



This annual report can be downloaded from the following websites

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

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

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- **Headquarter:** 16F, No. 51, Chongqing S. Road Sec. 2, Taipei | TEL: +886-2-21921022
- **Yang Mei plant:** No. 70, Ln. 668, Sec. 2, Meigao Rd., Yangmei Dist., Taoyuan City | TEL: +886-3-4902840
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No. 1078-1, Sec. 3, Fuguo Rd., Luzhu Dist., Taoyuan City | TEL: +886-3-3210783

3. Stock Administration:

- **SinoPac Securities – Share Registration Services Department**
3F, No. 17, Boai Road, Zhongzheng District, Taipei, Taiwan | TEL: (02)2381-6288 | <http://www.sinotrade.com.tw>

4. Auditor:

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

5. Overseas Securities Exchange: None

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

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Letter to Shareholders

Dear Shareholders,

2021 was the second year of the global COVID-19 pandemic. At the beginning of the year, hopes were high that daily lives and economic activities will return to normal as multiple vaccines received emergency approval. Yet the hopes were dashed under discrepancies in vaccine distribution, and numerous novel mutations. Globally, economies started to rebound from the abysmal lows of 2020 as vaccination rate in developed countries climbed. Nevertheless, as the pandemic continued, disruption cascaded across global production and logistics. Spikes in demand quickly outstripped supply for semiconductor, raw materials, and energy, logistics capacity also became seriously strained. Uneven allocation of vaccines around the world also caused an uneven global recovery. Amidst all the disturbances and inconvenience during the pandemic, governments around the world still managed to come together at COP26 in late 2021, reaching consensus to phase out fossil fuels toward eventual net zero carbon emissions. All these factors attributed to rapidly rising inflationary pressure, catching everyone by surprise—as everybody around the world has gotten used to zero or no inflation over the past decades during ever expanding globalization.

In May, the highly contagious Delta variant landed in Taiwan, and local infections quickly surged. This compelled Taiwan's CECC to raise epidemic alert to level 3. Overnight, economic activity slowed to minimal, undermining all sectors. Fortunately, through the cooperation of government, corporations, NGOs, as well as the generosity of many countries, vaccine availability in Taiwan accelerated significantly. Vaccination rate soared as citizens eagerly lined up to be protected. Spread of the virus slowed down before Q3, and Taiwan has been able to maintain level 2 alert through 2022Q1. Similarly, in Mainland China, sporadic outbreaks forced lock downs and impeded transportation. Later in the year, the implementation of power rationing, and skyrocketing coal prices devastated production activities and daily lives. While all these factors drastically increased operation costs, protracted excess capacity in Mainland China further aggravated competition. Through all these uncertainties and challenging circumstances, we worked tirelessly to minimize risks and stabilize operations, cooperate with customers, tweak our product portfolio, and further improve our supply chain.

Staying true to our heritage, we focused on fundamentals in face of daunting challenges, winning accolade from consumers. We also commenced listing on the Taiwan Stock Exchange on September 29th. For 2021, consolidated revenue was NT\$ 9.89 billion, consolidated net income was NT\$ 1.07 billion, and net income to shareholders was NT\$ 1.06 billion, or EPS NT\$ 4.24. The board declared cash dividend of NT\$ 3 per share. Highlights from 2021 are as follows.

■ Ensuring Safety and Supply

Wild swing of the pandemic radically changed everyday lives. Consequently, consumer behaviors shifted to adjust. Under Level 3 alert, home-cooking and take out/delivery rose at the same time. This brought about an increase in the sale of interfold toilet paper and kitchen towel. Our plants adopted significant preventive measures to safeguard our consumers and our employees. We also continued to cooperate with the government to ensure stable supply of toilet paper and cleaning products to consumers.

■ Winning Market Share through Innovation

Years of R&D culminated in Mayflower's highly successful "Boldly Thick" toilet paper and kitchen towel. These two products became the new benchmarks for their respective categories in Taiwan, helping Mayflower gain market share in both categories. As consumers cook and eat at home most of the time, Orange House dishwashing detergent became their choice to maintain a healthy kitchen during the pandemic. Targeting sport enthusiasts, "Delight" launched Triple-action laundry capsules. Our e-commerce also grew as physical shopping was decreased during the pandemic.

Vaccination slowly but steadily decreased stress to healthcare systems, and countries slowly lifted COVID related restrictions. Global economy quickly gained foot, driving up global inflation and resulting in tightening of monetary policies around the world. In March 2022, perennial Ukraine-Russian conflict finally turned into an all-out invasion. As the war waged on, the conflict evolved into a confrontation between Russia and American-led coalition of democracies, further exacerbating soaring price of grains, energy, precious metal, and everything else to new historical highs. In the meanwhile, 2021's headaches of semiconductor shortage, supply chain woes, and labor shortage remained unresolved in 2022.

IMF projects 4.4% global economic growth for 2022, with China's economy project to grow by 4.8%; Taiwan's DGBAS projects 4.42% economic growth. As always, we will continue to invest resources carefully to build sustainable long-term value for our shareholders and stakeholder. Our strategic initiatives are:

- 1. Continuing our focus on premium market.
- 2. Invest in innovation and automation, ensuring quality and enhancing efficiency.
- 3. Seek cross-sector strategic opportunities and geographic expansion, including value-added services.

At the same time, we will also further our focus in ESG,

- 1. set target to reduce our use of plastics; evaluate and set goals to adopt other environmental-friendly ingredients and raw materials.
- 2. Develop green products that can both fulfill consumer needs and reduce environmental impact.
- 3. Improve our utilization of energy and water, reduce unused by-products, and reduce our use of fossil fuels.
- 4. Collaborate with our suppliers to ensure employee well-being, safety and health, and reduce environmental footprint.

Facing continual challenges in 2022 market, we will persevere with laser focus on consumer needs, push for more innovation, manage risks, and continue our mission to better everyday lives of consumers. Upholding our responsibility to society and sustainable business growth, we will continue our commitment to maximize long-term value to bring reasonable returns for our shareholders.

Wishing you
all great health and prosperity,



Felix Ho
Chairman of the Board
Yuen Foong Yu Consumer Products, Co., Ltd.



Continuous Growing Trend Leader



Tissue paper

Pandemic results in permanent behavior change of personal health awareness and household habits:



Time at home ↑



Frequency of cooking at home ↑



Household cleaning and sanitizing ↑

Total tissue paper market in 2021

Sales growth rate of total tissue paper market **+12%**

Premium pull-up toilet paper
Annual sales growth rate

+26%

Premium kitchen towel
Annual sales growth rate

+26.7%



PAPER

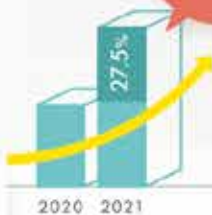


Mayflower thick toilet paper in 2021

Pull-up toilet paper

Annual sales growth rate

+27.5%



Higher than total market

Kitchen towel

Annual sales growth rate

+468.5%*

(* Launched in Q3/2020)





Detergent

Pandemic shifts consumer eating-out habits to delivery, takeaway or cooking at home and boosts sales growth of YFYCPG household cleaning products.

In 2021

YFYCPG household cleaning products increase:

+15.9%



Among that, detergent growth even reaches:

+27.9%



Stay firm in that category and perform outstanding!

Orange House anti-virus detergent growth:

+170.9%



Consumers particularly concern about the antibacterial function. Antibacterial and anti-virus detergents become the first priority choice of consumer shopping.



DETERGENT



Consumers always smell odors left on clothes after washing and it doesn't seem clean. Moreover, when consumers hang clothes indoors in not spacious and ventilated well house, the smell unable to clean out keeps bothering them.

YFYCPG combines convenience of detergent pods and consumer demand to launch new product that meet laundry behavior and life style of new generation.



Fresh Sense Dynamic fragrant bean laundry pods

4 function in 1 (mites washing, antibacterial, 5X cleaning, longer fragrant keeping)

Hot sales product in live stream and sell out **18.3** pods per sec.



Delight Detergent Pods

The first design of 3 heart-shape pockets of liquid and solid solution including fragrant bean not only able to repel mites but also remove odors and keep refreshing.

Since launched in Jul./2021
till Dec./2021, sell out:

2,191,200 pods



Taipei 101

301 buildings

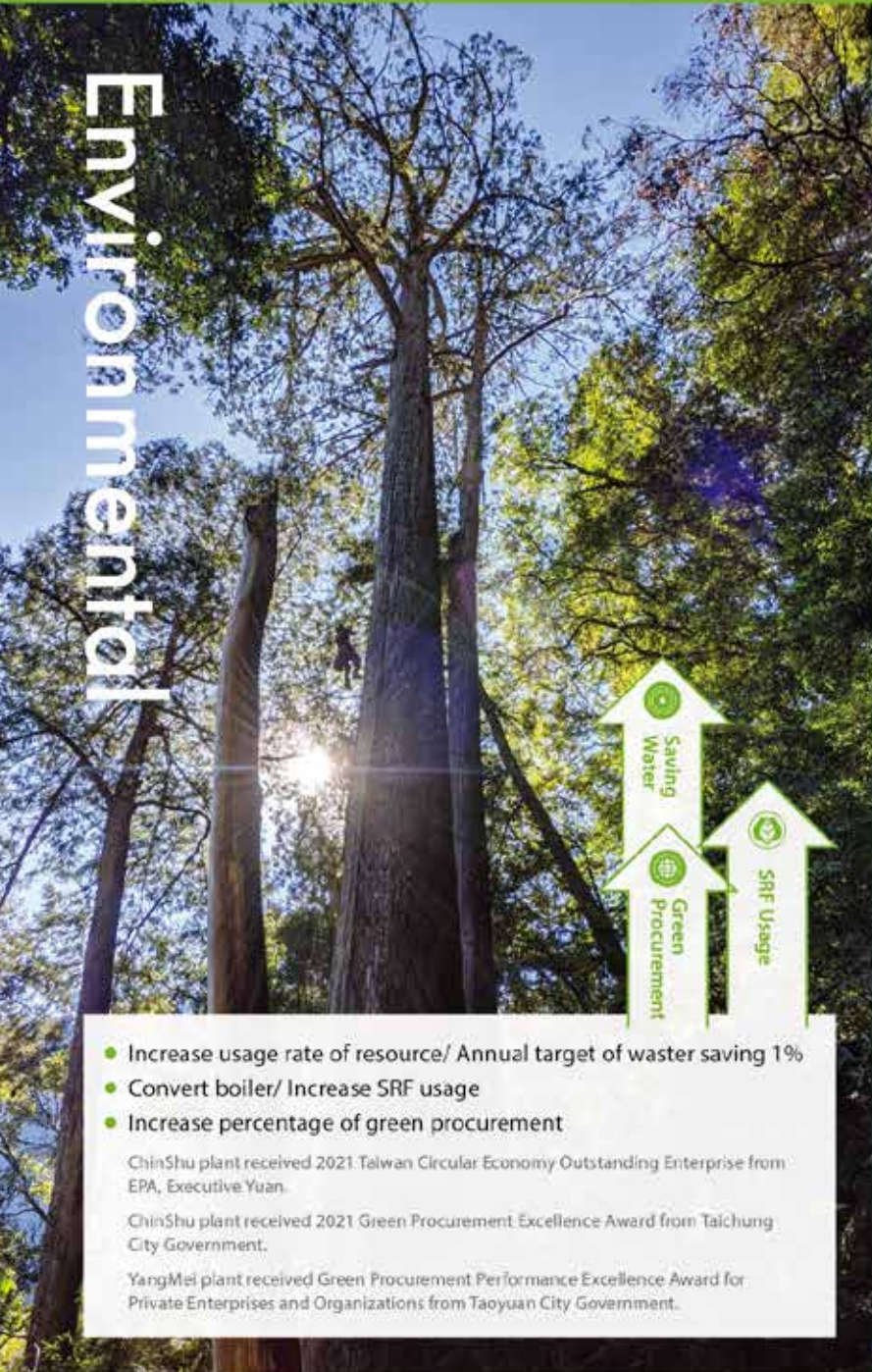




Environment

Work to minimizing environment footprint of operational development. Develop environmental friendly green products.

Environmental



- Increase usage rate of resource/ Annual target of waster saving 1%
- Convert boiler/ Increase SRF usage
- Increase percentage of green procurement

ChinShu plant received 2021 Taiwan Circular Economy Outstanding Enterprise from EPA, Executive Yuan.

ChinShu plant received 2021 Green Procurement Excellence Award from Taichung City Government.

YangMei plant received Green Procurement Performance Excellence Award for Private Enterprises and Organizations from Taoyuan City Government.

Support project-Taiwan Champion Trees

To find champion trees in Taiwan

Project leader, Prof. Rebecca C.C. Hsu, is one of few Taiwanese scholars researching epiphytes of tree crowns. She graduated from National Cheng Kung University with bachelor degree of Industrial Design, acquired a master degree of Plant Biology in National Taiwan University, and received Ph.D in Universiteit van Amsterdam The Netherlands. Now as an assistant researcher of Taiwan Forestry Research Institute of Committee of Agriculture, she builds a project team- Taiwan Champion Trees with Prof. Chi-kuei Wang from the Dept. of Geomatics at National Cheng Kung University, to search champion trees in Taiwan. They use airborne LIDAR technology with citizen science to survey the forest in order to discover the tallest Taiwan tree. She speaks clear, fully enthusiastic and straightforward to show her passions for this beautiful island from her profession of biological diversity. Moved from two teachers' perseverance and action with focused faith, YFYCPG as a citizen of the Earth has great commonality with them of the same persistence to develop better products. Since 2021, we start to cooperate with this project team to support Taiwan Champion Trees. In the future, we will promote youth science and civic education to communicate with the new generation of the Internet how to use professional knowledge such as measurement to help this project. Because all of us really witness such biological diversity as a beautiful and harmonica nature environment, we are willing to save energy, reduce carbon, and love this Earth in our normal life to create a safe and beautiful life together.



▲ 2021/2021/ DaSyueShan trail/ Taiwania (Taiwania cryptomerioides)/ 73.3 m



Social

With the goal of sustainability, we combine our core value with the society, live and prosper together with the local, and create the future with the new generation.

Support medical staff of Taoyuan General Hospital Improve pandemic prevention

To Protect the health of staff and their families, we donated:

- **Orange House**
1002 bottles of anti-virus detergent
1008 bottles of hand soap mousse
2016 bottles of anti-virus cleaning spray
- **Mayflower thick toilet tissue**
4800 rolls of kitchen towel



Provide Mayflower and Orange House products to support 14 social welfare groups and support Wanhua district

In the beginning of the local outbreak, we contacted social welfare groups to understand their needs, and provided totally 160 boxes of Mayflower toilet paper and Orange House anti-virus cleaning products to 14 social welfare groups who have been caring for vulnerable family in Wanhua district.



Social

Care about the local, live and prosper together with the local

- For three consecutive years, we have joined the annual "Warm Winter Activity" held by the Environmental Protection Bureau of Taoyuan City Government to provide Mayflower and Orange House products and reward to resource recycling families. *Totally we cared for over 400 families.*



- In order to support the epidemic prevention activities in the Yangzhou Economic Development Zone, Yangzhou plant **donated RMB 200,000 and materials** and helped government protect public health together.

- Chinshu plant long term supports billiards activities of Haifenglii school children. It's not only to have children good leisure activities after school but also to be beneficial to their health.



Government

Operation team takes good management responsibility, complies with policies and regulations, and continuously to create stable investment returns for shareholders.

Governance

- Lists in TWSE on August, 2021 and becomes the largest FMCG company in Taiwan.



HR ASIA-BEST COMPANIES TO WORK FOR IN ASIA 2021

The 1st Taiwan FMCG industry awarded.

- The 6th Taiwan Mittelstand Award





Company Profile

I. Date of Establishment: October 29, 1986

II. Company History

1934

Yuen Foong Corporation
(latter renamed YFY Inc.)

1968

Created the toilet paper brand
"Mayflower".

1972



Produced the 1st embossed toilet paper in Taiwan.

1986

Established YFYCPG
with a paid-in capital of NTS10 million.

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

1995

2004

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

2007

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

"Orange House" entered the
natural cleaning products market.

2009



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

2011

2014

Awarded Most Attractive
Employer in the Consumer
Manufacturing Industry.

2015

Awarded Most Attractive
Employer in the Consumer
Manufacturing Industry.

2017

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



2018

"Delight" enters mid-range
cleaning products market.

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

2019

2019

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

2020

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

2021

YFYCPG lists in TWSE with stock No. 6790 and
becomes the largest company by market values
in Taiwan FMCG Industry.

- Received the 6th Taiwan Mittelstand Award organized by the ROC Ministry of Economic Affairs.
- Awarded the HR Asia Best Companies to Work For in Asia 2021 and it's the 1st local company in Taiwan FMCG Industry.

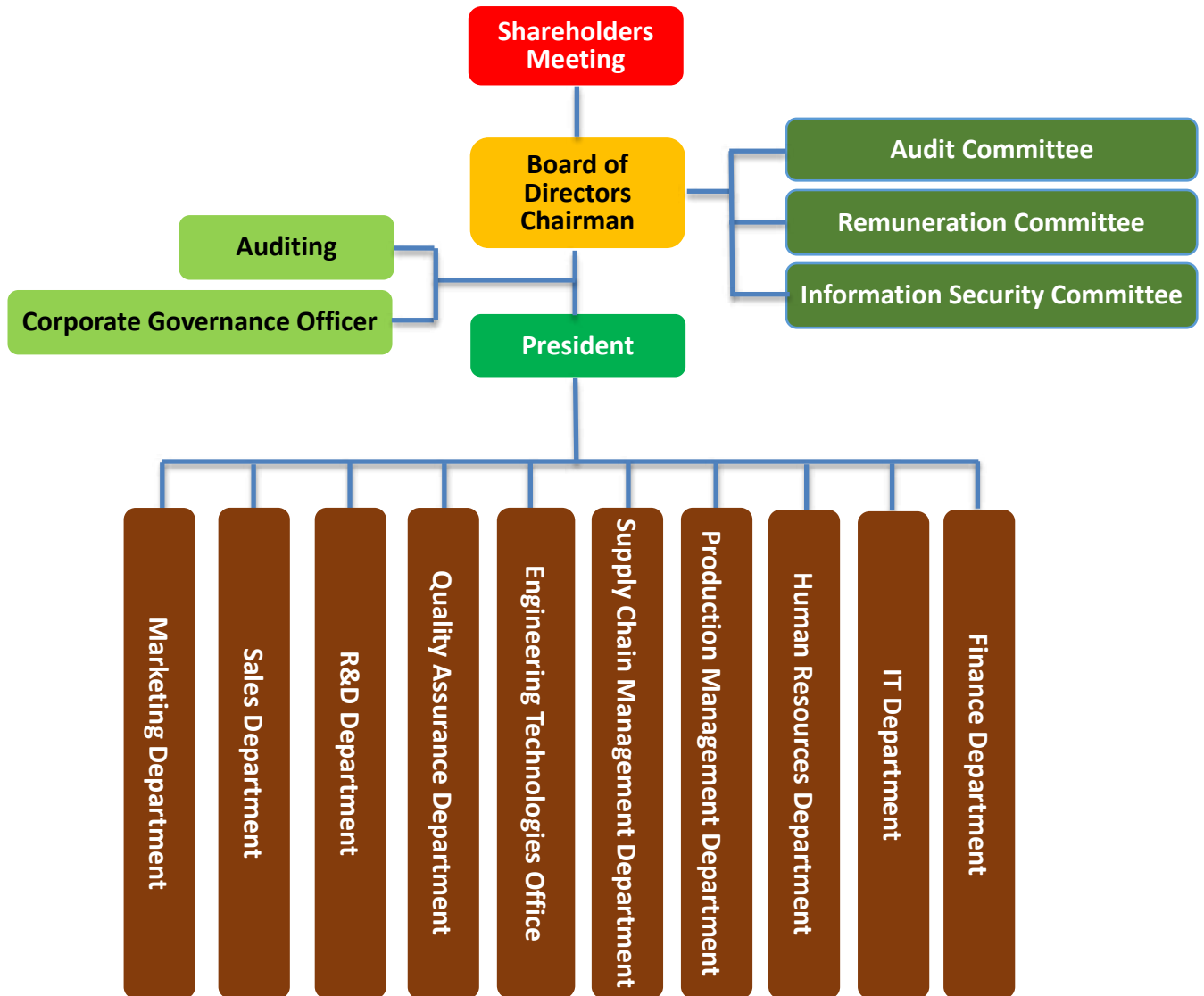


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Corporate Governance Report

I. Organizational Chart



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

(I) Profiles of Directors and Independent Directors

December 31, 2021; Unit: 1,000 shares; %

Title	Nationality or place of registration	Name	Gender/Age		Date elected	Term (year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			4	5				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
			0	1																	
Chairman	Republic of China	YFY Inc. Representative Felix Ho	Male	456	2020/09/24	3	2006/03/15	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> • MBA, MIT Sloan School of Management • Chief Executive Officer, YFY Inc. • General Manager, YFY Consumer Products Co., Ltd. • Executive Deputy General Manager, Consumer Products Division, YFY MFG Co., Ltd. • Assistant Manager, Strategy Integration Center, YFY MFG Co., Ltd. 	Note 1	-	-	-	-
								-	-	-	-										
Director	Republic of China	YFY Inc. Representative Wei-Li Tsai	Male	456	2020/09/24	3	2020/07/10	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> • Master of Finance, University of Iowa • Chairman, YFY Packaging Inc. 	Note 2	-	-	-	-
								100	0.04	100	0.04										
Director	Republic of China	YFY Inc. Representative Ronald Lee	Male	456	2020/09/24	3	2016/05/13	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> • B.S. of International Business, Tunghai University • Sales Director, YFY Consumer Products Co., Ltd. • National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) • Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) • Trade Marketing Manager, Bausch & Lomb Taiwan Ltd. • Trade Marketing Manager, Procter & Gamble Taiwan Ltd., Marketing Manager, Bausch & Lomb Taiwan Ltd. • Product Manager, Procter & Gamble Taiwan Ltd. 	Note 3	-	-	-	-
								585	0.24	585	0.22										
Director	Republic of China	Thomas Hsu	Male	456	2020/09/24	3	2018/11/09	483	0.20	503	0.19	-	-	-	-	<ul style="list-style-type: none"> • B.S. of International Business, Tunghai University • General Manager, APP Paper Co., Ltd. • Sales Director, Kimberly-Clark Taiwan, Taiwan Branch (B.C.I.) • Director and General Manager, Enrich Marketing & Distribution Co., Ltd. • Sales Director, Unilever Taiwan Ltd. 	Note 4	-	-	-	-

Title	Nationality or place of registration	Name	Gender/Age		Date elected	Term (year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes	
			4	5				6	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares			Shareholding percentage	Title	Name		Relation
Independent Director	Republic of	Chih-Chien Lin	Male		2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	-	• PhD, Institute of Biotechnology, National Tsing Hua University	Note 5	-	-	-	-	
Independent Director	Republic of	Sherry Hsieh	Female		2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	-	• EMBA of Accounting and Management Strategy, National Taiwan University	Note 6	-	-	-	-	
Independent Director	Republic of	Mei-Li Su	Female		2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	-	• B.S. of Accounting, Tamkang University • Director of Audit Department, Deloitte & Touche	Note 7	-	-	-	-	

Note 1: Director, Jupiter Prestige Group Holding Limited; Chairman, YFY Jupiter(BVI)Inc.; Director, YFY Biopulp Technology Ltd.; Director, YFY RFID Co., Ltd.; Director, Chung Hwa Pulp Corp.; Director, YFY Packaging Inc.; Director, YFY Consumer Products Investment Ltd.; Chairman, Ever Growing Agriculture Bio-tech Co., Ltd.; Chairman, Yuen Foong Shop Co., Ltd.; Director, YFY Consumer Products, Co.; Director, Livebricks Inc.; Director, E Ink Corporation; Director, Aidatek Electronics, Inc.; Director, eCrowd Media Inc.; Chairman, Arizon RFID Technology Co., Ltd.; Director, Arizon Japan Co., Ltd.; Director, Arizon RFID Technology (Cayman) Co., Ltd.; Chairman, YFY Investment Co., Ltd.; Director, YFY Mauritius Corp.; Director, YFY Japan Co., Ltd.; Director, Yuen Foong International (Samoa) Ltd.; Director, Artone Investment (H.K.) Ltd.; Director, Shin-Yi Enterprise Co., Ltd.; Director, Yuen Foong Paper Co., Ltd.; Chairman, Yuen Foong Co.; Director, Fu Hwa Enterprise Co., Ltd.; Director, Cheng Yu Co.; Independent Director, Universal Cement Corporation; Supervisor, The Eisenhower Fellows Association in the Republic of China; Chairman, Epoch Foundation; Director, Monte Jade Taiwan Science & Tech Association; Chairman, Association of Corporate Patent Executives.

