528	$ 778,922	$ 342,559	$ 333,852	$ -	$ 676,411
Depreciation expense	$ 155,018	$ 50,177	$ 205,195	$ 154,935	$ 54,043	$ 293	$ 209,271

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.