Note 2: Director and General Manager, YFY Inc.; Chairman and President, YFY Corporate Advisory & Services Co., Ltd.; Director, YFY International B.V.; Director, YFY Global Investment B.V.; Director, YFY Mauritius Corp.; Chairman, YFY Paradigm Investment Co., Ltd.; Chairman, YFY Development Corp.; Director, YFY Consumer Products Investment Ltd.; Director, YFY Packaging Inc.; Director, Fidelis IT Solutions Co., Ltd.

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

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

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

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

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

I. Disclosure of information on the professional qualifications of directors and supervisors and independence of independent directors:

Requirement Name	Professional qualifications and experience	Fulfillment of independence criteria	Number of concurrent posts at other listed companies as independent director
YFY Inc. Representative: Felix Ho	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	1
YFY Inc. Representative: Wei-Li Tsai	<ul style="list-style-type: none"> More than 20 years of experience in business, finance, and work relevant to the Company's operations 	-	-
YFY Inc. Representative: Ronald Lee	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	-
Thomas Hsu	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	-
Chih-Chien Lin	<ul style="list-style-type: none"> Lecturer or a higher post at a public/private university/college in subjects relevant to the Company's operations 	<ul style="list-style-type: none"> The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates 	-
Sherry Hsieh	<ul style="list-style-type: none"> More than 5 years of work experience in business 		-
Carol Su	<ul style="list-style-type: none"> More than 20 years of work experience in accounting and audit Professional licenses as a certified public accountant and tax return filing agent 	<ul style="list-style-type: none"> The individual, spouse, or relative within the second degree of kinship do not hold shares (or have shares held in names of third parties) of the Company Not a director, supervisor, or employee of a company that has special relations with the Company Has not received compensation for business, legal, financial, or accounting services provided for the Company or its affiliates in the last two years 	1

II. Diversity and independence of the Board directors:

The adoption of the Company's *Corporate Governance Best Practice Principles* was approved at the Board meeting on August 14, 2020. The Principles stipulate the diversification policy for the composition of the board in Article 19 under Chapter 3 titled "Composition and Responsibilities of the Board of Directors".

After the Company is listed on Taiwan Stock Exchange, the candidate nomination system was adopted for the selection of directors. We comply with the *Corporate Governance Best Practice Principles* to ensure the diversity and independence of board members. The directors do not have spouses or relatives within the second degree of kinship between them as regulated by Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act. The independent directors, their spouses, or relatives within the second degree of kinship are not directors, supervisors, or employee of the Company, its affiliates, or companies that have special relationships with the Company, and do not hold shares in the Company. They have not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years.

The professional backgrounds of the Company's Board members include expertise in industry, commerce, accounting, and business management. Those with the ability of leadership management, administration, and crisis management, as well as industry knowledge, and an international market perspective include directors Felix Ho, Wei-Li Tsai, Thomas Hsu, and Ronald Lee. The independent directors include Carol Su who is a CPA, Chih-Chien Lin who is a university professor, and Sherry Hsieh who has business management expertise.

1. Major Direct and Indirect Institutional Shareholders

(1) Major Direct Institutional Shareholders

December 31, 2021

Name of Institutional Shareholder	Major Direct Institutional Shareholders	Shareholding percentage
YFY Inc.	S. C. Ho	10.28
	Shin-Yi Foundation	5.66
	Shin-Yi Enterprise Co., Ltd.	4.69
	Hsinex International Corp.	2.92
	Cheng-Ting Ho	2.80
	Supervisory Committee of Workers' Pension Reserve Funds, YFY Inc.	2.79
	Mei-Yu Ho	2.65
	Ru Yi Enterprise Co., Ltd.	2.63
	NEW TALENT LIMITED	2.27
	Felix Ho	2.15

(2) Major Indirect Institutional Shareholders

December 31, 2021

Name of Institutional Shareholder	Major Indirect Institutional Shareholders	Shareholding percentage
Shin-Yi Foundation	Founded in 1971, main donors: Chuan Ho(deceased), Shou-Shan Ho(deceased), S. C. Ho, Lin-Fu-Xiang Ho(deceased), Yeh Sun(deceased), YFY Paper MFG Co., Ltd. (donated prior to becoming a listed company) and Shin-Yi Enterprise Co., Ltd.	
Shin-Yi Enterprise Co., Ltd.	S. C. Ho	27.84
	BRILLIANT PRIDE LIMITED	12.50
	Mei-Yu Ho	12.50
	Jucheng Investment & Management Co., Ltd.	12.50
	Gao Da Global Ltd.	12.50
	Guang Yu Investment Co., Ltd.	5.91
	Hui-Shin Ho Tsai	2.48
	Richard Ho	2.18
	Jin Jie Investment Ltd.	1.52
	Hoss Foundation	1.48
	Hoss Cultural Foundation	1.48
Hsinex International Corp.	S. C. Ho	53.13
	Yi-Jia Ho	24.48
	Felix Ho	22.28
Ru Yi Enterprise Co., Ltd.	Cheng Yu Co.	0.11
	S. C. Ho	76.00
NEW TALENT LIMITED	Yi-Jia Ho	24.00
	Modern Victory Limited	100.00

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

December 31, 2021; Unit: thousand shares; %

Title	Name	Gender	Nationality	Date of appointment	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
President	Thomas Hsu	Male	Republic of China	2020/6/22	503	0.19	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University General Manager, APP Paper Co., Ltd. Sales Director, Kimberly-Clark Taiwan, Taiwan Branch (B.C.I.) Director and General Manager, Enrich Marketing & Distribution Co., Ltd. Sales Director, Unilever Taiwan Ltd. 	Note 1	-	-	-	-	-
District General Manager	Ronald Lee	Male	Republic of China	2015/7/13	585	0.22	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University Sales Director, YFY Consumer Products Co., Ltd. National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) Marketing Manager, Bausch & Lomb Taiwan Ltd. Sales Manager, Procter & Gamble Taiwan Ltd. 	Note 2	-	-	-	-	-
CFO	Daphne Chen	Female	Republic of China	2018/1/1	278 (Note 6)	0.10	-	-	-	-	<ul style="list-style-type: none"> MBA, National Chengchi University CFO, Interchan Corporation Taxation and Project Director, Unilever Shanghai Accounting Manager, Unilever Taiwan Ltd. 	Note 3	-	-	-	-	-
Deputy General Manager	Carl Chang	Male	Republic of China	2019/7/1	196 (Note 7)	0.07	-	-	-	-	<ul style="list-style-type: none"> PhD, Department of Environmental Engineering, Da-Yeh University Vice President, R&D Department, YFY Consumer Products Co., Ltd. Production Manager, Procter & Gamble Taiwan Ltd. Production Director, Long Chen Paper Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Shih-Yang Tseng (Note 9)	Male	Republic of China	2015/7/13	186 (Note 7)	0.07	-	-	-	-	<ul style="list-style-type: none"> Department of Chemical Engineering, Nanya Polytechnic Division Senior Director, YFY Consumer Products Co., Ltd. Plant Director, Consumer Products Business Department, Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd. 	Note 4	-	-	-	-	-

Title	Name	Gender	Nationality	Date of appointment	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
Deputy General Manager	Ming-Fa Tang	Male	Republic of China	2010/11/1	153 (Note 7)	0.06	-	-	-	-	<ul style="list-style-type: none"> • BS in Chemical Engineering, Tamkang University • Deputy General Manager, Engineering Technology Center, YFY Consumer Products Co., Ltd. 	Note 4	-	-	-	-	-
Deputy General Manager	Shien Xie	Male	Republic of China	2018/8/1	226 (Note 7)	0.08	-	-	-	-	<ul style="list-style-type: none"> • BA, Department of Business Administration, Chinese Culture University • Vice President, R&D Department, YFY Consumer Products Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Jason Hsieh	Male	Republic of China	2005/4/1	163 (Note 7)	0.06	-	-	-	-	<ul style="list-style-type: none"> • Department of Navigation, Affiliated Keelung Maritime Senior High School of National Taiwan Ocean University • Deputy General Manager, Professional Business Group, YFY Investment Co., Ltd. • Sales Director, China East Division, Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Myra Kuo	Female	Republic of China	2014/7/1	168 (Note 8)	0.06	-	-	-	-	<ul style="list-style-type: none"> • M.Sc., School of Packaging, University of Michigan • Deputy General Manager, R&D Development Center, YFY Consumer Products Co., Ltd. • Marketing Manager for the Asia Pacific Region, Avery Dennison Corporation (United States) • Northeast Asia Regional Supply Chain Manager, Unilever • Production Department Manager, Unilever Taiwan Ltd. • R&D Manager, Unilever Taiwan Ltd. • Packaging R&D Manager, Unilever Taiwan Ltd. 	Note 5	-	-	-	-	-

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

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

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

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

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

Note 6: 216 thousand shares are entrusted to the trust asset account at Bank SinoPac Co., Ltd.

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

Note 8: 157 thousand shares are entrusted to the trust asset account at Bank SinoPac Co., Ltd.

Note 9: Retired on September 1, 2021.

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

(I) Remuneration to Directors and Independent Directors

December 31, 2021 Unit: NT\$1,000

Title	Name	Director remuneration								Amount and ratio of total compensation (A+B+C+D) to after-tax income		Concurrent employee remuneration						Amount and ratio of total compensation (A+B+C+D+E+ F+G) to after-tax income		Compensation from investee companies other than subsidiaries or the parent company		
		Compensation (A)		Pension and severance pay (B)		Director's remuneration (C)		Performance compensation (D)				Salaries, incentives and allowances (E)		Severance pay and pension (F)		Employee's remuneration (G)						
		YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG		All companies in the financial statements			YFYCPG	All companies in the financial statements
																Amount in cash	Amount in stocks	Amount in cash	Amount in stocks			
Chairman	YFY Inc. Representative: Felix Ho	-	-	-	-	9,000	9,000	288	408	9,288	9,408	18,487	24,783	-	-	23	-	23	-	27,798	34,215	26,735
Director	Thomas Hsu	-	-	-	-	9,000	9,000	288	408	9,288	9,408	18,487	24,783	-	-	23	-	23	-	27,798	34,215	
Director	YFY Inc. Representative: Ronald Lee	-	-	-	-	9,000	9,000	288	408	9,288	9,408	18,487	24,783	-	-	23	-	23	-	27,798	34,215	
Director	YFY Inc. Representative: Wei-Li Tsai	-	-	-	-	9,000	9,000	288	408	9,288	9,408	18,487	24,783	-	-	23	-	23	-	27,798	34,215	
Independent Director	Mei-Li Su	-	-	-	-	4,500	4,500	366	366	4,866	4,866	-	-	-	-	-	-	-	-	4,866	4,866	-
Independent Director	Chih-Chien Lin	-	-	-	-	4,500	4,500	366	366	4,866	4,866	-	-	-	-	-	-	-	-	4,866	4,866	
Independent Director	Sherry Hsieh	-	-	-	-	4,500	4,500	366	366	4,866	4,866	-	-	-	-	-	-	-	-	4,866	4,866	
<p>1. Please state the policy, system, standards and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors: consider the company's operating scale and profitability, The time invested and functions performed by independent directors, as well as the responsibilities and risks they bear.</p> <p>2. Except as disclosed above, remuneration received by directors in the last year for on-balance sheet services (e.g., acting as non-employee consultant) rendered to the Company: N/A</p>																						

Note 1: It includes the subscription of shares in the capital cash increase based on salary expenses listed under IFRS 2 "Share-Based Payment".

Note 2: Estimated amount of employee compensation approved by the board of directors on March 10, 2022.

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

(II) Remuneration to supervisors

Since 2020/9/24, supervisors were replaced by the newly established Audit Committee.

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

December 31, 2021 Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employee's remuneration (D)				Amount and ratio of total compensation (A+B+C+D) to after-tax income		Compensation from invested enterprises that are not subsidiaries
		YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG		All companies in the financial statements		YFYCPG	All companies in the financial statements	
								Amount in cash	Amount in stocks	Amount in cash	Amount in stocks			
President	Thomas Hsu	27,144	40,243	-	-	9,199	12,683	117	-	135	-	36,460 3.43%	53,061 5.00%	-
District General Manager	Ronald Lee													
CFO	Daphne Chen													
Deputy General Manager	Carl Chang													
Deputy General Manager	Shih-Yang Tseng													
Deputy General Manager	Ming-Fa Tang													
Deputy General Manager	Shien Xie													
Deputy General Manager	Jason Hsieh													
Deputy General Manager	Myra Kuo													

Note: Estimated amount of employee compensation approved by the board of directors on March 10, 2022

Range of remuneration to general manager and deputy general manager	Name of general manager and deputy general manager	
	YFYCPG	All companies in the financial statements
Less than NT\$1,000,000	Myra Kuo	-
NT\$1,000,000 (incl.) - NT\$2,000,000	Shih-Yang Tseng	-
NT\$2,000,000 (incl.) - NT\$3,500,000	Shien Xie, Jason Hsieh	Shih-Yang Tseng
NT\$3,500,000 (incl.) - NT\$5,000,000	Carl Chang, Ming-Fa Tang	Carl Chang, Ming-Fa Tang, Shien Xie, Jason Hsieh
NT\$5,000,000 (incl.) - NT\$10,000,000	Ronald Lee, Daphne Chen,	Daphne Chen, Myra Kuo,
NT\$10,000,000 (incl.) - NT\$15,000,000	Thomas Hsu	Thomas Hsu, Ronald Lee
NT\$15,000,000 (incl.) - NT\$30,000,000	-	-
NT\$30,000,000 (incl.) - NT\$50,000,000	-	-
NT\$50,000,000 (incl.) - NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	9	9

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

December 31, 2021; Unit: NT\$1,000

	Title	Name	Amount in stocks	Amount in cash (Note)	Total	Ratio of total remuneration to net profit after tax (%)
Managerial Officers	President	Thomas Hsu	-	135	135	0.01
	District General Manager	Ronald Lee				
	CFO	Daphne Chen				
	Deputy General Manager	Carl Chang				
	Deputy General Manager	Shih-Yang Tseng				
	Deputy General Manager	Ming-Fa Tang				
	Deputy General Manager	Shien Xie				
	Deputy General Manager	Jason Hsieh				
	Deputy General Manager	Myra Kuo				

Note: Estimated amount of employee compensation approved by the board of directors on March 10, 2022.

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

Recipient	Ratio of total remuneration to after-tax profit					
	2021		2020		Difference	
	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements
General Director	0.87%	0.89%	0.14%	0.14%	0.73%	0.75%
Independent Director	0.46%	0.46%	0.08%	0.08%	0.38%	0.38%
General Manager and Deputy General Managers	3.43%	5.00%	3.35%	5.40%	0.08%	0.40%

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

IV. Corporate Governance Practice

(I) Board of Directors operating status

In response to the increasingly complexity and diversity in the market environment, the Company stipulated in its "Corporate Governance Best Practice Principles" that the principle of diversity must be considered in the composition of the Board members. In addition to diversity in terms of gender, race, and nationality, Board members must have the knowledge, skills, and experience necessary to perform their duties. To ensure the attainment of corporate governance targets, the Board of Directors must, as a whole, have the following capabilities: 1. ability to make sound business judgment; 2. ability to perform accounting and financial analysis; 3. business management ability; 4. crisis management ability; 5. knowledge of the industry; 6. an international market perspective; 7. leadership; 8. ability to make decisions, and members must have diverse professional backgrounds.

The current Board of Directors consists of 7 directors including 3 independent directors, which meet the requirements of the Securities and Futures Bureau of Financial Supervisory Commission regarding independent directors (they account for 42.9% of all directors). Independent directors also maintain their independence during their terms of office. The 7 directors include 2 female directors (they account for 28.6% of all directors). Refer to (I) Profiles of Directors and Independent Directors in Section 2 of the Corporate Governance Report for the academic records and experience, professional qualifications, gender, work experience, and diversity of the directors. The attendance in meetings of

the Board of Directors in 2021 was good with a 100% attendance rate. Directors have continued to take courses in fields other than their professional backgrounds and they have attended related courses on corporate governance as well as environmental, social, and governance (ESG) courses. The results of the performance evaluation of Board of Directors in 2021 was excellent. They are explained as follows:

A total of 6 meetings of the 15th Board of Directors were held in 2021. Directors' attendance information is shown in the table below.

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Chairman	YFY Inc. Representative: Felix Ho	6	0	100%	
Director	YFY Inc. Representative: Wei-Li Tsai	6	0	100%	
Director	YFY Inc. Representative: Ronald Lee	6	0	100%	
Director	Thomas Hsu	6	0	100%	
Independent Director	Carol Su	6	0	100%	
Independent Director	Chih-Chien Lin	6	0	100%	
Independent Director	Sherry Hsieh	6	0	100%	

Other statutory information:

- I. If any of the following circumstances have occurred amid operations of the Board of Directors, the date, period, agenda content, the opinions of all independent directors, and the handling of the opinions of the independent directors by the Company shall be specified:
 - (I) Matters prescribed under Article 14-3 of the Securities and Exchange Act:
The Company has set up an Audit Committee. Matters prescribed under Article 14-5 of the Securities and Exchange Act include matters prescribed under Article 14-3 of the Securities and Exchange Act. Please refer to the "Operating status of the Audit Committee" for details.
 - (II) Aside from the above matters, other resolutions adopted by the Board of Directors with regard to which an independent director had a dissenting or qualified opinion that is on record or stated in a written statement: N/A.
- II. Any directors who had to recuse from a proposal to prevent conflicts of interest:
The 6th meeting of the 15th Board of Directors was held on June 24, 2021. In discussions regarding the Company's employee subscription plan and manager cash capital increase subscription plan before its initial public offering, as the directors Thomas Hsu and Ronald Lee serve concurrently as the Company's managers, such discussions create a conflict of interest for them and they thus excused themselves from discussions and the voting process.
- III. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of

evaluation, methodology, and evaluation contents of the self-evaluation of the Board of Directors, and provide the information on the Board of Directors evaluation status as specified in the table below:

Evaluation cycle	Once a year
Evaluation period	From January 1, 2021 to December 31, 2021
Evaluation scope	The scope of the evaluation covers the performance evaluation of the board, individual directors, the Audit Committee, and Remuneration Committee
Evaluation method	Board member self-evaluation
Evaluation contents	<p>(1) Criteria for evaluating the performance of the Board of Directors:</p> <ol style="list-style-type: none"> 1. Understanding and recommendations for the operation of the company; 2. Improvement of the quality of the Board of Directors' decision making; 3. The composition and structure of the Board of Directors. 4. Election and continuing education of the directors; 5. Internal control. <p>(2) Criteria for evaluating the performance of the directors:</p> <ol style="list-style-type: none"> 1. Familiarity with the goals and missions of the Company; 2. Their recognition of Directors' duties. 3. Understanding and recommendations for the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; 6. Internal control. <p>(3) Criteria for evaluating the performance of the functional committees:</p> <ol style="list-style-type: none"> 1. Understanding and recommendations for the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of the quality of the functional committee's decision making; 4. Functional committee composition and election of members; 5. Internal control.

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

- (I) Three independent directors form the Company's Audit Committee in substitution of supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act are submitted to the Audit Committee for discussion and resolution. The convener of the Audit Committee is responsible for reporting resolutions passed by the Audit Committee to the Board of Directors.
- (II) The Company has established the "Information Security Committee" (functional committee) and the members include the director Mr. Felix Ho (who has professional knowledge of information security), independent director Ms. Carol Su, and independent director Sherry Hsieh. The members nominated the independent director Ms. Carol Su to serve as the convener and chair of the Committee.
- (III) The Company has established corporate governance regulations. In addition to specifying the duties and powers of the Board of Directors in the Articles of Incorporation, the Company also

established the "Corporate Governance Principles", "Ethical Corporate Management Best Practice Principles", "Code of Conduct", "Sustainability and Social Responsibility Guidelines", and "Standard Operating Procedures for Processing Requests Filed by Directors" to strengthen the operations of the Board of Directors and improve corporate governance.

- (IV) In addition to disclosing relevant information on the Market Observation Post System, the Company has also set up an investor section on its website to disclose information on corporate governance, financial information, and corporate social responsibility to enhance information transparency and ensure that all stakeholders can access information they care about in a timely manner.
- (V) In consideration of legal risks faced by directors, the Company and its subsidiaries have purchased director liability insurance for all directors.

(II) Operating status of the Audit Committee

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

7 meetings of the 1st Audit Committee were held in 2021 as of the publication date of the Report. Key focuses for the year are described below:

1. Review financial reports

The Board of Directors prepared and submitted the 2021 business report, financial statements, and earnings distribution proposal. The financial statements were audited by Deloitte & Touche, and an audit report was submitted. The Company's Audit Committee reviewed the said business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance.

2. Assess internal control system effectiveness

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

3. Evaluate the independence and competence of CPAs

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

Independent directors' attendance to the Audit Committee meetings in 2021 as of the publication date of the Report is described below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate (%)	Notes
Independent Director	Carol Su	7	0	100%	1st term
Independent Director	Chih-Chien Lin	7	0	100%	1st term
Independent Director	Sherry Hsieh	7	0	100%	1st term

Other statutory information:

I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of independent directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee:

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

Board meeting date	Sessions	Agenda item	Resolutions adopted by the Audit Committee	Opinion of the Audit Committee and actions taken by the Company in response to the opinion of the Audit Committee
2021/2/25	3rd meeting of the 15th Board of Directors	Review of the individual and consolidated financial statements and business report for 2020	Passed as proposed.	Approved by the Board of Directors on February 25, 2021
2021/2/25	3rd meeting of the 15th Board of Directors	Review of the 2020 earnings distribution proposal	Passed as proposed.	Approved by the Board of Directors on February 25, 2021, and submitted to the shareholders' meeting for approval
2021/2/25	3rd meeting of the 15th Board of Directors	Review of the 2020 Statement of Internal Control System and Internal Control Special Audit Statement	Passed as proposed.	Approved by the Board of Directors on February 25, 2021
2021/2/25	3rd meeting of the 15th Board of Directors	Amendment of the Company's "Procedure for Engaging in Financial Derivative Transactions"	Passed as proposed.	Approved by the Board of Directors on February 25, 2021, and submitted

				to the shareholders' meeting for approval
2021/4/15	4th meeting of the 15th Board of Directors	Amendment of the Company's "Review Authority Management Regulations"	Passed as proposed.	Approved by the Board of Directors on April 15, 2021
2021/6/24	6th meeting of the 15th Board of Directors	Passed the issuance of new shares for cash capital increase as the Company's public listing proposal	Passed as proposed.	Approved by the Board of Directors on June 24, 2021
2021/8/11	7th meeting of the 15th Board of Directors	2021 Q2 consolidated financial statements	Passed as proposed.	Approved by the Board of Directors on August 11, 2021
2021/8/11	7th meeting of the 15th Board of Directors	Remuneration for the services of Shu-Wan Lin and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan" appointed for the 2021 fiscal year	Passed as proposed.	Approved by the Board of Directors on August 11, 2021
2021/11/10	8th meeting of the 15th Board of Directors	(II) Preparation of the Company's 2022 audit plan	Passed as proposed.	Approved by the Board of Directors on November 10, 2021
2021/11/10	8th meeting of the 15th Board of Directors	Evaluation of the independence and competence of the certifying CPAs for 2021	Passed as proposed.	Approved by the Board of Directors on November 10, 2021
2022/3/10	9th meeting of the 15th Board of Directors	Review of the individual and consolidated financial statements and business report for 2021	Passed as proposed.	Approved by the Board of Directors on March 10, 2022
2022/3/10	9th meeting of the 15th Board of Directors	Review of the 2021 earnings distribution proposal	Passed as proposed.	Approved by the Board of Directors on March 10, 2022
2022/3/10	9th meeting of the 15th Board of Directors	Reviewed the 2021 Statement on Internal Control	Passed as proposed.	Approved by the Board of Directors on March 10, 2022
2022/3/10	9th meeting of the 15th Board	Reviewed the changes of the remuneration for the services	Passed as proposed.	Approved by the Board of Directors

	of Directors	of CPAs Shu-Chuan Yeh and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan"		on March 10, 2022
2022/3/10	9th meeting of the 15th Board of Directors	Amendment of Company's "Asset Acquisition and Disposal Procedure".	Passed as proposed.	Approved by the Board of Directors on March 10, 2022
2022/3/10	9th meeting of the 15th Board of Directors	Amendment of the Company's "Procedures for Transactions with Related Parties"	Passed as proposed.	Approved by the Board of Directors on March 10, 2022

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

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

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

1. On a regular basis

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

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

The CPA reports to the Audit Committee to explain the review and audit status, communication issue of relative regulations, CPA report type, key audit items, and financial report analysis.

2. On a non-regular basis

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

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

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

Date	Communication Method	Key Points of Communication	Communication summary and results
2021/2/25	Audit Committee	<ol style="list-style-type: none"> 1. Report on the audit progress and follow-up of internal control discrepancies and anomalies in 2020 Q4. 2. 2020 Statement of Internal Control System and Internal Control Special Audit Statement 3. The CPA explained related audits in the 2020 financial statements, and discussed and communicated on the financial conditions and business results. 	<ol style="list-style-type: none"> 1. Approved and acknowledged. 2. Passed as proposed after review. 3. Independent directors have no objection after reviewing related conditions and discussions.
2021/4/15	Audit Committee	Report on the audit progress and follow-up of internal control discrepancies and anomalies in 2021 Q1.	Approved and acknowledged.
2021/5/12	Audit Committee	Report on the continuous follow-up of internal control discrepancies and anomalies in 2021.	Approved and acknowledged.
2021/8/11	Audit Committee	<ol style="list-style-type: none"> 1. Report on the audit progress and follow-up of internal control discrepancies and anomalies in 2021 Q2. 2. Review of the appointed CPA. 3. The CPA explained related review status of the 2021 Q2 financial statements, and discussed and communicated on the financial conditions and business results. 	<ol style="list-style-type: none"> 1. Approved and acknowledged. 2. Passed as proposed after review. 3. Independent directors have no objection after reviewing related conditions and discussions.
2021/11/10	Audit Committee	<ol style="list-style-type: none"> 1. Report on the audit progress and follow-up of internal control discrepancies and anomalies in 2021 Q3. 2. Review audit progress for 2022. 3. Review of the independence and competence of CPAs. 	<ol style="list-style-type: none"> 1. Approved and acknowledged. 2. 3. Passed as proposed after review.
2022/3/10	Audit Committee	<ol style="list-style-type: none"> 1. Report on the audit progress and follow-up of internal control discrepancies and anomalies in 2021 Q4. 2. Report on results of the performance evaluation of the Audit Committee. 3. 2021 Statement of Internal Control System. 4. Review of the appointed CPA. 5. The CPA explained related audits in the 2021 financial statements, and discussed and communicated on the financial conditions and business results. 6. The CPA explains changes in important regulations and communicated. (Separate meeting) 	<ol style="list-style-type: none"> 1. 2. Approved and acknowledged. 3. 4. Passed as proposed after review. 5. Independent directors have no objection after reviewing related conditions and discussions.

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

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in establishing and disclosing its corporate governance best practice principles?	V		The Company established and disclosed the "Corporate Governance Principles" and rigorously complied with related regulations in the implementation of information disclosure in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".	Compliant
II. The Company's shareholding structure and shareholders' rights and interests				
(I) Does the Company have in place an internal operating procedure for handling shareholders' suggestions, questions, disputes, or litigation and abide by it?	V		The Company has established the "Rules of Procedure for Shareholders' Meeting" and a spokesperson system in accordance with the "Corporate Governance Principles" and has appointed stockholders' affairs personnel to process shareholders' recommendations, questions, or disputes. However, the Company maintains harmonious relation with shareholders and no disputes have occurred.	Compliant
(II) Does the Company possess a list of major shareholders and a list of ultimate owners of those major shareholders?	V		The Company closely monitors the shareholdings of major shareholders, directors, and managers based on the shareholder register provided by the shareholder services agent as of the book closure date. Changes in the shareholding of insiders (directors, managers, and shareholders holding more than 10% of the shares) are reported monthly to the Market Observation Post System designated by the competent authority.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(III) Does the Company have in place a risk management mechanism and firewall against its affiliates or implement it?	V		The Company has established the "Procedures for Transactions with Related Parties" and has established and updated the list of affiliates in accordance with the Procedures. Transactions with affiliates are also governed by the Procedures to ensure compliance with general business practices.	Compliant
(IV) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		The Company has established the "Management Regulations for Preventing Insider Trading" to prevent the Company or its internal personnel from unintentionally or intentionally violating related regulations on insider trading due to their unfamiliarity with laws and regulations.	Compliant
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversity policy for the composition of its members and specific management targets?	V		<p>The adoption of the Company's <i>Corporate Governance Best Practice Principles</i> was approved at the 3rd meeting of the 14th Board of Directors on August 14, 2020. The Principles stipulate the diversification policy for the composition of the board in Article 19 under Chapter 13 titled "Composition and Responsibilities of the Board of Directors."</p> <p>The nomination and election of Board members are pursuant to the regulations prescribed in the Company's Articles of Incorporation. A candidate nomination system is adopted in accordance with the <i>Regulations Governing the Election of Directors</i> and <i>Corporate Governance Best Practice Principles</i> to ensure the diversity and independence of board members.</p> <p>The professional backgrounds of the Company's Board members include expertise in</p>	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees?	V		<p>industry, business management, and accounting. According to the list of members of the 15th Board of Directors, those with the ability of leadership management administration, and crisis management, as well as industry knowledge, and an international market perspective include directors Felix Ho, Wei-Li Tsai, Ronald Lee, and Thomas Hsu. The Company's independent directors include Chih-Chien Lin who is a university professor, Sherry Hsieh who is the Deputy Director of the Taiwan Health Foundation, and Carol Su who is a CPA and an independent director of other public listed companies. The Company's Board of Directors comprises 2 directors who are employees of the Company as well as 3 independent directors. The Company has 2 female independent directors.</p> <p>The Company has established the Remuneration Committee and Audit Committee and has established the Information Security Committee based on its business requirements. This Company shall establish other types of functional committees based on its needs.</p>	Changes are made gradually
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance	V		The Company's Board of Directors established the "Board of Directors Performance Evaluation Guidelines" in the board meeting on December 28, 2020. The Company completed the performance evaluation of the board as a whole, individual directors, and functional committees in 2021 and reported the results to the 9th meeting of the 15th Board of Directors before March 31, 2022 (March 10, 2022).	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?				
(IV) Does the Company periodically evaluate the independence of the CPA?	V		The Company's CPA has recused himself/herself from cases where his/her service or him/herself has a direct or indirect conflict of interest. The Company also periodically evaluates the independence of the CPA.	Compliant
IV. Has the TWSE or TPEX listed company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board	V		The Company Board of Directors passed a resolution on April 15, 2021 and appointed the Manager Edward Hung to oversee corporate governance affairs. Legal affairs personnel also assist in providing the information needed by the Board of Directors and its members. Their duties include: Handling matters relating to Board meetings and shareholders' meetings according to law, and assisting the Company in complying with laws and regulations governing such meetings; Producing minutes of Board meetings and shareholders' meetings; and Furnishing information required for business execution by directors and independent directors and, updating them on developments of laws and regulations relating to the operations of the Company.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
meetings and shareholders' meetings)?				
V. Does the Company have in place a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders section on its website to properly address stakeholders' concerns regarding important corporate social responsibilities?	V		The Company has set up a dedicated section for stakeholders on its website, where contact information for employees, customers, suppliers/contractors, shareholders/investors, consumers, press members, and other stakeholders are listed for responding to questions concerning corporate social responsibility.	Compliant
VI. Does the Company hire professional stock agencies to take care of affairs related to shareholders' meetings?	V		The Company has appointed SinoPac Securities - Register & Transfer Agency Division to process affairs related to shareholders' meetings.	Compliant
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	V		The Company regularly discloses information on the corporate website regarding the Company's financial, business, and corporate governance status.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing dedicated personnel to collect and disclose corporate information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	V		The Company has appointed dedicated personnel to take charge of the collection and disclosure of Company information, and we have implemented a spokesperson and acting spokesperson system in accordance with regulations. The information for investor conferences in all periods is immediately disclosed on the company website as reference for investors.	Compliant
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?		V	The Company publishes and reports its annual financial report within three months after the end of a fiscal year, and publishes and reports its financial reports for second quarter as well as its operating status for each month before the specified deadline. The requirements for companies listed on TWSE/TPEX have been met.	Processed in accordance with regulations
VIII. Does the Company have other information that is helpful for	V		1. Employees' rights and interests: The Company protects employees' legal rights and interests in accordance with the Labor Standards Act and HR regulations. We also	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)?			<p>convene regular employer-employee meetings to communicate with employees.</p> <p>2. Employee care: The Company upholds the ideals of a friendly work environment for talent recruitment and retention to create a good work environment. In addition to setting up an Employee Welfare Committee and allocating employee welfare funds in accordance with laws, we also make contributions to employees' pension, provide group accident insurance for employees, and arrange health examination for employees to maximize employee benefits.</p> <p>3. Investor relations: The Company has appointed a Spokesperson and Acting Spokesperson and to take charge of the Company's communication with external entities. We regularly update the results of the Company's operations and organize investor conferences. We also assign dedicated personnel to take disclose the Company's information on the Market Observation Post System in accordance with regulations.</p> <p>4. Supplier relations: The Company maintains good relations with suppliers to optimize overall production costs.</p> <p>5. Stakeholder interests: The Company maintains good channels of communication with employees, customers, and suppliers, and respect and uphold their legal rights and interests. Stakeholders can provide opinions and communicate with the Company at any time. The Company values their opinions and uses them as the basis for future operations.</p> <p>6. Continuing education and training received by directors and supervisors: The Company has set up an Audit Committee which replaced the functions of the</p>	

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
			<p>supervisors. All Directors of the Company have professional backgrounds. They have all attended continuing education courses as required by law and obtained certification documents.</p> <p>7. Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with regulations.</p> <p>8. Implementation status of the customer policy: The Company maintains stable and good relations with customers in order to generate profits.</p> <p>9. Status of purchase of liability insurance by the Company for Directors: The Company has purchased liability insurance for its Directors to reduce and spread the risk of material damages to the Company and shareholders caused by any error or negligence of its Directors.</p>	
<p>IX. Please mention any priority matters and measures that require improvement and improvements that have been made according to the Corporate Governance Evaluation results released by TWSE's Governance Center.</p> <p>The Company was listed on TWSE September 29, 2021. As the listing is less than one year, it is not included in the 2021 Corporate Governance Evaluation. However, to protect the interests of shareholders and pursue sustainable development, the Company has made efforts to improve corporate governance in accordance with the 2021 evaluation indicators and will disclose the results of the evaluation in 2022 in accordance with regulations.</p>				

● Status of continuing education of Directors and Independent Directors

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Representative of Institutional Director	Felix Ho	2021/1/20	2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3 hours
		2021/9/9	2021/9/9	Taiwan Corporate Governance Association	Development of ESG, CSR, and Sustainable Governance in 2021	3 hours
		2021/12/14	2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Seminar: Carbon Tax, Carbon Trading Market, and Carbon Pricing (Carbon Sink and Carbon Rights)	3 hours
Representative of Institutional Director	Wei-Li Tsai	2021/1/20	2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
Representative of Institutional Director	Ronald Lee	2021/1/20	2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
		2021/4/21	2021/4/21	Taiwan Investor Relations Institute	IR Information Disclosure and Best Practices	3 hours
		2021/9/9	2021/9/9	Taiwan Corporate Governance Association	Development of ESG, CSR, and Sustainable Governance in 2021	3 hours
Natural-person Director	Thomas Hsu	2021/1/20	2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
		2021/9/9	2021/9/9	Taiwan Corporate Governance Association	Development of ESG, CSR, and Sustainable Governance	3 hours

				Association	in 2021	
		2021/12/21	2021/12/21	Taiwan Corporate Governance Association	What Investors Consider — Corporate Sustainability Transformation from the Perspective of ESG Investment and Financing	3 hours
Independent Director	Sherry Hsieh	2021/1/20	2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
		2021/9/9	2021/9/9	Taiwan Corporate Governance Association	Development of ESG, CSR, and Sustainable Governance in 2021	3 hours
		2021/12/21	2021/12/21	Taiwan Corporate Governance Association	What Investors Consider — Corporate Sustainability Transformation from the Perspective of ESG Investment and Financing	3 hours
Independent Director	Carol Su	2021/1/20	2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3 hours
		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
		2021/4/28	2021/4/28	Taiwan Corporate Governance Association	How Issuers Truly Implement ESG from the Perspective of Foreign Shareholders and Voting Behavior	1 hours
		2021/8/31	2021/8/31	Taiwan Corporate Governance Association	Preventing Climate Disasters: Opportunities and Challenges for Companies	1 hours
		2021/9/9	2021/9/9	Taiwan Corporate Governance Association	Development of ESG, CSR, and Sustainable Governance in 2021	3 hours
		2021/11/5	2021/11/5	Securities and Futures Institute	Paradigm Case Studies of Corporate Social Responsibility (CSR and ESG) in the Corporate Governance Evaluation	3 hours
Independent Director	Chih-Chien Lin	2021/1/21	2021/1/21	ROC Accounting Research and Development Foundation	Legal Liabilities and Case Analysis of Companies' "Securities Frauds"	3 hours

		2021/4/15	2021/4/15	Taiwan Corporate Governance Association	Key Audit Matters and Response Measures for Directors and Supervisors	3 hours
		2021/9/9	2021/9/9	Taiwan Corporate Governance Association	Development of ESG, CSR, and Sustainable Governance in 2021	3 hours
		2021/12/14	2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Seminar: Carbon Tax, Carbon Trading Market, and Carbon Pricing (Carbon Sink and Carbon Rights)	3 hours
		2021/12/21	2021/12/21	Taiwan Corporate Governance Association	What Investors Consider — Corporate Sustainability Transformation from the Perspective of ESG Investment and Financing	3 hours

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

(1) Information on members of the Remuneration Committee

Position		Requirement	Professional qualifications and experience (Note 2)	Fulfillment of independence criteria (Note 3)	Number of other public companies in which the committee member also serves as a remuneration committee member
Name					
Independent Director	Chih-Chien Lin		<ul style="list-style-type: none"> Lecturer or a higher post at a public/private university/college in subjects relevant to the Company's operations 	<ul style="list-style-type: none"> The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates The individual, spouse, or relative within the second degree of kinship do not hold shares (or have shares held in names of third parties) of the Company Not a director, supervisor, or employee of a company that has special relations with the Company Has not received compensation for business, legal, financial, or accounting services provided for the Company or its affiliates in the last two years 	N/A
Independent Director	Sherry Hsieh		<ul style="list-style-type: none"> More than 5 years of work experience in business 		N/A
Independent Director	Carol Su		<ul style="list-style-type: none"> More than 20 years of work experience in accounting and audit Professional licenses as a certified public accountant and tax return filing agent 		1

(2) Operation of Remuneration Committee

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

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

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

Remuneration Committee	Agenda item and follow-up	Results of resolution	Actions taken by the Company in response to the opinion of the Remuneration Committee
2nd Committee 4th meeting 2021/6/24	<ul style="list-style-type: none"> Proposal for the employee subscription plan before the Company's initial public offering. Proposal for the offering of the capital cash increase and manager cash capital increase subscription plan the Company's initial public offering. 	Approved by all committee members as proposed.	The proposal was approved by the Remuneration Committee and filed to the Board of Directors for approval.
2nd Committee 5th meeting 2022/1/19	<ul style="list-style-type: none"> Formulation of the Company's 2021 year-end bonus proposal for managerial officers Proposal for the change of the remuneration of the manager of the Company 	Approved by all committee members as proposed.	The proposal was approved by the Remuneration Committee and filed to the Board of Directors for approval.
2nd Committee 6th meeting 2021/3/10	<ul style="list-style-type: none"> Review of the Company's 2021 employee remuneration proposal. Review of the Company's 2021 director remuneration proposal. Review of the salary of the new General Manager of the Company 	Approved by all committee members as proposed.	The proposal was approved by the Remuneration Committee and filed to the Board of Directors for approval.

Other statutory information:

I. If the Board of Directors did not adopt or revise the recommendations of the Remuneration Committee, the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Remuneration Committee shall be specified: N/A.

II. If a member has an opposing or qualified opinion regarding a resolution the Remuneration Committee has adopted with a written record or statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be specified: N/A.

(3) Information on Members of the Information Security Committee and Operations

Professional qualifications and experience of the members of the Audit Committee and operations:

- (1) The Company's Information Security Committee is composed of three persons.
- (2) Current term for the members: The term of office for members in the Committee are the same as that of the Board of Directors. The Information Security Committee held one (A) meeting during the past year. The professional qualifications, experience, and attendance information of each member and the agenda items are listed below:

Title	Name	Professional qualifications and experience	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A) (Note)	Notes
Convener	Carol Su	Independent Director More than 20 years of work experience in accounting and audit Professional licenses as a certified public accountant and tax return filing agent	1	0	100%	
Committee member	Felix Ho	Chairman Chairman, YFY Consumer Products Co., Ltd. MBA, MIT Sloan School of Management Experience Chairman, YFY Inc.	1	0	100%	

		General Manager, YEON Technologies Co., Ltd. General Manager, YFY Consumer Products Co., Ltd.				
Committee member	Sherry Hsieh	Independent Director More than 5 years of work experience in business	1	0	100%	
<p>Other statutory information:</p> <p>1st meeting of the 1st Information Security Committee on November 10, 2021</p> <p>Reported items: Reported the Company's 2021 information security implementation status and follow-up plans. The related contents are described as follows:</p> <ol style="list-style-type: none"> 1. Software and hardware protection upgrades for medium to high-risk environments have been completed. 2. Upgrades for low-risk environments are scheduled to be completed in 2022. 3. Continuous employee training and information security education. 						

(V) Implementation status of sustainable development, deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof

Implementation item	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Does the Company set up a governance structure for sustainable development, establish an exclusively (or concurrently) dedicated unit to implement sustainable development, and have management appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?	V		The Company's Board of Directors passed the "Sustainability and Social Responsibility Guidelines" and established a dedicated unit for corporate social responsibility in 2021. It was renamed the "Sustainability Office" in January 2022 and its main responsibility is the management of sustainability issues for environmental, social, and governance (ESG) issues. It reports directly to the Chairman and regularly reports the development of related issues, implementation plans, and results to the Board of Directors to facilitate the supervision and improvement of overall development strategies. We incorporate ESG into company policies, strategies, plans, and actions through continuous improvement and management measures to achieve sustainable operations.	Compliant
II. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities	V		The Company's Board of Directors passed the establishment of the "Sustainability and Social Responsibility Guidelines". The Guidelines specified that the dedicated unit shall perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of	Compliant

and devise risk management policies and strategies based on the principle of materiality? (Note 2)		materiality. The Company shall establish policies and management systems for sustainability and social responsibility, and implement concrete action plans with regard to employees, communities, and the environment. The operating procedures and related persons in charge shall be specific and clear, and the results shall be regularly reported to the Board of Directors and disclosed on the Company's website.	
<p>III. Environmental issues</p> <p>(I) Has the Company established a proper environmental management system based on the characteristics of the industry?</p>	V	<p>All plants of the Company have established an environmental management system in accordance with ISO 14001 and continue to pass third-party verification. All paper production plants have obtained the Forest Stewardship Council (FSC) certification and we are committed to continue green production and implementation of a circular economy.</p> <p>All paper production plants in Taiwan have established an energy management system in accordance with ISO 50001 and continue to pass third-party verification. They also process greenhouse gas inventories in accordance with ISO 14064-1 regulations each year. In addition, the Company also received assistance from the Industrial Development Bureau, Ministry of Economic Affairs in 2021 for the implementation of targets and pathways for carbon emissions reduction based on the characteristics of the industry. The effectiveness of the reduction in emissions has been disclosed on the National Greenhouse Gas (GHG) Registry of the Environmental Protection Administration, Executive Yuan as well as the Company's Sustainability Report and website.</p>	Compliant
(II) Is the Company committed to improving the efficiency of <u>energy use</u> <u>and</u> using recycled materials which have a low impact on the environment?	V	The Company actively promotes energy conservation measures. All paper production plants in Taiwan have established an energy management system in accordance with ISO 50001 and continue to pass third-party verification. We saved 1,669 thousand kWh of electricity in 2021 which was an increase of 415% compared to 324 thousand kWh in 2020.	Compliant

		<p>To ensure the sustainability of our production model, we uphold the concept of a circular economy and sustainable reuse of resources, and strengthen waste management to ensure reuse of resources. For instance, we turn remaining process waste materials into alternative fuel and use launched the SRF mixed incineration plan for boilers to reduce the use of fossil fuel and reduce waste at the same time. All pulp, scrap rolls, cut paper used in the plants can be returned to the production process for reuse, and we no longer outsource the disposal of such waste to external parties.</p> <p>To reduce the impact on the environment, the Company's main procurement items consist mainly of pulp with Forest Stewardship Council (FSC™) certification, and we continue to enhance technologies for waste recycling and reuse to reduce the impact on the environment. The Company has received consecutive Green Procurement Performance Awards from the Environmental Protection Administration.</p>	
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V	<p>The Company has included climate change risks and sustainable development trends into its risk management. We comply with national climate policies and objectives and independently review energy statistics and the implementation status of compliance measures to develop future response plans.</p> <p>The Company follows the TCFD recommended disclosure framework published by the Financial Stability Board (FSB) and conducts comprehensive evaluations of the risks and opportunities of climate change for plants of the Company. The Company started climate risk assessments for the first time in 2022 and will review and update the results each year. The Company also identifies risk factors and develops countermeasures, which include strengthening equipment and infrastructure, planning overall environmental management strategies, and establishing environmental assessment mechanisms.</p> <p>Detailed description of the Company's climate change risks and opportunities will be disclosed in the Company's Sustainability Report.</p>	Compliant

<p>(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on greenhouse gas reduction, water reduction, or waste management?</p>	<p>V</p>	<p>In order to mitigate the impact of climate change and fulfill our social responsibility, the Company spares no effort in promoting energy conservation and carbon reduction. All paper production plants in Taiwan have obtained ISO 5001 energy management system certification and implemented scope 1 and scope 2 greenhouse gas inventories and third-party certification in accordance with ISO 14064-1.</p> <p>The Company's paper production plants in Taiwan conduct greenhouse gas inventories in accordance with laws each year and report results to the competent authority at regular intervals in accordance with laws. The data from the past two years are as follows:</p> <table border="1" data-bbox="783 704 1732 1406"> <thead> <tr> <th>Item</th> <th>Category</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Reduction of GHG emissions (Unit: ton-CO2e)</td> <td>Scope 1</td> <td>69,580.69</td> <td>73,927.59</td> </tr> <tr> <td>Scope 2</td> <td>47,572.16</td> <td>48,710.42</td> </tr> <tr> <td>Total</td> <td>117,152.85</td> <td>122,638.01</td> </tr> <tr> <td>GHG emissions intensity (Unit: ton-CO2e/ton-product)</td> <td>Total</td> <td>1.27</td> <td>1.29</td> </tr> <tr> <td rowspan="4">Water consumption (unit: cubic meters)</td> <td>Groundwater</td> <td>1,784,099</td> <td>1,409,685</td> </tr> <tr> <td>Tap water</td> <td>736</td> <td>725</td> </tr> <tr> <td>Recycled water</td> <td>420,981</td> <td>670,175</td> </tr> <tr> <td>Total water consumption</td> <td>1,784,835</td> <td>1,410,410</td> </tr> <tr> <td rowspan="3">Residual material from the production process of solids (unit: ton)</td> <td>General materials</td> <td>399</td> <td>380</td> </tr> <tr> <td>Materials that require recycling or reuse</td> <td>3,143</td> <td>3,102</td> </tr> <tr> <td>Total</td> <td>3,542</td> <td>3,482</td> </tr> </tbody> </table>	Item	Category	2020	2021	Reduction of GHG emissions (Unit: ton-CO2e)	Scope 1	69,580.69	73,927.59	Scope 2	47,572.16	48,710.42	Total	117,152.85	122,638.01	GHG emissions intensity (Unit: ton-CO2e/ton-product)	Total	1.27	1.29	Water consumption (unit: cubic meters)	Groundwater	1,784,099	1,409,685	Tap water	736	725	Recycled water	420,981	670,175	Total water consumption	1,784,835	1,410,410	Residual material from the production process of solids (unit: ton)	General materials	399	380	Materials that require recycling or reuse	3,143	3,102	Total	3,542	3,482	<p>Compliant</p>
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		<p>(1) Greenhouse gas (GHG) emission:</p> <p>Inventory: In response to climate change and global greenhouse gas management trends, and to fully grasp relevant issues associated with the Company's business risks and opportunities, the Company continues to pay attention to international trends on the disclosure of carbon emissions as well as domestic regulations and requirements. At the same time, we request all corresponding units to complete GHG inventories voluntarily and register their results on the national greenhouse gas tracking platform.</p> <p>Reduction policy: The Company actively promotes energy conservation plans and participates in the demand response load management measures of Taiwan Power Company to actively reduce electricity consumption. We use the ISO 50001 Energy Management System and the YFY Excellence System (YES) to continue to explore opportunities for energy conservation including shifting to LED lights and high-efficiency motors, implementing process improvements, and allocating budget to replace old pumps and low-efficiency motors. We also introduce advanced imported high-performance pumps and new milling equipment to reduce electricity and fuel consumption in production. In 2015, the Company set a five-year energy conservation target for reducing energy consumption by 1% each year with the aim of attaining energy conservation and carbon emissions reduction.</p> <p>(2) Water consumption:</p> <p>Management policy: Each plant conducts water resource management based on the ISO 14001 environmental management system, assesses the risk of production and process constraints due to water outages and shortages, and uses the World Resources Institute tool to assess water consumption stress at each plant. Through daily management and monitoring, the optimal control of water consumption can be achieved, and water leakage and expenditure waste caused by aging water pipes or other reasons can be effectively controlled. At the same time, by adding recycled water sterilization equipment and increasing the</p>	
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		<p>concentration of biological pools in the sewage treatment plant, the utilization rate of recycled water has been increased to achieve the goal of reducing water consumption. The discharge water of paper production in Taiwan plants meets or exceeds the discharge water standards of the regulation</p> <p>Indicator: The company sets the annual water consumption reduction target and paper production in Taiwan plants sets the unit drainage reduction per ton of paper to less than 10 tons of water. At the same time, we are committed to maximizing the number of times of water use, minimizing the number of tons of water used, and the recycling rate of process water.</p> <p>(3) Waste: We implements the principle of circular economy, continuously strengthens the technology of waste recycling and reuse, and strives to reduce the amount at the source to reduce the impact on the environment. In 2021, the Taiwan plants achieved zero hazardous waste output.</p>	
<p>IV. Social issues</p> <p>(1) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place?</p>	V	<p>The Company supports the principles of the United Nations Global Compact and the targets enshrined in the United Nations Universal Declaration of Human Rights and the Conventions of the International Labor Organization. We respect human rights and comply with all related regulations of the countries of operations. Article 12 of the Company's "Sustainability and Social Responsibility Guidelines" also states that the Company and subsidiaries shall comply with relevant laws and regulations on human rights and establishes management policies that meet human rights standards by referencing internationally recognized covenants on labor rights. The specific methods of implementation are as follows:</p> <ol style="list-style-type: none"> 1. Comply with relevant laws and regulations and provide a healthy and safe work environment 2. Ban on child labor and forced labor 	Compliant

		<ul style="list-style-type: none"> 3. Diversity and inclusion to prevent illegal discrimination 4. Ethical management, integrity, and anti-corruption 5. Create smooth communication channel and provide complaint mechanisms 	
(II) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?	V	<p>The Company provides a comprehensive remuneration system, welfare measures, and performance management system while meeting requirements in the external business environment and building a fair and reasonable internal system. We uphold the ideal of sharing profits with employees by attracting, retaining, developing, and encouraging talents.</p> <ul style="list-style-type: none"> ● Provide competitive salary <ul style="list-style-type: none"> 1. The Company participates in compensation surveys in the industry or on the market and determine the salaries of employees based on their academic records, work experience, skills, and position. 2. Salary is not determined by gender or age. 3. When employees are promoted, their salaries are adjusted immediately to prepare, incentivize, and retain outstanding talents. ● Bonus and compensation <ul style="list-style-type: none"> 1. Year-end bonus and performance bonuses: The Company has established regulations on the year-end bonus to include at least one month's salary. The Company also established related standards for the issuance of additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company. 2. Employee stock subscription: We provide employees with employee stock options to share profits with employees. 3. Employee's remuneration: The Company's Articles of Incorporation specifies that if the Company sustains profit every year, 1% or more of the income shall be set aside as remunerations to employees, and 2% or less 	Compliant

		<p>shall be distributed as director remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.</p> <ul style="list-style-type: none"> ● Comprehensive welfare system <ol style="list-style-type: none"> 1. The Company provides employees with a diverse range of benefits including economic benefits, facilities, education, and entertainment to take care of employees' needs in all stages. 2. We set up the Employee Welfare Committee and clubs to organize a diverse range of cultural and healthy activities and plan high-quality benefits for employees such as employee travel subsidies, national holiday benefits, birthday gift, transportation and gift packs for pregnant employees, marriage subsidies, and on-the-job training incentives. We also provide benefits such as maternity subsidies for employees and pre-school books for children. 	
(III) Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V	<p>The Company has dedicated occupational safety and health management personnel responsible for the development of occupational safety and health management plans for hazard identification, risk assessment, and risk management of operation areas and personnel operations as well as other safety and health management measures. The head office and plants also established the Occupational Safety and Health Committee which convenes regular meetings to approve, report, and review occupational safety and health promotion plans. Employees can participate in operation consultation and communication for occupational safety and health through labor representatives to ensure that the occupational safety and health policies meet the needs of employees and protect the safety and health of all employees. All plants have passed ISO 45001 certification and all employees take at least three hours of safety and health training every three years. We continue to improve safety and health facilities and actively create a safe, healthy, comfortable, and friendly work environment to achieve our goal of "zero accidents".</p>	Compliant

<p>(IV) Does the Company offer its employees effective occupational empowerment training programs?</p>	<p>V</p>	<p>The Company established employee learning and development plans in accordance with the corporate development strategies and objectives each year. We plan comprehensive competency training for all supervisors and employees including orientation training, professional training, and management training to help employees continue to learn and grow through a diverse range of learning methods. We also develop core competencies and values to create a learning-based corporate culture, create a training blueprint for competencies, implement successor plans, and provide digital learning programs. We use systematic education and training procedures to improve employees' professional skills and knowledge, identify talents with high potential, and create a talent pool. In 2021, the total training hours totaled 30,073 hours with an average of 21 hours per employee. During the annual performance interview, supervisors and employees discuss and formulate the Individual Development Plan (IDP) to help employees create their own development plans through regular reviews and feedback.</p>	<p>Compliant</p>
<p>(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures?</p>	<p>V</p>	<p>All specifications on the labels of the Company's products meet national regulations and international standards (e.g., FSC™ certification, HACCP Food Safety Control System, and ISO 22000 Food Safety Management System) so that customers fully understand product information and can choose safe and high-quality products.</p> <p>The Company also set up a consumer service hotline and established the "Operating Procedures for Customer Complaints and Consultation Services" to provide real-time consultation services and comprehensive complaint procedures to ensure that consumer interests are protected and continue to provide customers with better products and experience.</p> <p>The Company also strictly complies with the relevant provisions of the Personal Data Protection Act regarding the collection, processing, and use of consumers' personal data. We have established a "Personal Data Protection Management Organization" to protect the privacy of consumers' personal information with</p>	<p>Compliant</p>

			rigorous organization, management systems, and control mechanisms. (Please refer to the Company's Sustainability Report for related achievements)	
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V		<ul style="list-style-type: none"> ● The Company engages in business operations and implements corporate social responsibility based on the values of integrity, trust, and innovation. We seek to establish a long-term stable supply chain and established clear supplier management regulations that specify requirements for suppliers for environmental protection, occupational health and safety, or labor rights, and inspections of their implementation status. ● To manage the quality, technology, delivery, and service of the material suppliers required for production and ensure that they meet the Company's needs to facilitate smooth production and control, new suppliers are required to undergo supplier selection in accordance with the Enforcement Rules for Supplier Management Regulations. We conduct supplier evaluation, and only suppliers recognized as qualified suppliers can proceed to procurement and partnership. ● The services, products, or manufacturing processes provided by suppliers and contractors in the process of their negotiations and transactions with the Company must comply with the environmental and labor laws of the country in which they are registered or located. These regulations include but are not limited to the restrictions on toxic substances or banned substances, restrictions on strategic materials, or the prohibition of the use of child labor. They must also sign of the Honesty and Integrity Declaration and the procurement contract to ensure the fulfillment of their corporate social responsibility. We are committed to implementing supply chain honesty and integrity policies and requirements to ensure transparency and fairness in the transaction process and to maintain a good corporate image. We do not use inappropriate means to directly or indirectly accept or receive benefits or property. ● The Company provides R&D and manufacturing of household paper 	Compliant

		<p>products, and our main suppliers provide materials such as pulp, film packaging materials, and cardboard boxes. To support environmental protection and green procurement strategies, we source materials from suppliers in Taiwan as well as forest-friendly pulp suppliers in Northern Europe, North America, South America, and Australia.</p> <ul style="list-style-type: none"> ● Qualified suppliers are audited for "management capabilities", "production and technical capabilities", and "quality system capabilities" in the supplier evaluation process. The Company considers the technical capabilities, quality, delivery schedule, and price competitiveness of suppliers. In response to the growing global focus on environmental and social sustainability, we have implemented and requested suppliers to uphold environmental protection, safety and health, and human rights to fulfill corporate social responsibility together. ● Supplier management activities must comply with national laws and regulations and they are processed in accordance with the standards established and recognized by R&D units. We thus regulate the consistency and stability of our suppliers' output quality and the Company's inspections for incoming materials. We also monitor and review the quality of each batch of incoming materials from the suppliers and their usage. The Company also conducts regular performance evaluation of suppliers' performance in terms of quality, cost, delivery schedule, and services. We convene quality and business review (QBR) meetings with key suppliers each quarter and the Quality Assurance Department and Procurement Department communicate with suppliers regarding quality, cost, delivery schedule, and services and implement continuous improvement activities. We also organize training programs from time to time. ● In terms of regular supplier audits and evaluations, we seek to implement effective supplier management and we have established standards for new 	
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			supplier selection. After a supplier becomes a qualified supplier, the Quality Assurance Department and Procurement Department perform annual audits or reviews of raw materials, packaging materials, and general spare parts and hardware. Audits are conducted either by document review or onsite inspections. Suppliers with significant non-compliance items in audits and evaluations are classified as Level C suppliers. If it is unable to meet the Company's requirements after continuous assistance, we may cancel the partnership to ensure that the products provided by the supplier meet the Company's requirements.	
V. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Have the aforementioned reports obtained assurance from a third-party verification unit?	V		The Company only became a listed company in 2021 and will exceed requirements in regulations by preparing and filing the Sustainability Report ahead of schedule. The Company shall prepare the "2021 YFY Consumer Products Co., Ltd. Sustainability Report" in accordance with the Global Reporting Initiative (GRI) Standards. It will receive Type 1 moderate-level assurance from a third party certification institution in accordance with AA1000 Assurance Standard v3 and will be published on the Company's website.	Compliant The Report is scheduled to be completed in September 2022.
VI. If the Company has established its own sustainable development best-practice principles by following the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and any discrepancies with regard to the Best Practice Principles: The Company's Board of Directors has approved and implemented the YFY Consumer Products Co., Ltd. Sustainability and Social Responsibility Guidelines in 2020.				
VII. Other key information useful for explaining status of the Company's sustainable development practices: (I) Awards, recognitions, and community engagement 1. Environmental protection achievements: (1) Chung Shui mill received the "2021 Taiwan Circular Economy Enterprise Award" from the Environmental Protection Administration, Executive Yuan (2) Chung Shui mill received the "2021 Green Procurement Enterprise Award" from Taichung City Government"				

- (3) Yang Mei mill received the Private Enterprise and Organization Green Procurement Award" from Taoyuan City Government
- (4) Chung Shui mill received a certificate of appreciation from the Environmental Protection Administration, Executive Yuan for outstanding performance in green procurement

2. Social engagement achievements:

- (1) During the domestic COVID-19 outbreak, we donated 160 cartons of household paper products and various cleaning products to support the 14 social welfare organizations which stood their ground in Wanhua to take care of disadvantaged groups.
- (2) When COVID-19 infections occurred at Taoyuan Hospital of the Ministry of Health and Welfare, we donated more than 4,000 household paper products and various cleaning products to help medical personnel fight the epidemic.
- (3) Yang Mei mill also participated in the "winter donations for recyclers" organized by the Department of Environmental Protection of Taoyuan City Government. We provided sponsorship for those in need in the society at the end of the year and donated household paper products of our brands, cleaning products, and gift money to local disadvantaged families.
- (4) Yang Zhou mill in Mainland China donated RMB 200,000 and supplies to the Yangzhou Economic Development Zone to support epidemic prevention.

3. Corporate governance achievements:

- (1) The Company received the 6th "Taiwan Mittelstand Award" from the Ministry of Economic Affairs
- (2) The Company received "BEST COMPANIES TO WORK FOR IN ASIA 2021" from HR Asia
- (3) The Company received the Health Management Award for outstanding workplace health in 2021 from the Health Promotion Administration
- (4) Yang Mei mill and Chung Shui mill received the "Sports Enterprise Certification" from the Sports Administration of the Ministry of Education
- (5) The head office, Yang Mei mill, and Chung Shui mill received the "Health Promotion Label" certification from the Health Promotion Administration of the Ministry of Health and Welfare
- (6) The head office, Yang Mei mill, and Chung Shui mill received the "AED Safe Workplace" certification from the Ministry of Health and Welfare and the Department of Health of local governments.
- (7) The head office, Yang Mei mill, and Chung Shui mill received the "2021 CHR Healthy Corporate Citizen" commitment label from Common Health Magazine.

(II) Environmental protection and circular economy

- 1. Yang Mei mill and Chung Shui mill used solid recovered fuel (SRF) boiler and mixed incineration of sludge to reduce coal consumption by 7,280 tons.

2. Production sites in Taiwan and Mainland China reduced energy consumption by 1,669 thousand kWh in 2021, which was a four-fold increase compared to the previous year.

(III) Public welfare

1. The Company organized blood donation drives and invited nearby residents and family members of employees to participate. We also provided free toilet paper for blood donors.
2. To build good relationships with local communities, we helped Haifeng Village organize seminars and blood pressure measurements, and provided free toilet paper.

(IV) Industry-academia cooperation: The Company worked with the master program of the Department of Forestry, National Chung Hsing University in setting up an industry-academia cooperation project.

(V) Occupational safety and health

1. The Company regularly organizes on-the-job safety and health training, fire escape drills, and regular CPR and AED first aid training.
2. We implement preventive measures based on the development of the COVID-19 epidemic and conducted seasonal flu vaccination and prevention campaigns.
3. In October 2021, we organized a joint fire drill with the Taichung Fourth Corps for Disaster Rescue and Relief of Taichung City Government.
4. We organized health promotion activities:
 - (1) Healthy exercise: Blood donation drives, flash mob hiking activities, weight loss contests, muscle growth and fat burning exercise courses, fitness activities, healthy walk challenge, and badminton club activities.
 - (2) Mental relaxation: Stress relief courses and EAP for psychological assistance.
 - (3) Healthy diet: Plants provide healthy diet menus and provide a sous vide healthy meal every week.
 - (4) Healthcare: Special health examinations, cancer screenings, blood drives, healthy skin seminars, quit smoking seminars and activities, healthy fitness seminars, and shoulder and neck stress relief seminars.

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

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

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
(III) Does the Company have any measures against dishonest conduct? Are these measures supported by proper procedures, conduct guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?	V		The Company established the <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> in accordance with the <i>Code of Operation Integrity</i> to specify disciplinary actions and complaint systems and the Company reviews the policies on a regular basis.	Compliant
II. Full Implementation of ethical management principles				
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		In the credit evaluation process of business partners, the Company carefully assesses the integrity of their records. Likewise, we clearly specify in the procurement contract as well as the <i>Honesty and Integrity Declaration Form</i> that absolutely no bribery or dishonest behavior are allowed.	Compliant
(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		The Company's Auditing and Compliance Office is responsible for handling the drafting, revision, interpretation, consulting services, notification, and record of the Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> . The Department supervises the executing unit and reports the implementation status of the ethical corporate management policies and programs for preventing unethical conduct to the Board of Directors once a year.	Compliant
(III) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them?	V		Directors who may have a conflict of interest with respect to a proposal discussed during a Board meeting must recuse themselves from the meeting.	Compliant
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent	V		We have already established an effective accounting system and internal control system; internal audit staff also carry out inspections according to the audit plan passed by the Board of Directors. The Company appointed CPAs to perform a special audit on the internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" in 2020 for the Company's	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
unethical conduct, or engage CPAs to perform the audits?			application for listing on the TWSE.	
(V) Does the Company periodically provide internal and external training on ethical corporate management?	V		To ensure the smooth operations of the Company and help all employees actively implement corporate social responsibility and moral ethics, the Company requires all employees to sign the "Professional Ethics and Integrity Statement" and issue employee handbooks to provide one-on-one explanation and ensure that all employees understand the Company's Code of Conduct. We organized 3 rounds of value experience camp in 2021 and used the courses to help employees understand the importance of integrity, trust, and innovation. 77 people participated and total man-hours amounted to 231 hours. The Company has planned to provide related ethical management courses in digital format and use the LMS learning and management system to provide all employees with online learning in 2021. We organize training for Directors, Corporate Governance Officer, managerial officers, and employees in specific positions to provide more comprehensive training courses. We continue to implement specific measures and prevent unethical conduct (including anti-corruption). 782 people participated in online and in-person courses and total man-hours amounted to 836 hours.	Compliant
III. Implementation of the Company's whistleblowing system				
(I) Does the Company have in place a substantial whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on?	V		The Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> established a whistleblowing and reward system as well as open and diversified reporting channels with the Human Resources Department as the responsible department.	Compliant
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be	V		The Company has prescribed the standard operating procedures for investigating report, follow-up measures to be taken after the completion of investigations, and related confidentiality	Compliant

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

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

<https://www.vfycpg.com>

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

1. Please refer to (III) Corporate governance practice and compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

2. Continuing education and training for key managers who participate in corporate governance:

Corporate governance training for key managers in 2021

Course	Organizer	Date	Hours	Participating Members
How to Prevent Insider Trading and Implement Corporate Governance	Human Resources Department	2021/1/20	3	25 individuals including Felix Ho, Wei-Li Tsai, Ronald Lee, Thomas Hsu, Sherry Hsieh, Carol Su, Daphne Chen, Myra Kuo, Sky Liu, and main managers of each unit
Key Audit Matters and Response Measures for Directors and Supervisors	Human Resources Department	2021/4/15	3	22 individuals including Wei-Li Tsai, Ronald Lee, Thomas Hsu, Sherry Hsieh, Carol Su, Chih-Chien Lin, Daphne Chen, Myra Kuo, Edward Hung, and main managers of each unit
Development of ESG, CSR, and Sustainable Governance in 2021	Human Resources Department	2021/9/9	3	22 individuals including Felix Ho, Ronald Lee, Thomas Hsu, Sherry Hsieh, Carol Su, Chih-Chien Lin, Daphne Chen, Myra Kuo, Edward Hung, and main managers of each unit
Corporate Governance Seminar: Carbon Tax, Carbon Trading Market, and Carbon Pricing (Carbon Sink and Carbon Rights)	Yuen Foong Yu Investment Holding	2021/12/14	3	7 individuals including Felix Ho, Chih-Chien Lin, Sky Liu, Edward Hung, and main managers of other units
What Investors Consider — Corporate Sustainability Transformation from the Perspective of ESG Investment and Financing	Yuen Foong Yu Investment Holding	2021/12/21	3	8 individuals including Thomas Hsu, Sherry Hsieh, Chih-Chien Lin, Sky Liu, Daphne Chen, Edward Hung, and main managers of other units

Supplementary explanation: The Company's new Corporate Governance Officer is the manager Edward Hung. In addition to participation in 12 hours of training programs organized by the Company, he also attended three corporate governance courses organized by external training institutions totaling 9 hours. They included the "Taiwan Corporate Governance Association/Response to Information Security Incidents in the Post-Pandemic New Normal", "Securities and Futures Institute/Legal Risks and Responses of Directors and Supervisors - Material Corporate Frauds Case Studies", and "Taiwan Corporate Governance Association/Rapid Interpretation and Preparation for ESG Disclosure Requirements for Corporate Governance" totaling 21 hours.

(IX) Status of implementation of internal control system:

1. Statement on the Internal Control System

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

Date: March 10, 2022

In 2021, the Company conducted a self-assessment on its internal control system, and based on its outcomes, hereby declares as follows:

- I. The Company is clearly aware that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and the executives. YFYCPG has established this system accordingly. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, and information transparency of reports and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. In addition, due to changes in market environment and conditions, the effectiveness of the internal control system may change along with them. Nonetheless, YFYCPG's internal control system has a built-in self-supervision mechanism and once a flaw is detected, the Company is able to make immediate corrections.
- III. In compliance with the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (the "Regulations"), YFYCPG has adopted a checklist of items for the internal control system in judging the effectiveness of system design and implementation. The checklist items covered in the Regulations are based upon five elements according to the management control process: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element comprises several items as detailed in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the aforementioned evaluation results, the Company holds that it has reasonably assured the achievement of the aforementioned with the internal control system as of December 31, 2021 (including the monitoring over the subsidiaries), including understanding the effectiveness and efficiency in operation, reliability and transparency in timely reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
- VI. This Statement shall become a main part of the annual report and prospectus and be disclosed to the public. If there are any deceptive or concealed statements herein, the Company shall be liable for violations of Articles 20, 32, 171 and 174 of the Securities Exchange Act.
- VII. This Statement was approved by the Board of Directors on Thursday, March 10, 2022; all 7 directors present concurred unanimously.

Yuen Foong Yu Consumer Products Co., Ltd.



Chairman: Felix Ho



President: Thomas Hsu



2. CPA's internal control special audit report: N/A

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

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

1. Important resolutions of the 2021 shareholders' meeting (July 26, 2021) (summary)

- (1) Ratification of the Company's 2020 individual financial report and consolidated financial report.
- (2) Ratification of the Company's 2020 earnings distribution proposal.
- (3) Approved the amendment of the Company's "Procedure for Engaging in Financial Derivative Transactions".
- (4) Approved the amendments to the Company's "Rules of Procedure for Shareholders' Meeting".

Implementation of resolutions of the 2021 shareholders' meeting:

- (1) The Board of Directors followed Article 230 of the Company Act and prepared and submitted the financial statements to the shareholders' meeting for ratification. Once acknowledged by the shareholders' meeting, the Board of Directors distributed the financial statements and earnings distribution proposals to the shareholders through announcements.
- (2) In 2020, the Company's cash dividends of ordinary stock were NT\$4 per share; the ex-dividend date was August 17, 2021, and the distribution date for dividends was September 3, 2021.
- (3) Upon receiving approval from the shareholders' meeting for the amendment of the Procedure for Processing Derivative Transactions, relevant departments implemented the amendments accordingly and all subsequent derivative transactions were conducted in accordance with the Procedure.
- (4) The Company's shareholders' meeting approved the amendment of the Company's "Rules of Procedure for Shareholders' Meeting" and subsequently convened and organized shareholders' meetings in accordance with the "Rules of Procedure for Shareholders' Meeting".

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

2. Important resolutions of the 3rd meeting of the 15th Board of Directors (February 25, 2022) (summary)

- (1) Approved the Company's 2020 employee and director remuneration.
In 2020, the Company set aside NT\$17,215,901 as remuneration for employees and NT\$3,015,000 as remuneration for directors.
- (2) Approved the Company's individual and consolidated financial statements and business report for 2020.
- (3) Approved the Company's 2020 earnings distribution proposal.

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

- (4) Approved the ratification of the Company's 2020 year-end bonus proposal for managerial officers
 - (5) Approved the Company's application to Taiwan Stock Exchange Corporation for public listing.
 - (6) Approved the Company's 2020 Statement of Internal Control System and Internal Control Special Audit Statement.
 - (7) Approved the over-allotment option for the lead underwriter appointed by the Company during the underwriting period.
 - (8) Approved the amendment of the Company's "Procedure for Processing Derivative Transactions" and the "Rules of Procedure for Shareholders' Meeting".
 - (9) Approved the Company's designation of senior executives responsible for monitoring and controlling derivative transactions.
 - (10) Approved the time, location, agenda, and other relevant matters regarding the 2021 shareholders' meeting.
3. Important resolutions of the 4th meeting of the 15th Board of Directors (April 15, 2021) (summary)
 - (1) Approved the Company's appointment of the Corporate Governance Officer.
 - (2) Approved the amendments to the Company's "Rules of Procedure for Shareholders' Meeting".
 - (3) Approved the amendment of the Company's "Review Authority Management Regulations".
 - (4) Approved the designation of dedicated personnel responsible for the safekeeping of the Company's seals registered at the Ministry of Economic Affairs.
 - (5) Approved the Company's 2021 Q2 and Q3 financial forecasts.
 - (6) Approved the establishment of the Company's "Information Security Committee" to strengthen corporate governance.
 4. Important resolutions of the 5th meeting of the 15th Board of Directors (May 12, 2021) (summary)
 - (1) Approved the Company's interbank lending credit line application.
 - (2) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications
 - (3) Approved the change of dedicated personnel responsible for the safekeeping of the Company's seals registered at the Ministry of Economic Affairs.
 5. Important resolutions of the 6th meeting of the 15th Board of Directors (June 24, 2021) (summary)
 - (1) Passed the issuance of new shares for cash capital increase as the Company's public listing proposal
 - (2) Passed the employee subscription plan before the Company's initial public offering.
 - (3) Passed the offering of the capital cash increase and manager cash capital increase subscription plan the Company's initial public offering.
 - (4) Passed the proposal for the postponement of the Company's 2021 annual general shareholders' meeting in response to the epidemic.
 6. Important resolutions of the 7th meeting of the 15th Board of Directors (August 11, 2021) (summary)
 - (1) Passed the Company's 2021 Q2 consolidated financial statements.
 - (2) Approved the Company's interbank lending credit line application.
 - (3) Approved the remuneration for the services of Shu-Wan Lin and Hsiu-Ming Hsu of "Deloitte and Touche Taiwan" appointed by the Company for the 2021 fiscal year.
 7. Important resolutions of the 8th meeting of the 15th Board of Directors (November 10, 2021) (summary)
 - (1) Approved the Company's 2022 annual operational budget.

- (2) Approved the Company's 2022 audit plan.
 - (3) Approved the Company's interbank lending credit line application.
 - (4) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
8. Important resolutions of the 9th meeting of the 15th Board of Directors (March 10, 2022) (summary)
- (1) Approved the Company's 2021 financial statements and submitted them to the shareholders' meeting for ratification.
 - (2) Approved the Company's 2021 earnings distribution proposal and submitted it to the shareholders' meeting for ratification.
 The Company's 2021 after-tax earnings were reported at NT\$1,062,266,011; accumulated surplus in terms of undistributed earnings from the previous year was reported at NT\$160,579,392; remeasurement of defined benefit plans was reported at NT\$1,848,000. The total of NT\$1,220,997,403 was available for distribution. Excluding NT\$106,041.801 which must be allocated as legal reserve and NT\$37,892,920 as special earnings reserve as required by law, the distribution of ordinary stock cash dividend was NT\$3 per share, amounting to NT\$801,387,063. The remaining NT\$275,675,619 was reserved for distribution in the following year.
 - (3) Approved the Company's 2021 employee and director remuneration proposals and submitted them to the shareholders' meeting.
 In 2021, the Company set aside NT\$12,770,522 as remuneration for employees and NT\$13,500,000 as remuneration for directors.
 - (4) Approved the ratification of the Company's 2021 year-end bonus proposal for managerial officers
 - (5) Approved the proposal for the by-election of one director during the 2022 general shareholders' meeting and the proposal was filed to the shareholders' meeting.
 - (6) Approved the time, location, agenda, and other relevant matters regarding the 2022 shareholders' meeting.
 - (7) Approved the Company's 2021 Statement of Internal Control System.
 - (8) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
 - (9) Approved the replacement of the Company's former CPAs with CPAs Shu-Chuan Yeh and Hsiu-Ming Hsu.
 - (10) Approved the amendment of the Company's "Asset Acquisition and Disposal Procedure" and submitted it to the shareholders' meeting for approval.
 - (11) Approved the amendment of the Company's "Procedure for Transactions with Related Parties" and submitted it to the shareholders' meeting for approval.
9. Important resolutions of the 3rd meeting of the 1st Audit Committee (February 25, 2021) (summary)
- (1) Approved the Company's individual and consolidated financial statements and business report for 2020 and submitted them to the Board of Directors for approval.
 - (2) Approved the Company's 2020 earnings distribution proposal with NT\$4 cash dividend of per share, and submitted it to the Board of Directors for approval.
 - (3) Approved the Company's 2020 Statement of Internal Control System and Internal Control Special Audit Statement, and submitted it to the Board of Directors for approval.
 - (4) Approved the amendment of the Company's "Procedure for Processing Derivative Transactions" and submitted it to the Board of Directors for approval.

10. Important resolutions of the 4th meeting of the 1st Audit Committee (April 15, 2021) (summary)
 - (1) Approved the amendment of the Company's "Review Authority Management Regulations" and submitted it to the Board of Directors for approval.
11. Important resolutions of the 6th meeting of the 1st Audit Committee (June 24, 2021) (summary)
 - (1) Passed the issuance of new shares for cash capital increase as the Company's public listing proposal, and submitted it to the Board of Directors for approval.
12. Important resolutions of the 7th meeting of the 1st Audit Committee (August 11, 2021) (summary)
 - (1) Approved the Company's 2021 Q2 consolidated financial statements, and submitted it to the Board of Directors for approval.
 - (2) Approved the appointment of the CPAs Shu-Wan Lin and Hsiu-Ming Hsu of Deloitte and Touche Taiwan for the 2021 fiscal year and the remuneration for the services of the CPAs Shu-Wan Lin and Hsiu-Ming Hsu of Deloitte and Touche Taiwan for the 2021 fiscal year, and submitted it to the Board of Directors for approval.
13. Important resolutions of the 8th meeting of the 1st Audit Committee (November 10, 2021) (summary)
 - (1) Approved the Company's 2022 annual audit plan and submitted it to the Board of Directors for approval.
 - (2) Approved the compliance of the CPAs' independence and accountability for 2021 after evaluation as required by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reported it to the Board of Directors for approval.
14. Important resolutions of the 9th meeting of the 1st Audit Committee (March 10, 2022) (summary)
 - (1) Approved the Company's 2021 financial statements and submitted them to the Board of Directors for approval.
 - (2) Approved the Company's 2021 earnings distribution proposal with NT\$3 cash dividend of per share, and submitted it to the Board of Directors for approval.
 - (3) Approved the Company's 2021 Statement on the Internal Control System, and submitted it to the board meeting for approval.
 - (4) Approved the replacement of the Company's former CPAs with CPAs Shu-Chuan Yeh and Hsiu-Ming Hsu, and submitted it to the board meeting for approval.
 - (5) Approved the amendment of the Company's "Asset Acquisition and Disposal Procedure" and submitted it to the Board of Directors for approval.
 - (6) Approved the amendment of the Company's "Procedure for Transactions with Related Parties" and submitted it to the Board of Directors for approval.

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

(XIII) Resignation and dismissal of professional managerial officers, including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer, Chief Internal Auditor, and Corporate Governance Officer in the past year and up to the print date of this annual report:

Title	Name	Date of appointment	Date of resignation and dismissal	Reason
General Manager	Thomas Hsu	2013/3/11	2022/3/10	Retirement
RD Deputy General Manager	Myra Kuo	2011/11/24	2022/4/15	Personal career planning

V. Information on Fees to CPA

Unit: NT\$ 1,000

Name of accounting firm	Name of CPAs	Audit period	Audit fee	Non-audit fee	Notes
Deloitte and Touche Taiwan	Shu-Wan Lin	2021/01/01~2021/12/31	5,860	-	
	Hsiu-Ming Hsu				

VI. Information on Change/Replacement of CPA

(I) Regarding previous CPA:

Date of change	Starting from 2020 Q2			
Reasons for change and remark	Because of the firm's internal rotation and arrangement, CPA Benjamin Shih was replaced by CPA Hsiu-Ming Hsu.			
Termination initiated by client or accountant declined to accept the appointment	Parties Involved		CPA	Client
	Scenario			
	Termination initiated by client		N/A	N/A
	CPA declined to accept (continue) the appointment		N/A	N/A
Audit opinions other than unqualified opinions issued in the past two years and reasons	N/A			
Opinions different from those of issuer	Yes		Accounting principles or practice	
			Disclosure of financial reports	
			Scope or stages of auditing	
			Others	
	No		√	

	Description
Other disclosures (Disclosures specified in Item 1.4-1.7, Subparagraph 6, Article 10 of the Standards)	N/A

(II) Regarding succeeding CPA:

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

(III) The former CPA's reply to Point 3, Item 1 and Item 2, Subparagraph 6, Article 10 of the

Standards: N/A.

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

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

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

Unit: shares

Title	Name	2021		2022 as of April 17	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	YFY Inc.	-	-	-	-
	Representative: Felix Ho	-	-	-	-

Title	Name	2021		2022 as of April 17	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	YFY Inc.	-	-	-	-
	Representative: Wei-Li Tsai (Note 1)	-	-	-	-
Director	YFY Inc.	-	-	-	-
	Representative: David Lo (Note 1)	-	-	-	-
Director and General Manager	Thomas Hsu (Note 2)	20,000	-	-	-
Director and General Manager	YFY Inc.	-	-	-	-
	Representative: Ronald Lee (Note 3)	-	-	-	-
Independent Director	Chih-Chien Lin	-	-	-	-
Independent Director	Sherry Hsieh	-	-	-	-
Independent Director	Mei-Li Su	-	-	-	-
District General Manager	Shien Xie (Note 4)	15,000 (Note 8)	-	-	-
CFO	Daphne Chen	16,000 (Note 8)	-	(20,000)	-
Deputy General Manager	Carl Chang	16,000 (Note 8)	-	-	-
Deputy General Manager	Shih-Yang Tseng (Note 5)	-	-	-	-
Deputy General Manager	Ming-Fa Tang	13,000 (Note 8)	-	-	-
Deputy General Manager	Jason Hsieh	13,000 (Note 8)	-	-	-
Deputy General Manager	Myra Kuo (Note 6)	11,000	-	-	-
Head of Governance Affairs	Edward Hung (Note 7)	10,000	-	-	-

Note 1: Mr. Wei-li Tsai resigned as director on February 6, 2022. YFY Inc. delegated David Lo as a representative on February 7, 2022.

Note 2: Retired on March 10, 2022 New director will be announced after by-election is approved in 2022 annual general meeting of shareholders.

Note 3: Appointed as general manager on March 10, 2022.

Note 4: Appointed as mainland China district general manager on January 1, 2022.

Note 5: Retired on September 1, 2021.

Note 6: Resigned on April 15, 2022.

Note 7: Appointed on April 15, 2021.

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

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

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

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

April 17, 2022; Unit: shares; %

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN NAMES OF THIRD PARTIES		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		NOTES
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relation	
YFY Inc.	158,004,565	59.15	-	-	-	-	YFY Paradigm Investment Co., Ltd.	Parent company and subsidiary	-
							Ray Foong Enterprise Co., Ltd.	Parent company and subsidiary	
Representative of YFY Inc.: Jean Liu	-	-	-	-	-	-	-	-	-
YFY Paradigm Investment Co., Ltd.	17,386,815	6.51	-	-	-	-	YFY Inc.	Parent company and subsidiary	-
							Ray Foong Enterprise Co., Ltd.	Sister companies	
YFY Paradigm Investment Co., Ltd. Representative: David Lo	-	-	-	-	-	-	-	-	-
CTBC Venture Capital Co., Ltd.	12,000,000	4.49	-	-	-	-	-	-	-
CTBC Venture Capital Co., Ltd. Representative: Chih-Kang Wang	-	-	-	-	-	-	-	-	-
Supreme Target International Corp.	5,575,000	2.09	-	-	-	-	-	-	-
Ray Foong Enterprise Co., Ltd.	5,136,400	1.92	-	-	-	-	YFY Inc.	Parent company and subsidiary	-
							YFY Paradigm Investment Co., Ltd.	Sister companies	
Ray Foong Enterprise Co., Ltd. Representative: David Lo	-	-	-	-	-	-	-	-	-
UMC Capital Corporation	4,000,000	1.50	-	-	-	-	-	-	-
UMC Capital Corporation Representative: Chia-Tsung Hung	-	-	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee	3,074,200	1.15	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee Representative: Chris Lo	14,000	0.01	-	-	-	-	-	-	-

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN NAMES OF THIRD PARTIES		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		NOTES
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relation	
Mei-Yu Ho	1,899,596	0.71	-	-	-	-	-	-	-
Chi Lin Investment Co., Ltd.	1,820,376	0.68	-	-	-	-	-	-	-
Chi Lin Investment Co., Ltd. Representative: Hsu-Ming Lu	-	-	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd.	1,625,663	0.61	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd. Representative: Cheng-Hsiung Lien	-	-	-	-	-	-	-	-	-

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

December 31, 2021 Unit: thousand shares; %

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



Chapter 4. Fundraising

I.	The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depository Receipts, Employee Stock Options, Restricted Shares and Mergers (including Mergers, Acquisitions, and Demergers)	80
II.	Implementation of Capital Allocation Plan	85

Fundraising

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

(I) Source of share capital

Unit: thousand shares; NT\$1,000

Year / month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
2015/7	10	240,000	2,400,000	214,562	2,145,622	Surplus profit distributed in the form of new shares	—	Note 1
2017/6	10	240,000	2,400,000	222,492	2,224,918	Surplus profit distributed in the form of new shares	—	Note 2
2018/6	10	240,000	2,400,000	227,299	2,272,994	Surplus profit distributed in the form of new shares	—	Note 3
2019/5	10	350,000	3,500,000	241,636	2,416,360	Surplus profit distributed in the form of new shares	—	Note 4
2020/7	15	350,000	3,500,000	244,906	2,449,060	Replacement of employee stock options by new shares	—	Note 5
2021/9	52	350,000	3,500,000	267,129	2,671,290	Cash capital increase	—	Note 6

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

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

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

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

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

Note 6: Date and document number of the change in registration: Jing-Shou-Shang No. 11001188220 dated October 22, 2021

Unit: Share

Shareholding type	Authorized capital			Notes
	Issued shares	Unissued shares	Total	
Registered common shares	267,129,021	82,870,979	350,000,000	-

(II) Shareholder structure

April 17, 2022; Unit: Person; share; %

Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	-	3	93	14,503	31	14,630
Number of shares	-	1,013,000	216,236,887	43,422,876	6,456,258	267,129,021
Shareholding ratio	-	0.38	80.95	16.26	2.42	100.00

(III) Shareholding distribution status

April 17, 2022; Unit: Person; share; %

Shareholding range (share)	Number of shareholders	Number of shares	Shareholding ratio
1 to 999	5,645	831,681	0.31
1,000 to 5,000	7,642	13,332,080	4.99
5,001 to 10,000	704	5,569,718	2.09
10,001 to 15,000	186	2,345,624	0.88
15,001 to 20,000	134	2,499,809	0.94
20,001 to 30,000	125	3,171,591	1.19
30,001 to 40,000	49	1,769,037	0.66
40,001 to 50,000	42	1,902,312	0.71
50,001 to 100,000	38	2,685,947	1.01
100,001 to 200,000	24	3,427,585	1.28
200,001 to 400,000	13	3,956,222	1.48
400,001 to 600,000	3	1,532,647	0.57
600,001 to 800,000	7	5,076,368	1.90
800,001 to 1,000,000	5	4,671,931	1.75
1,000,001 and above	13	214,356,469	80.24
Total	14,630	267,129,021	100

Preferred stock

April 17, 2022

Shareholding range (share)	Number of shareholders	Number of shares	Shareholding ratio
Total	-	-	-

(IV) List of major shareholders

April 17, 2022; Unit: share; %

Name	Shares	Number of shares	Shareholding ratio
YFY Inc.		158,004,565	59.15
YFY Paradigm Investment Co., Ltd.		17,386,815	6.51

Name	Shares	Number of shares	Shareholding ratio
CTBC Venture Capital Co., Ltd.		12,000,000	4.49
Supreme Target International Corp		5,575,000	2.09
Ray Foong Enterprise Co., Ltd.		5,136,400	1.92
UMC Capital Corporation		4,000,000	1.50
YFYCPG Employee Stock Trust Management Committee		3,074,200	1.15
Mei-Yu Ho		1,899,596	0.71
Chi Lin Investment Co., Ltd.		1,820,376	0.68
Jucheng Investment & Management Co., Ltd.		1,625,663	0.61

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

April 17, 2022; Unit: NT\$; thousand shares; %

Item	Year	Current year up to the print date of this annual report			
		2019	2021		
Market price per share	Highest	57.20	78.70	50.00	
	Lowest	45.05	46.05	47.45	
	Average	47.33	60.51	48.71	
Net asset value per share	Before distribution	16.47	19.82	-	
	After distribution	12.47	16.82 (Note 1)	-	
Earnings per share	Weighted average number of shares (thousand shares)	243,146	250,690	267,129	
	Earnings per share	6.12	4.24	-	
Dividend per share	Cash dividends per share	4.00	3.00	-	
	Stock dividends	Earnings	-	-	-
		Capital surplus	-	-	-
	Accumulated undistributed dividends	-	-	-	
Return on investment analysis	PE ratio (Note 2)	7.73	14.27	-	
	Price dividend ratio (Note 3)	11.83	20.17	-	
	Cash dividend yield (Note 4)	8.45%	4.96%	-	

Note 1: The 2021 earnings distribution proposal has yet been approved by the 2022 annual general meeting of shareholders.

Note 2: P/E ratio = Earnings per share / Average market price per share.

Note 3: Price dividend ratio = Cash dividends per share / Average market price per share.

Note 4: Cash dividend yield = Cash dividends per share / Average market price per share * 100%.

(VI) Dividend policy and implementation:

1. Dividend policy:

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

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

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

With respect to the earnings distribution for 2021, the company's board of directors resolved on March 10, 2022 to distribute NT\$801,387,063 in cash dividends, the equivalent of NT\$3 per share.

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

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

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

According to current policies, if the Company sustains profit every year, 1% or more of the income shall be set aside as employee remuneration, and 2% or less shall be distributed as director

remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.

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

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

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

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

3. Remuneration proposals approved by the Board of Directors:

- (1) In 2021, the remuneration distributed to employees was NT\$12,770,522 in cash. Directors' remuneration was NT\$13,500,000.
- (2) Amount in stock distributed as employee remuneration as a percentage with respect to the after-tax profit in current period's

individual financial statement and total employee remuneration:
None.

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

In 2020, the actual remuneration distributed to employees was NT\$17,215,901 in cash. Directors' and supervisors' remuneration was NT\$3,015,000. The aforementioned amount did not differ from the amount approved by the Board of Directors.

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

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

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

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

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

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

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

II. Implementation of Capital Allocation Plans

(I) Plan content: Issuance of common shares for cash capital increase in 2021

- (1) Competent authority approval date and document number: Taiwan Stock Exchange Tai-Zheng-Shang-1 No. 1101803594 dated July 8, 2021.
- (2) Total funding required for the plan: NT\$1,209,636 thousand
- (3) Source of funds

Issuance of 22,223,000 common shares for cash capital increase with face a value of NT\$10 per share and issued at bidding weighted average price NTD 55.38 per share and the price of public subscription and employee subscription NTD 52 per share for raising a total NT\$1,209,636 thousand.

(4) Project items and estimated fund utilization schedule

Unit: NT\$1,000

Project Item	Estimated Time of Completion	Total Funding Required	Estimated Fund Utilization Time
			2021 Q4
Replenishment of operating capital	2021 Q4	1,009,636	1,009,636
Repayment of bank loans	2021 Q4	200,000	200,000
Total		1,209,636	1,209,636

(5) Anticipated benefits: In the issuance of new shares through cash capital increase, NT\$1,009,636 thousand will be used to increase the flexibility in the use of funds from banks, improve the long-term capital structure of the Company, and strengthen the Company's long-term competitiveness. In addition, NT\$200,000 thousand will be used to repay bank loans to reduce interest expenses and reduce the Company's financial burdens.

(6) Project content change, reasons of change, and benefits before and after the change: N/A.

(7) Date of information entry on the information reporting website designated by the Securities and Futures Bureau: July 8, 2021.

(II) Implementation status:

Unit: NT\$1,000

Project Item	Implementation Status			Reasons for the Progress to be Ahead or Behind Schedule and Improvement Plans
Replenishment of operating capital	Expenditures	Estimated	1,009,636	Execution completed in 2021 Q4 based on the original fund utilization schedule.
		Actual	1,009,636	
	Progress (%)	Estimated	100%	
		Actual	100%	
Repayment of bank loans	Expenditures	Estimated	200,000	Execution completed ahead of schedule in 2021 Q3.
		Actual	200,000	
	Progress (%)	Estimated	100%	
		Actual	100%	



Chapter 5. Business Overview

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Business overview

I. Business Scope

(I) Business scope

1. Key areas of business:

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

2. Revenue breakdown:

Revenue mainly came from the marketing of household paper, accounting for approximately 87%. Cleaning products accounted for approximately 6%. Other items accounted for approximately 7%.

3. New products in development:

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

(II) Industry Overview

Overall Economic Environment

The global economy continued to be affected by COVID-19 outbreaks in 2021. Taiwan's domestic and export economies performed in different ways in 2021. In terms of domestic demand, the spread of the epidemic in Taiwan in late May triggered rigorous measures by the government and caused public concern, which impacted the performance of the domestic service sector. The epidemic was only contained in the third quarter in Taiwan after the increase in the vaccination rate. According to IMF reports, the global economic growth rate was approximately 5.9% in 2021. The economic growth in Mainland China was lower in the previous year and its economic performance remained stable in the first two quarters. Despite outbreaks of COVID-19 in August which threatened the overall economy, its annual economic growth rate reached 8.1%. In Taiwan, the COVID-19 outbreak in May triggered a level 3 alert which resulted in the closure of campuses, offices, and malls. Fortunately, the rapid increase of the domestic vaccination rate, the government's economic revitalization plans, and the shift in the supply chain as a result of the epidemic helped maintain positive growth in exports. According to the Directorate General of Budget, Accounting and Statistics, Taiwan achieved an economic growth rate of 4.71%.

As the global vaccination rate continues to increase, countries are expected to gradually ease restrictions. However, the pandemic has shrunk the economy and what follows may be an uneven global recovery, inflation, and accelerated tightening of monetary policies. The outbreak of the Russo-Ukrainian War has also stirred up geopolitical sensitivities around the world. As a result, the supply of natural resources

such as food, energy, natural gas, and precious metals, as well as the production capacity of semiconductors, supply chain transfer, and labor shortages have become critical issues that must be addressed by the global community. In the face of these challenges, the management team must respond with greater caution and flexibility. We will continue to refine the production processes and harness the momentum for growth in consumer goods to continue to stabilize our main operations and achieve business development.

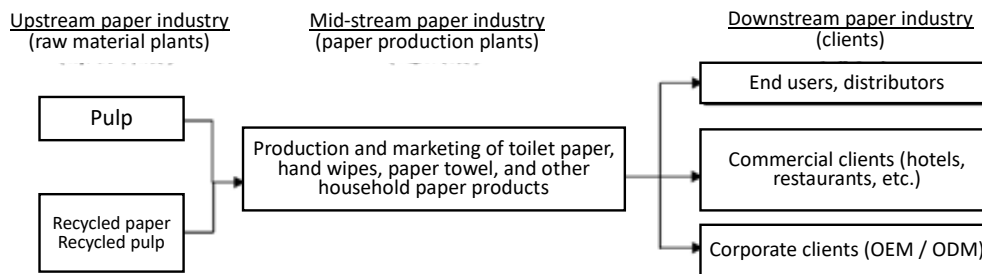
1. Current trends of the industry

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

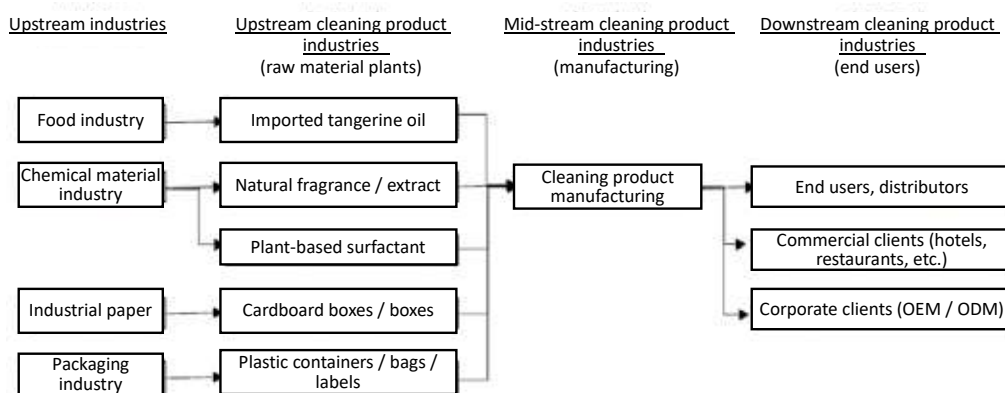
2. Relationships with upstream, mid-stream, and downstream companies

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

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



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



3. Product development and competitive landscape

A. Product development

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

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

B. Competitive landscape

Competition in the household paper market in Taiwan is intense. YFY's brands such as “Mayflower”, “Delight”, and “Tender” have been leading in market share in Taiwan, and continue to meet the diversified needs of consumers with high-quality innovative products. Kimberly-Clark, Cheng Loong, and Golden Century Paper are main suppliers in Taiwan.

In terms of cleaning products, we continue to launch high-quality products that put consumers' minds at ease. In order to effectively clean Covid-19 viruses left on clothes, we launched Orange House cleaning detergents able to wash out human coronavirus in cold water and anti-virus spray. The effectiveness of these products is verified by US FDA regulated laboratory to protect the consumer health. "Orange House" has become a leading brand for natural cleaning products in Taiwan. In addition, we promoted "Fresh Sense" with fashionable office workers as the target consumers. We also adopted a broad marketing strategy for "Delight detergent" and succeeded in positioning the brand in the mid-range cleaning products market. We launched Delight Detergent Pods with deodorizing, mites washing and cleaning functions to explore the market of sports enthusiasts.

Orange House 5-in-1 Laundry Detergent Pod was awarded by 2021 International Innovation Awards to demonstrate our strength in the international market. The Company continues to expand overseas markets, and promote our main cleaning products to Hong Kong, Vietnam, the Philippines, the mainland China, and the United States.

It is our main driver of innovation and improvement to start from consumer requirements, to provide high quality products, and to let consumer have real and happy usage experience. We continue to invest in new product development, master the market of disease prevention, Lohas, middle-aged people, and environmental protection, and meet different market requirements by developing a series of household, individual, and commercial commodities; strengthen the research and development of high value-added products, operate in the high-end market, deepen the existing channels, master the behavior of next-generation consumers, focus on consumer demand for environmental protection and taking care of the Earth following global ESG trend, instill sustainability ideals into innovative products, and maintain our leading position in consumer goods brands.

(III) Overview of Technology and R&D

1. Technological level of businesses

The Company has grasped the core technologies for the manufacturing of

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

2. Research and development

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

3. R&D investments during the recent year

Up to the print date of this annual report, direct R&D expenditure in 2022 was approximately NT\$ 11,198 thousand.

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

1. Short-term business development plans

- (1) Expand the growth of cleaning products, and continuously develop high-end products with the commitment of nature and health.
- (2) Strengthen the differentiation of paper products, expand the growth of the high-end market, and develop long-term consumer groups.
- (3) Deepen the growth of core products of EC channels, and combine new microbusiness and general EC to operate Omni-channel to reach consumers.
- (4) Effectively operate YFYCPG membership program to ensure personalized and efficient communication and maintain the brand loyalty.
- (5) Actively carry out the product life cycle combined with the carbon footprint concept from green packaging materials, SRF usage and green energy usage.

- (6) Strengthen the automation of converting lines, AOI and other systems, and improve production efficiency and quality.
2. Mid-term and long-term business development plans
 - (1) Continuously optimize work efficiency and management of organization and cultivate new generation talents based on plans.
 - (2) Enhance brand management, invest in the development of innovative products, increase various brand values and product virtues, and deepen high-end market operations.
 - (3) Expand the export market and develop strategic partners to create synergies.
 - (4) Research and develop low carbon footprint products, continuously reduce carbon emissions in the production process, minimize the impact of environment with suppliers to take social responsibilities, and become a sustainable global consumer product company.

II. Market outlook

(I) Market analysis

1. Market conditions:

Based on statistics by the Taiwan Paper Industry Association, the total production of household paper in Taiwan in 2021 was 299 thousand tons, decreasing by 2.7% compared to 2020. The import was 112 thousand tons, decreasing by 12.5%. In terms of sales volume, the domestic consumption was 385 thousand tons, decreasing by 4.7% compared to 2020; Exports were 29 thousand tons, decreasing by 7.6%.

2. Business overview:

In 2021, the Company was 139 thousand tons, declining by 8.1% compared to 2020. In 2021, the household product domestic sales were 85 thousand tons which was a 4.7% increase from 2020. It was mainly caused by changes in consumer habits as a result of the epidemic in Taiwan and sales increase in high-end products favored by consumer preferences. However, exports were 92 thousand tons, declining by 21.4% from the previous year. The main reason was the impact of supply chain disruption and port congestion resulted from the epidemic.

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

sustainable development. The Company was successfully listed in September 2021. It not only enhances the Company's image but also is positively affirmed by the investing public. The management team upholds the commitment to consumers: to provide better life experiences, to develop more products that meet the consumer needs with innovative technologies, and to continue to expand market share.

3. Market share:

According to the data of EOL iSurvey (from January to December, 2021), the Company's domestic market share in toilet tissues and kitchen towel (including brand and OEM sales volumes) was 36.5% with the products covering mid and high price ranges for different customer groups. The domestic market share in cleaning products was 38.6%. Orange House was the representative brand which satisfied the needs of consumers who pursue high quality with its natural and non-toxic ingredients. In the future, the Company will continue to launch high-quality and innovative products to become one of the leading brands in consumer goods in Taiwan.

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

A. Paper products:

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

B. Cleaning products:

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

5. Competitive niche and countermeasures:

Looking ahead to the market in 2022, the Company will stand firm to improve the tissue paper businesses, accelerate expansion of cleaning products, and develop innovative products. We shall continuously leverage brand advantages to provide consumers with personalized experience and innovative products of value as we strive for creativity and stable growth. Optimize the products and production and sales structure, enhance the organization structure, develop green products, and reduce carbon emissions in the production process. Increase the sales of non-paper products

by utilizing comprehensive distribution and channel marketing and expand sales in domestic and foreign markets. Improve adaptability to changes and elevate business performance. From the post-epidemic economy, stay-at-home economy and green economy, we will continue to expand new business opportunities and achieve record sales and profitability.

(II) Application and production of key products

1. Household paper

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

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

2. Cleaning products

A. Liquids

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

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

B. Solids

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

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

(III) Supply status of primary raw materials

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

1. Household products

Key raw material(s)	Main suppliers	Supply status
Wood pulp	Chung Hwa Pulp Corp. and company A	Sufficient

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

2. Cleaning products

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

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

1. Major suppliers in last two years:

Unit: NT\$1,000; %

Item	2020				2021			
	Name	Amount	% of net annual purchase	Relationship with issuer	Name	Amount	% of net annual purchase	Relationship with issuer
1	Company A	663,948	12.59	-	Company A	863,387	14.67	-
2	Guangdong Ding Fung Pulp & Paper Co., Ltd.	604,260	11.46	Fellow subsidiary	Chung Hwa Pulp Corp.	700,357	11.90	Fellow subsidiary
3	Chung Hwa Pulp Corp.	416,813	7.91	Fellow subsidiary	Guangdong Ding Fung Pulp & Paper Co., Ltd.	615,145	10.45	Fellow subsidiary

2. Major sales clients in last two years:

Unit: NT\$1,000; %

Item	2020				2021			
	Name	Amount	Percentage of net total annual sales	Relationship with issuer	Name	Amount	Percentage of net total annual sales	Relationship with issuer
1	Company B	1,725,707	17.01	-	Company B	2,198,981	22.23	-

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

Unit: ton; NT\$1,000

Output volume Key product(s)	Year	2020			2021		
		Capacity	Production	Value	Capacity	Production	Value
Paper products		201,330	150,965	7,325,708	201,330	138,723	6,851,092
Cleaning products		19,338	6,427	233,486	19,954	6,285	289,303
Total		-	-	7,559,194	-	-	7,140,395

(VI) Sales in last two years

Unit: ton; NT\$1,000

Sales volume and value Key product(s)	Year	2020				2021			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Paper products		81,490	4,907,977	116,917	3,985,769	85,335	5,129,820	91,911	3,432,099
Cleaning products		6,037	561,723	317	29,399	5,967	564,141	299	30,571
Others		-	662,558	-	312	-	733,053	-	669
Total		-	6,132,258	-	4,015,480	-	6,427,014	-	3,463,339

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

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

Year		2020	2021	Current year up to the print date of this annual report
Number of employees	General personnel	871	747	720
	Technical personnel	573	571	552
	Total	1,444	1,318	1,272
Average age (year old)		38.0	39.9	40.2
Average years of service		7.3	8.3	8.5
Academic qualification	Master's degree or higher	6.1%	7.0%	6.8%
	University/College	51.9%	52.7%	52.6%
	Senior high school and below	42.0%	40.4%	40.6%

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

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

Certification Title	Finance and accounting	Auditing
CPA of ROC	1	0
Certified internal auditor (CIA) organized by Institute of Internal Auditors	0	3

IV. Environmental protection expenditure information

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

Contents of violation	Contents of penalties	Penalty date	Penalty number	Response measures
Article 18, Water Pollution Control Act Content: Enterprises shall adopt water pollution control measures; the central competent authority in consultation with the relevant industry competent authorities shall determine management regulations for the applicable targets, scope, conditions, necessary facilities, specifications, installation, operation, monitoring, recordkeeping, time limit in years for the preservation of monitoring data, preventive management, emergency response, the collection, treatment and discharge of wastewater and sewage, and other binding matters for water pollution control measures.	The total fine was NT\$ 10 thousand	2022/1/21	30-111-010020	Improvements were made and we strengthened our self monitor capability and improved confirmation process with equipment suppliers.

(II) Environmental sustainability

1. Greenhouse gas emissions in the past two years

Inventory shows that the Company emitted 123,280 tons-CO₂e in 2021. Emission data for the year are provided below:

Year	2020			2021		
	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions
Total	69,581	47,572	117,153	73,944	49,336	123,280

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

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

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

In 2021, the Company's key energy conservation measures are listed below:

- Continue to introduce and promote the ISO 50001 Energy Management System.
- Use of renewable fuel to replace coal in boilers.
- Improvement in production and replacement with energy-efficient, energy-saving air compressors and pumps.
- Participate in the demand response load management measures of Taiwan Power Company to actively reduce electricity consumption.
- We increased the concentration of oxygen in the biological tank in the wastewater treatment plant to reduce the chemical oxygen demand, discharge, and suspended solids, thereby reducing the total water consumption of the production process by increasing the amount of recycled water used.
- We reduced the capacity of motors with load factor lower than 70% and increased the effective power to save energy.

Yang Zhou plant:

- The plant implemented energy conservation and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption, or other solid production residue policies in accordance with the following regulations:

1. Directory of National Hazardous Wastes
 2. Interim Measures of Jiangsu Province on the Administration of Hazardous Wastes
 3. Measures for the Administration of Hazardous Waste Transfer Forms
 4. Implementation of the residual material control program for the production process of solids
 5. Implementation of the Measures of Jiangsu Province on Administration of Energy Conservation
 6. Implementation of the Measures of Jiangsu Province on Administration of Water Resources
- Passed ISO 14001, ISO 45001, CNS 9001, and FSC certification, and assigned dedicated personnel to maintain the environmental management systems to ensure their proper operation.

Kun Shan plant:

- Replaced all lighting equipment in the mill with LED lighting equipment and reduced annual electricity consumption by approximately 10,000 kWh.

The effectiveness of each energy measure is as below:

Energy conservation item	2021
Energy conservation effectiveness (thousand kWh)	1,669
GHG reduction effect (t-CO ₂ e)	14,639

GHG emission reduction associated with reduction in energy consumption was estimated at 838 ton-CO₂e.

Taipower carbon emission coefficient used in 2020: 0.502 kgCO₂/kwhr

3. Acquisition of environmental management certification by the Company

The Company's main production units are equipped with ISO 14001-certified environmental management systems. The systems are regularly verified by external verification units such as DNV. Internal and external auditing are conducted regularly to maintain system validity and continue to improve the effectiveness of environmental protection. Valid system certificates are kept in each production unit.

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

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

V. Employer-employee relationship

(I) Present status of employer-employee relationship

1. Employee benefits measures

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

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

ii. Retirement program

YFY enacted the "Labor Retirement Regulations" and established the Supervisory Committee of Workers' Pension Reserve Funds to take care of employees' life after retirement. We allocate reserve funds for the old pension

system to a special account in the Bank of Taiwan based on actuary calculation results each year to protect labor rights.

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

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

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

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

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

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

- Calculation of the years of service and pension:
 - (1) Employees' years of service shall be calculated starting from the date of employment and the years of service before and after the implementation of the Labor Standards Act and the years of service after the implementation of the Labor Pension Act shall be combined for calculation. The duration shall be based on the years of actual continuous service in this Company.

- (2) The years of service of employees assigned to affiliated enterprises to provide services or transferred from affiliated enterprises to the Company to provide services shall be combined for calculation.
 - (3) Where an employee is employed by the Company and an affiliated enterprise and applies for retirement in accordance with regulations, the total pension payment amount shall be calculated based on the ratio of the number of months served in each company and paid by the companies.
- Status of YFY's appropriation of labor pension reserve in 2021
 - (1) Year-round appropriation: NT\$11,343 thousand.
 - (2) Balance of assets at the end of the year: NT\$93,696 thousand.
3. Labor-management communications
 YFY regularly convenes employer-employee meetings and employee communication meetings to communicate and coordinate with employees, and subsequently adjusts measures according to the consensus of both parties.

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

(III) Employee learning and development

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

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

- (1) Orientation training: The aim is to assist new employees to adapt to the corporate culture and work environment rapidly and understand various businesses and the operations of the relevant departments.
- (2) New supervisor training: The aim is to enhance the new supervisors' team leading and strategic thinking abilities to improve the effectiveness of organizational management.
- (3) Talent cultivation training: In order to cultivate talents within the Company, training courses were planned based on the reserve management cultivation plan,

the High Potential Talent Program (HIPO) and the Succession Plan to improve organizational strength and develop competitive edges in talents.

- (4) Core competency training: This is the Company's seven core competency training, including precise implementation, problem solving, communication and coordination, team work, strategic thinking, leadership and innovation. Every employee shall receive the core competency training courses and be familiarized with the important spirits and behavioral indicators of the core competencies. In addition, the training contents shall be designed based on the key conducts corresponding to general employees, mid- and base-level supervisors and high-level supervisors.
- (5) General training: This is the common course aimed at developing employees' knowledge and skills related to work management in independent operations to improve performance.
- (6) Professional training: This is the professional course aimed at enhancing work-related skills of departmental professionals.

The focus of education and training outcomes in 2021 is as below:

Course type	No. of classes	Total number of people	Total hours	Total costs (thousand NT\$)
Professional competency	491	4,814	10,118	1,607
Management and general knowledge	303	8,198	12,270	757
New employee training	166	1,763	8,024	62

(IV) Employee code of conduct or ethics

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

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

to raise employees' awareness towards ethical conduct.

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

(V) Employee safety and health

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

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

1. Responsibilities of different levels of responsible units: The Company has established a dedicated unit and personnel for occupational safety and health, in charge of formulating the Occupational Safety and Health Guidelines for the plants and the guidance, supervision and audit of occupational safety and health measures. The occupational safety teams of plants of all levels are directly responsible for the promotion, execution, and on-site management of occupational safety related works.
2. Safe operations promotion: Through safety education and labor safety systems, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.
3. Operation standardization: Standard operating procedures and work safety analysis are implemented for various operations.
4. Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. Health promotion programs for employees are developed according to health checkup results.
5. Employee safety training: Employees and contractors must receive safety training upon entering the Company and during reassignments. Departments hold ad hoc

work safety training and education seminars to increase collective safety awareness.

6. Accident reporting and investigation: Any work accident at any of the plants must be reported to the dedicated officer immediately and an investigation for cause and improvement will take place. At the same time, investigation shall take place for relevant operations and the work accident shall be notified to all employees to prevent further occurrence of similar events.
7. Work safety reviews and disaster drills: Occupational safety and health meetings are held regularly and employee representatives are invited to be on the safety and health committee to participate in the discussion of safety and health operations. Communication channels and participation on safety and health matters are increased for employees in all departments via the employee representatives and safety and health policies are realized as well. The goal is to achieve zero work accident for all employees.
8. First aid training: All YFY plants are equipped with the automated external defibrillator (AED), and 70% or more of the employees have received the CPG+AED training and obtained certification. First aid training has been listed a mandatory training course for all employees.
9. Health nursing and activities: Worker health service nurses are commissioned to actively pay attention to employees' health status and provide appropriate assistance. The nurses also regularly follow up on employees' health status. Various health promotion activities are held to declare the determination to promote employee safety and health and the vision to create a corporate safety culture.
10. COVID-19 epidemic prevention management: The Company uses online or printed questionnaires to monitor the health conditions, correlation with the contact tracing of confirmed cases, and vaccination status of all employees and external personnel. We have used health codes of different colors and advanced deployment of rapid screening tests and access control to ensure adequate control over safety in the workplace. We also use epidemic prevention light signal information, emails, and discussions during meetings to implement the corresponding management measures in every workplace and successfully prevented disruptions of operations due to the epidemic.

VI Information security management

(I) Information security risk management framework

The IT Department is an independent department responsible for coordinating and implementing information security policies, communicating information security updates to enhance employees' information security awareness, and evaluating technologies, products, or procedures to improve the performance and effectiveness of information security management to create a management framework of prevention, communication, detection, defense, response, and recovery.

Each year, the Auditing and Compliance Office conducts an information security

review of the organization based on the cyclic internal control system for computers to evaluate the effectiveness of internal controls for information operations.

(II) Information security policy

The Company has established the following policy for compliance by all employees to ensure the smooth operations of the Company's businesses, prevent unauthorized access, use, control, leakage, damage, tampering, destruction, or other infringement of information or information systems, and to ensure their confidentiality, integrity, and availability:

1. Implementation of the information security management system.
2. Effectively manage information assets, perform continuous risk assessments, and take appropriate protective measures.
3. Protect the information and information system from unauthorized access and maintain the confidentiality of the information and information system.
4. Prevent unauthorized changes to protect the integrity of the information and communication system.
5. Ensure authorized users' access to the information and communication system when necessary.
6. Meet requirements in laws and regulations.
7. Evaluate the impact of man-made or natural disasters and develop recovery plans for the core information and communication system to ensure the continuous operations of core businesses.
8. Implement information security training and organize information security awareness campaigns for new employees to enhance their information security awareness.
9. Implement mechanisms for rewarding and punishing employees for processing information security matters.
10. Implement outsourced service supplier management to ensure the safety of information and communication services.
11. Implement audit and management review processes to achieve continuous improvement of the information security management system.
12. Promote the integration of information security defenses and strengthen joint efforts for information security and information sharing.

Information security objectives can be divided into qualitative and quantitative objectives:

1. Quantitative objectives:

Item	Location	Percentage/Frequency	Notes
Availability of the information system	All	99.9%/year	Disruption hours/total operation hours \leq 0.1%
Rate of completion of reporting, response, and recovery within the required time after the information security incident is known	All	100%	
Click rate of emails in social engineering exercises	All	Less than 4%	
Attachment opening rate of emails in social engineering exercises	All	Less than 2%	
Planning and operating social engineering exercises	All	1 time	
Organization of information security and social engineering training	All	1 time	
Information security incident involving tampered data on the worldwide web	All	\leq 2 times/year	
Unauthorized access in account access privilege management	All	\leq 1 time/year	
Penetration test and vulnerability scanning	All	1 time/3 years	
Information security audit	All	1 time	
System recovery exercise	All	1 time	Oracle, Production barcode system, Hyper-V

2. Qualitative objectives:

- (1) The Company adjusts the contents of information security updates in response to changes in laws and technologies to prevent unauthorized access, use, control, leakage, damage, tampering, destruction, or other infringement of information systems and information, and to ensure their confidentiality, integrity, and availability.
- (2) Meet the requirements of information and communication security on each level and reduce the threat of information and communication security risks.
- (3) Strengthen the selection, supervision, and management of outsourced service

providers, rigorously review outsourcing contracts, and construct secure service channels to ensure information and communication security in the supply chain.

- (4) Enhance employees' information security awareness and effective detection and prevention of external attacks.

(III) Specific Management Plans

Network Information Security Control

- Set up a firewall and update the Firewall Policy.
- Scan computer systems and data storage media periodically for viruses.
- Perform inventories of the computer system software and security updates.
- Use network services in accordance with the information security policy.
- Regularly review the system log of network services to track anomalies.

Data Access Control

- Assign dedicated personnel to maintain custody of computer equipment and set accounts and passwords.
- Grant employees different access privileges based on their job functions.
- Cancel employees' access privileges when they leave the Company and adjust the access privileges of employees who have been transferred.
- The contents of storage media must be cleared or overwritten before the disposal of the equipment.
- Remote access to the system shall require adequate approved and appropriate access privileges must be granted.

Change Recovery Mechanism

- Perform annual reviews of the Information Security Policy as well as the information security protection and emergency response plans.
- Conduct annual system recovery exercises.
- Establish system backup mechanisms and implement off-site backup storage.
- Review computer network security control measures and implement appropriate adjustments.

Communication and Verification

- Communicate information security updates at all times to enhance users' information security awareness.
- Perform annual information security inspections and review whether for improvements and follow-ups are required.

(IV) Resources used for information security management

We dedicated resources including a security framework for comprehensive

governance and technical requirements as well as enhanced information security defense equipment and training to continuously improve information security management:

1. Equipment: Next-generation firewall, network switches, wireless network controllers, and APs.
2. Software: We replaced traditional anti-virus software with next-generation endpoint protection software, and updated system security.
3. Personnel: Training for network administrators and information security personnel, recovery exercises, social engineering exercises, and vulnerability scanning.

(V) Losses due to major information security incidents

The Company did not have significant information security incidents resulting in business losses.

VII. Material contracts

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



Chapter 6. Financial Overview

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Financial Overview

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

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

1. Condensed consolidated balance sheet

Unit: NT\$1,000

Item	Year	Financial data of the past five years(Note)				
		2017	2018	2019	2020	2021
Current assets		4,077,204	4,190,690	3,373,870	3,787,354	4,347,000
Property, plant and equipment		4,728,473	4,385,605	4,024,234	3,298,154	3,114,280
Intangible assets		-	-	-	-	-
Right-of-use asset		-	-	389,841	306,207	318,635
Other assets		354,930	359,335	218,644	149,832	163,752
Total assets		9,160,607	8,935,630	8,006,589	7,541,547	7,943,667
Current liabilities	Before distribution	5,264,331	5,061,012	2,996,767	2,239,749	2,243,830
	After distribution	5,264,331	5,061,012	3,408,887	3,219,373	(Note 2)
Non-current liabilities		1,453,258	1,296,780	2,046,751	1,220,178	357,250
Total liabilities	Before distribution	6,717,589	6,357,792	5,043,518	3,459,927	2,601,080
	After distribution	6,717,589	6,357,792	5,455,638	4,439,551	(Note 2)
Equity attributable to owners of parent		2,399,019	2,514,260	2,888,149	4,033,908	5,294,100
Share capital		2,224,918	2,272,994	2,416,360	2,449,060	2,671,290
Capital surplus		151,622	151,622	151,622	219,055	1,214,116
Retained earnings (cumulative losses)	Before distribution	61,822	173,146	488,368	1,569,656	1,650,450
	After distribution	13,746	29,780	76,248	590,032	(Note 2)
Other equity		(39,343)	(83,502)	(168,201)	(203,863)	(241,756)
Treasury stock		-	-	-	-	-
Non-controlling interest		43,999	63,578	74,922	47,712	48,487
Total equity	Before distribution	2,443,018	2,577,838	2,963,071	4,081,620	5,342,587
	After distribution	2,443,018	2,577,838	2,550,951	3,101,996	(Note 2)

Data source: CPA-audited financial statements

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

Note 2: The 2021 earnings distribution proposal has yet to be approved by the shareholders' meeting.

2. Condensed consolidated statement of comprehensive income

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

Item	Year	Financial data of the past five years(Note)				
		2017	2018	2019	2020	2021
Operating revenue		10,766,695	11,729,027	10,548,751	10,147,738	9,890,353
Gross profit		1,831,017	1,816,158	2,360,637	3,236,116	2,680,493
Operating profit		97,944	295,862	778,478	1,545,970	1,237,265
Non-operating income and expenditure		6,059	(58,216)	(112,271)	205,153	50,007
Pre-tax profit (loss)		104,003	237,646	666,207	1,751,123	1,287,272
Net income (loss) from continuing operations		59,048	179,900	481,153	1,500,693	1,070,697
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for the current period		59,048	179,900	481,153	1,500,693	1,070,697
Other comprehensive income for the current period (after-tax profit)		(67,894)	(45,080)	(90,752)	(29,603)	(39,741)
Total comprehensive income for the current period		(8,846)	134,820	390,401	1,471,090	1,030,956
Net income attributable to owners of the parent		52,359	160,339	464,682	1,487,228	1,062,266
Net income attributable to non-controlling interest		6,689	19,561	16,471	13,465	8,431
Total comprehensive income attributable to owner of the parent		(15,550)	115,241	373,889	1,457,746	1,022,525
Total comprehensive income attributable to non-controlling interest		6,704	19,579	16,512	13,344	8,431
Earnings per share		0.22	0.66	1.92	6.12	4.24

Data source: CPA-audited financial statements

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

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

1. Condensed individual balance sheet

Unit: NT\$1,000

Item	Year	Financial data of the past five years				
		2017	2018	2019	2020	2021
Current assets		2,491,087	2,556,320	2,161,872	1,478,151	1,723,776
Equity method-accounted investments		2,810,314	2,745,756	2,707,628	3,324,844	3,536,730
Property, plant and equipment		1,990,413	1,917,552	1,885,506	1,793,435	1,774,196
Intangible assets		-	-	-	-	-
Right-of-use asset		-	-	227,102	180,236	177,418
Other assets		36,273	58,734	55,187	36,823	61,956
Total assets		7,328,087	7,278,362	7,037,295	6,813,489	7,274,076
Current liabilities	Before distribution	3,483,468	3,481,242	2,154,405	1,592,598	1,673,677
	After distribution	3,483,468	3,481,242	2,566,525	2,572,222	(Note)
Non-current liabilities		1,445,600	1,282,860	1,994,741	1,186,983	306,299
Total liabilities	Before distribution	4,929,068	4,764,102	4,149,146	2,779,581	1,979,976
	After distribution	4,929,068	4,764,102	4,561,266	3,759,205	(Note)
Equity attributable to owners of parent		2,399,019	2,514,260	2,888,149	4,033,908	5,294,100
Share capital		2,224,918	2,272,994	2,416,360	2,449,060	2,671,290
Capital surplus		151,622	151,622	151,622	219,055	1,214,116
Retained earnings (cumulative losses)	Before distribution	61,822	173,146	488,368	1,569,656	1,650,450
	After distribution	13,746	29,780	76,248	590,032	(Note)
Other equity		(39,343)	(83,502)	(168,201)	(203,863)	(241,756)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,399,019	2,514,260	2,888,149	4,033,908	5,294,100
	After distribution	2,399,019	2,514,260	2,476,029	3,054,284	(Note)

Data source: CPA-audited financial statements

Note: The 2021 earnings distribution proposal has yet to be approved by the shareholders' meeting.

2. Condensed individual statement of comprehensive income

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

Item	Year	Financial data of the past five years (Note)				
		2017	2018	2019	2020	2021
Operating revenue		5,085,055	5,781,118	5,708,029	5,900,941	6,155,049
Gross profit		1,070,577	1,133,317	1,468,743	2,077,923	1,881,424
Operating profit		144,851	250,917	523,472	1,073,316	925,231
Non-operating income and expenditure		(70,914)	(44,349)	47,674	626,892	325,551
Pre-tax profit (loss)		73,937	206,568	571,146	1,700,208	1,250,782
Net income (loss) from continuing operations		52,359	160,339	464,682	1,487,228	1,062,266
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for the current period		52,359	160,339	464,682	1,487,228	1,062,266
Other comprehensive income for the current period (after-tax profit)		(67,909)	(45,098)	(90,793)	(29,482)	(39,741)
Total comprehensive income for the current period		(15,550)	115,241	373,889	1,457,746	1,022,525
Earnings per share		0.22	0.66	1.92	6.12	4.24

Note: CPA-audited financial statements

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

1. Names of auditing CPAs and their audit opinions

Year	Accounting firm	Certified Public Accountant	Review recommendations
2017	Deloitte and Touche Taiwan	Shu Wan Lin	Unqualified opinion
2018	Deloitte and Touche Taiwan	Shu Wan Lin, Benjamin Shih	Unqualified opinion
2019	Deloitte and Touche Taiwan	Shu Wan Lin, Benjamin Shih	Unqualified opinion
2020	Deloitte and Touche Taiwan	Shu Wan Lin, Hsiu-Ming Hsu	Unqualified opinion
2021	Deloitte and Touche Taiwan	Shu Wan Lin, Hsiu-Ming Hsu	Unqualified opinion

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

For the Company's plan to go public and apply for listing, the two CPAs Shu Wan Lin and Benjamin Shih had co-audited the financial statements since 2018 for compliance with legal requirements. Subsequently, due to the internal position adjustments in Deloitte and Touche Taiwan, the CPAs were changed to Shu Wan Lin and Lilac Shue since the second quarter of 2020.

II. Financial analysis for the last five years

Financial analysis - consolidated

Item	Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt-to-asset ratio	73.33	71.15	62.99	45.88	32.74
	Long-term capital to property, plant and equipment	82.40	88.35	124.49	160.75	183.02
Liquidity (%)	Current ratio	77.45	82.80	112.58	169.10	193.73
	Quick ratio	44.35	47.00	70.46	116.73	138.67
	Times interest earned ratio	297.96	608.20	1,596.32	5,731.89	8,897.65
Operating ability	Receivables turnover (times)	7.18	8.00	7.69	8.30	7.95
	Average days receivable	50.83	45.62	47.46	43.97	45.91
	Inventory turnover (times)	6.91	6.38	5.95	6.60	6.72
	Payables turnover (times)	5.50	5.34	6.22	9.45	9.81
	Average inventory turnover (days)	52.82	57.21	61.34	55.30	54.31
	Property, plant and equipment turnover (times)	2.24	2.57	2.51	2.77	3.08
	Total assets turnover (times)	1.19	1.30	1.25	1.31	1.28
Profitability	Return on assets (%)	1.13	2.40	6.10	19.62	13.98
	Return on equity (%)	2.41	7.17	17.37	42.60	22.72
	Pre-tax profit to paid-in capital ratio (%)	4.67	10.46	27.57	71.50	48.19
	Net margin (%)	0.55	1.53	4.56	14.79	10.83
	Earnings per share (NT\$)	0.22	0.66	1.92	6.12	4.24
Cash flows	Operating cash flow ratio (%)	9.18	8.07	29.28	94.13	54.73
	Cash flow adequacy ratio (%)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	149.97
	Cash flow reinvestment ratio (%)	6.44	5.20	10.20	20.52	2.78
Leverage	Operating leverage	6.02	2.56	1.65	1.29	1.34
	Financial leverage	2.16	1.19	1.06	1.02	1.01
Explanations for any financial ratio increase or decrease that reaches 20% in the last two years:						
1. Debt-to-asset ratio decrease: This mainly resulted from the continuous profitability in 2021 and the repayment of loans from banks that decreased the total debt. Furthermore, the cash capital						

- increase increased cash flow and the debt-to-asset ratio decreased accordingly.
2. Increase in times interest earned ratio: This resulted from the repayment of bank loans with profits in 2021 and cash capital increase which increased the times interest earned ratio.
 3. Decrease in return on assets: This resulted from the cash capital increase in 2021 which increased cash positions.
 4. Decrease of the return on equity and pre-tax profit to paid-in capital ratio: This resulted from the capital cash increase in 2021.
 5. Decrease in net margin and earnings per share: This resulted from the decrease in net profit after tax in 2021.
 6. Decrease in cash flow ratio and cash reinvestment ratio: This resulted from the increase in the cost of raw materials in 2021 which reduced profitability and reduced cash flow from operating activities.

Note 1: All financial statements were CPA-audited.

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

(II) Financial analysis – Individual

Item	Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt-to-asset ratio	67.26	65.46	58.96	40.80	27.22
	Long-term capital to property, plant and equipment	193.16	198.02	258.97	291.11	315.66
Liquidity (%)	Current ratio	71.51	73.43	100.35	92.81	102.99
	Quick ratio	57.70	58.53	81.67	60.44	78.06
	Times interest earned ratio	290.42	659.90	1,715.83	7,580.02	11,835.62
Operating ability	Receivables turnover (times)	6.00	6.17	6.53	7.48	6.78
	Average days receivable	60.83	59.15	55.89	48.79	53.83
	Inventory turnover (times)	8.81	9.55	9.40	9.51	10.2
	Payables turnover (times)	5.73	6.57	7.44	7.78	7.44
	Average inventory turnover (days)	41.43	38.21	38.82	38.38	35.78
	Property, plant and equipment turnover (times)	2.55	2.96	3.00	3.21	3.45
	Total assets turnover (times)	0.69	0.79	0.80	0.85	0.87
Profitability	Return on assets (%)	1.15	2.60	6.89	21.74	15.2
	Return on equity (%)	2.18	6.53	17.20	42.97	22.78
	Pre-tax profit to paid-in capital ratio (%)	3.32	9.09	23.64	69.42	46.82
	Net margin (%)	1.03	2.77	8.14	25.20	17.26
	Earnings per share (NT\$)	0.22	0.66	1.92	6.12	4.24
Cash flows	Operating cash flow ratio (%)	5.34	6.72	41.64	73.34	53.91

	Cash flow adequacy ratio (%)	(Note 2)	109.17	141.08	196.73	151.31
	Cash flow reinvestment ratio (%)	3.68	4.54	14.71	11.46	-1.09
Leverage	Operating leverage	2.10	1.62	1.40	1.19	1.21
	Financial leverage	1.37	1.17	1.07	1.02	1.01

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

1. Debt-to-asset ratio decrease: This resulted from the continuous profitability in 2021 and the repayment of loans from banks that decreased the total debt. Furthermore, the cash capital increase increased cash flow and the debt-to-asset ratio decreased accordingly.
2. Increase in quick ratio: This mainly resulted from the cash capital increase in 2021 which increased cash positions and caused the increase in current assets to be greater than the increase in current liabilities.
3. Increase in times interest earned ratio: This resulted from the profits in 2021 which increased the times interest earned ratio.
4. Decrease in return on assets: This resulted from the cash capital increase in 2021 which increased cash positions.
5. Decrease of the return on equity and pre-tax profit to paid-in capital ratio: This resulted from the capital cash increase in 2021.
6. Decrease in net margin and earnings per share: This resulted from the decrease in net profit after tax in 2021.
7. Decrease in cash flow ratio and cash reinvestment ratio: This resulted from the increase in the cost of raw materials in 2021 which reduced profitability and reduced cash flow from operating activities.
8. Increase in cash flow adequacy ratio: This resulted from the continuous profitability in 2021 and an increase in net operating cash flow in the last five years.

Note 1: All financial statements were CPA-audited.

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

Note 3: The calculation formulas in this table are the same with consolidated financial analysis.

The calculation formulas for the above are as follows:

1. Financial structure:

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

2. Liquidity:

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

3. Operating ability:

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

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

- (2) Average days receivable = 365 / receivables turnover.
- (3) Inventory turnover = Cost of goods sold / Average inventory.
- (4) Payable turnover (including accounts payable and notes payable from operations) = Cost of goods sold / Average balance of payables (including accounts payable and notes payable from operations).
- (5) Average inventory turnover (days) = 365 / inventory turnover.
- (6) Turnover of real estate properties, factories and equipment = net sales/average net amount of real estate properties, factories and equipment.
- (7) Asset turnover = Net sales/Average total assets.

4. Profitability:

- (1) Return on assets = [Net income + interest expenses x (1 – tax rate)] / Total assets.
- (2) ROE = Income after tax/Net average equity.
- (3) Net profit ratio = Income after tax/Net sales.
- (4) Earnings per share = (Income attributable to owner of parent - stock dividends of preferred stocks) / weighted average number of issued shares.

5. Cash flows:

- (1) Operating cash flow ratio = Net cash flow from operations / Current liabilities.
- (2) Cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year inventory increase + 5-year cash dividends).
- (3) Cash flow reinvestment ratio = (Net cash flow from operations – cash dividends) / (Gross fixed assets + long-term investments + other assets + working capital).

6. Leverage:

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

III. Audit Committee's Review Report

Yuen Foong Yu Consumer Products Co., Ltd

Audit Committee's Review Report

March 14, 2022

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to audit CPG's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Yuen Foong Yu Consumer Products Co., Ltd. According to relevant requirements of the Securities and Exchange Act and the Company Act, we hereby submit this report.

2022 Annual General Shareholders' Meeting

Chairman of the Audit Committee: Mei-Li Su

Handwritten signature of Mei-Li Su in black ink.

IV. Consolidated financial statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Yuen Foong Yu Consumer Products Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is as follows:

Valuation of Receivables

The Group has a large number of customers and its notes and accounts receivable are material in amount. When evaluating the impairment of receivables, the management estimated the 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 consolidated financial statements.

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

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

Other Matter

We have also audited the parent company only financial statements of Yuen Foong Yu Consumer Products Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, 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 14, 2022

Notice to Readers

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

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

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

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,645,437	21	\$ 1,231,266	16
Financial assets at amortized cost - current (Notes 4 and 7)	103,499	1	86,564	1
Notes and accounts receivable (Notes 4, 5, 8 and 16)	1,269,329	16	1,190,247	16
Accounts receivable from related parties (Notes 4, 16 and 25)	3,332	-	19,754	-
Other receivables from related parties (Note 25)	2,223	-	373	-
Inventories (Notes 4 and 9)	1,099,668	14	886,063	12
Other current assets (Note 25)	223,512	3	373,087	5
Total current assets	4,347,000	55	3,787,354	50
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 17 and 25)	3,114,280	39	3,298,154	44
Right-of-use assets (Notes 4, 12 and 17)	318,635	4	306,207	4
Deferred tax assets (Notes 4 and 18)	23,013	-	21,861	-
Other non-current assets	140,739	2	127,971	2
Total non-current assets	3,596,667	45	3,754,193	50
TOTAL	\$ 7,943,667	100	\$ 7,541,547	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 37,000	-	\$ 77,000	1
Short-term bills payable (Note 13)	149,990	2	-	-
Notes and accounts payable	492,114	6	431,154	6
Accounts payable to related parties (Note 25)	236,683	3	309,786	4
Other payables	982,708	12	1,028,712	14
Other payables to related parties (Note 25)	47,114	1	29,814	-
Current tax liabilities (Notes 4 and 18)	148,399	2	256,032	3
Lease liabilities - current (Notes 4, 12 and 25)	51,296	1	42,052	1
Other current liabilities (Note 16)	98,526	1	65,199	1
Total current liabilities	2,243,830	28	2,239,749	30
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 13)	57,900	1	922,180	12
Deferred tax liabilities (Notes 4 and 18)	57,146	1	57,455	1
Lease liabilities - non-current (Notes 4, 12 and 25)	187,322	2	180,357	2
Net defined benefit liabilities (Notes 4 and 14)	16,679	-	22,047	-
Other non-current liabilities	38,203	1	38,139	1
Total non-current liabilities	357,250	5	1,220,178	16
Total liabilities	2,601,080	33	3,459,927	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	2,671,290	34	2,449,060	32
Capital surplus	1,214,116	15	219,055	3
Retained earnings				
Legal reserve	225,589	3	76,248	1
Special reserve	203,863	3	-	-
Unappropriated earnings	1,220,998	15	1,493,408	20
Total retained earnings	1,650,450	21	1,569,656	21
Other equity	(241,756)	(3)	(203,863)	(3)
Total equity attributable to owners of the Company	5,294,100	67	4,033,908	53
NON-CONTROLLING INTERESTS	48,487	-	47,712	1
Total equity	5,342,587	67	4,081,620	54
TOTAL	\$ 7,943,667	100	\$ 7,541,547	100

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET SALES (Notes 4, 16 and 25)	\$ 9,890,353	100	\$ 10,147,738	100
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 25)	<u>(7,209,860)</u>	<u>(73)</u>	<u>(6,911,622)</u>	<u>(68)</u>
GROSS PROFIT	<u>2,680,493</u>	<u>27</u>	<u>3,236,116</u>	<u>32</u>
OPERATING EXPENSES (Notes 4, 14, 17 and 25)				
Selling and marketing	(1,007,676)	(10)	(1,159,506)	(11)
General and administrative	(388,004)	(4)	(468,511)	(5)
Research and development	<u>(47,548)</u>	<u>-</u>	<u>(62,129)</u>	<u>(1)</u>
Total operating expenses	<u>(1,443,228)</u>	<u>(14)</u>	<u>(1,690,146)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>1,237,265</u>	<u>13</u>	<u>1,545,970</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4, 17 and 25)	(14,632)	-	(31,093)	-
Interest income (Notes 4 and 25)	24,664	-	9,766	-
Other income (Note 25)	20,672	-	26,277	-
Gain (loss) on disposal of property, plant and equipment (Note 4)	2,294	-	(134,933)	(1)
Gain on disposal of investments (Note 22)	1,763	-	356,826	4
Other expenses (Note 11)	(3,605)	-	(71,103)	(1)
Foreign exchange gain (Notes 4 and 27)	<u>18,851</u>	<u>-</u>	<u>49,413</u>	<u>-</u>
Total non-operating income and expenses	<u>50,007</u>	<u>-</u>	<u>205,153</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,287,272	13	1,751,123	17
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(216,575)</u>	<u>(2)</u>	<u>(250,430)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,070,697</u>	<u>11</u>	<u>1,500,693</u>	<u>15</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	(2,310)	-	7,725	-
Tax effect of items that will not be reclassified (Notes 4 and 18)	<u>462</u>	<u>-</u>	<u>(1,545)</u>	<u>-</u>
	<u>(1,848)</u>	<u>-</u>	<u>6,180</u>	<u>-</u>

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ (37,893)	(1)	\$ (35,783)	(1)
Other comprehensive loss for the year, net of income tax	<u>(39,741)</u>	<u>(1)</u>	<u>(29,603)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,030,956</u>	<u>10</u>	<u>\$ 1,471,090</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,062,266	11	\$ 1,487,228	15
Non-controlling interests	<u>8,431</u>	<u>-</u>	<u>13,465</u>	<u>-</u>
	<u>\$ 1,070,697</u>	<u>11</u>	<u>\$ 1,500,693</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,022,525	10	\$ 1,457,746	14
Non-controlling interests	<u>8,431</u>	<u>-</u>	<u>13,344</u>	<u>-</u>
	<u>\$ 1,030,956</u>	<u>10</u>	<u>\$ 1,471,090</u>	<u>14</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 4.24</u>		<u>\$ 6.12</u>	
Diluted	<u>\$ 4.23</u>		<u>\$ 6.09</u>	

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Equity Attributable Owners of the Company (Notes 15 and 20)							Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total	Non-controlling Interests (Notes 15 and 20)	Total Equity
	Share Capital Shares (In Thousands)	Amount	Capital Surplus (Note 4)	Retained Earnings (Note 15)			Total				
				Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2020	241,636	\$ 2,416,360	\$ 151,622	\$ 29,780	\$ -	\$ 458,588	\$ 488,368	\$ (168,201)	\$ 2,888,149	\$ 74,922	\$ 2,963,071
Appropriation of 2019 earnings											
Legal reserve appropriated	-	-	-	46,468	-	(46,468)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(412,120)	(412,120)	-	(412,120)	-	(412,120)
Net income for the year ended December 31, 2020	-	-	-	-	-	1,487,228	1,487,228	-	1,487,228	13,465	1,500,693
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	6,180	6,180	(35,662)	(29,482)	(121)	(29,603)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,493,408	1,493,408	(35,662)	1,457,746	13,344	1,471,090
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary (Note 20)	-	-	4,859	-	-	-	-	-	4,859	(34,900)	(30,041)
Share-based payment transactions	3,270	32,700	62,574	-	-	-	-	-	95,274	108	95,382
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(5,762)	(5,762)
BALANCE AT DECEMBER 31, 2020	244,906	2,449,060	219,055	76,248	-	1,493,408	1,569,656	(203,863)	4,033,908	47,712	4,081,620
Appropriation of 2020 earnings											
Legal reserve appropriated	-	-	-	149,341	-	(149,341)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	203,863	(203,863)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(979,624)	(979,624)	-	(979,624)	-	(979,624)
Net income for the year ended December 31, 2021	-	-	-	-	-	1,062,266	1,062,266	-	1,062,266	8,431	1,070,697
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	-	-	(1,848)	(1,848)	(37,893)	(39,741)	-	(39,741)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,060,418	1,060,418	(37,893)	1,022,525	8,431	1,030,956
Issuance of ordinary shares for cash	20,717	207,170	924,154	-	-	-	-	-	1,131,324	-	1,131,324
Share-based payment transactions	1,506	15,060	70,907	-	-	-	-	-	85,967	37	86,004
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,693)	(7,693)
BALANCE AT DECEMBER 31, 2021	267,129	\$ 2,671,290	\$ 1,214,116	\$ 225,589	\$ 203,863	\$ 1,220,998	\$ 1,650,450	\$ (241,756)	\$ 5,294,100	\$ 48,487	\$ 5,342,587

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,287,272	\$ 1,751,123
Adjustments for:		
Depreciation expenses	416,934	447,429
Amortization expenses	2,433	4,819
Expected credit loss (reversed) recognized on accounts receivable	(784)	856
Finance costs	14,632	31,093
Interest income	(24,664)	(9,766)
Share-based compensation expense	7,692	46,332
(Gain) loss on disposal of property, plant and equipment	(2,294)	134,933
Gain on disposal of investments	(1,763)	(356,826)
Impairment loss on non-financial assets	1,042	4,780
Gain from lease modification	(30)	-
Write-downs of inventories	4,008	15,469
Unrealized loss (gain) on foreign currency exchange	143	(13,838)
Changes in operating assets and liabilities		
Notes and accounts receivable	(84,185)	23,924
Accounts receivable from related parties	16,333	(52,177)
Other receivables from related parties	(1,888)	(4,522)
Inventories	(220,006)	159,117
Other current assets	143,498	(121,351)
Notes and accounts payable	61,690	(37,799)
Accounts payable to related parties	(68,711)	53,103
Other payables	(53,727)	156,730
Other payables to related parties	19,760	(1,046)
Other current liabilities	34,027	51,234
Net defined benefit liabilities	(7,678)	(2,433)
Cash generated from operations	1,543,734	2,281,184
Interest received	24,676	10,529
Interest paid	(15,237)	(32,984)
Income tax paid	(325,211)	(150,446)
Net cash generated from operating activities	<u>1,227,962</u>	<u>2,108,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Acquisition) disposal of financial assets at amortized cost	(19,741)	161,108
Net cash (outflow) inflow from disposal of subsidiary (Note 22)	(133)	749,344
Payments for property, plant and equipment	(189,444)	(181,838)
Proceeds from disposal of property, plant and equipment	6,018	32,254
Decrease in other receivables from related parties	-	443,313
(Increase) decrease in other non-current assets	(3,333)	10,950
Net cash (used in) generated from investing activities	<u>(206,633)</u>	<u>1,215,131</u>

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (40,000)	\$ (748,000)
Increase (decrease) in short-term bills payable	150,000	(200,000)
Repayments of long-term borrowings	(864,280)	(765,820)
Increase (decrease) in other non-current liabilities	1,595	(7,747)
(Decrease) increase in other payables to related parties	(2,330)	155
Repayment of the principal portion of lease liabilities	(49,289)	(60,771)
Distribution of cash dividends	(979,624)	(412,120)
Issuance of ordinary shares for cash	1,131,324	-
Employee stock options	78,312	49,050
Acquisition of interests in subsidiaries (Note 20)	-	(30,041)
Decrease in non-controlling interests	<u>(7,693)</u>	<u>(5,762)</u>
Net cash used in financing activities	<u>(581,985)</u>	<u>(2,181,056)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(25,173)</u>	<u>(24,955)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	414,171	1,117,403
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,231,266</u>	<u>113,863</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,645,437</u>	<u>\$ 1,231,266</u>

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

(Concluded)

V. Individual financial statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 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 the impairment of receivables, the management estimated the 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 7 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year ended December 31, 2021, 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 14, 2022

Notice to Readers

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

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 292,806	4	\$ 60,305	1
Notes and accounts receivable (Notes 4, 7 and 15)	780,267	11	672,709	10
Accounts receivable from related parties (Notes 4, 15 and 22)	191,213	3	169,810	3
Other receivables from related parties (Note 22)	8,551	-	32,148	-
Inventories (Notes 4 and 8)	383,331	5	357,581	5
Other current assets	67,608	1	185,598	3
Total current assets	1,723,776	24	1,478,151	22
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 9)	3,536,730	49	3,324,844	49
Property, plant and equipment (Notes 4, 10 and 22)	1,774,196	24	1,793,435	26
Right-of-use assets (Notes 4 and 11)	177,418	2	180,236	3
Deferred tax assets (Notes 4 and 17)	13,717	-	14,240	-
Other non-current assets	48,239	1	22,583	-
Total non-current assets	5,550,300	76	5,335,338	78
TOTAL	\$ 7,274,076	100	\$ 6,813,489	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bills payable (Note 12)	\$ 149,990	2	\$ -	-
Notes and accounts payable	287,044	4	217,151	3
Accounts payable to related parties (Note 22)	308,382	4	335,623	5
Other payables	714,737	10	744,145	11
Other payables to related parties (Note 22)	3,233	-	3,455	-
Current tax liabilities (Notes 4 and 17)	128,470	2	236,656	3
Lease liabilities - current (Notes 4 and 11)	41,384	1	32,648	1
Other current liabilities (Note 15)	40,437	-	22,920	-
Total current liabilities	1,673,677	23	1,592,598	23
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 12)	57,900	1	922,180	14
Deferred tax liabilities (Notes 4 and 17)	57,146	1	57,133	1
Lease liabilities - non-current (Notes 4 and 11)	138,412	2	149,461	2
Net defined benefit liabilities (Notes 4 and 13)	16,679	-	22,047	-
Other non-current liabilities	36,162	-	36,162	1
Total non-current liabilities	306,299	4	1,186,983	18
Total liabilities	1,979,976	27	2,779,581	41
EQUITY (Notes 4 and 14)				
Share capital				
Ordinary shares	2,671,290	37	2,449,060	36
Capital surplus	1,214,116	17	219,055	3
Retained earnings				
Legal reserve	225,589	3	76,248	1
Special reserve	203,863	3	-	-
Unappropriated earnings	1,220,998	17	1,493,408	22
Total retained earnings	1,650,450	23	1,569,656	23
Other equity	(241,756)	(4)	(203,863)	(3)
Total equity	5,294,100	73	4,033,908	59
TOTAL	\$ 7,274,076	100	\$ 6,813,489	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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET SALES (Notes 4, 15 and 22)	\$ 6,155,049	100	\$ 5,900,941	100
COST OF GOODS SOLD (Notes 4, 8, 13, 16 and 22)	<u>(4,273,625)</u>	<u>(69)</u>	<u>(3,823,018)</u>	<u>(65)</u>
GROSS PROFIT	<u>1,881,424</u>	<u>31</u>	<u>2,077,923</u>	<u>35</u>
OPERATING EXPENSES (Notes 4, 13, 16 and 22)				
Selling and marketing	(670,615)	(11)	(692,388)	(12)
General and administrative	(253,308)	(4)	(274,426)	(5)
Research and development	<u>(32,270)</u>	<u>(1)</u>	<u>(37,793)</u>	<u>-</u>
Total operating expenses	<u>(956,193)</u>	<u>(16)</u>	<u>(1,004,607)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>925,231</u>	<u>15</u>	<u>1,073,316</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 16)	(10,658)	-	(22,730)	-
Share of profit of subsidiaries (Notes 4 and 9)	327,953	5	642,810	11
Interest income (Notes 4 and 22)	111	-	8,898	-
Other income (Note 22)	9,251	-	7,293	-
Gain (loss) on disposal of property, plant and equipment (Note 4)	281	-	(909)	-
Foreign exchange loss (Note 4)	(41)	-	(7,600)	-
Other expenses (Note 10)	<u>(1,346)</u>	<u>-</u>	<u>(870)</u>	<u>-</u>
Total non-operating income and expenses	<u>325,551</u>	<u>5</u>	<u>626,892</u>	<u>11</u>
PROFIT BEFORE INCOME TAX	1,250,782	20	1,700,208	29
INCOME TAX EXPENSE (Notes 4 and 17)	<u>(188,516)</u>	<u>(3)</u>	<u>(212,980)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>1,062,266</u>	<u>17</u>	<u>1,487,228</u>	<u>25</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 13)	\$ (2,310)	-	\$ 7,725	-
Tax effect of items that will not be reclassified (Notes 4 and 17)	462	-	(1,545)	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries	<u>(37,893)</u>	<u>-</u>	<u>(35,662)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(39,741)</u>	<u>-</u>	<u>(29,482)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,022,525</u>	<u>17</u>	<u>\$ 1,457,746</u>	<u>25</u>
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 4.24</u>		<u>\$ 6.12</u>	
Diluted	<u>\$ 4.23</u>		<u>\$ 6.09</u>	

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

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus (Note 4)	Retained Earnings (Note 14)			Total	Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	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)
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
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	4,859	-	-	-	-	-	4,859
Share-based payment transactions	3,270	32,700	62,574	-	-	-	-	-	95,274
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
Appropriation of 2020 earnings									
Legal reserve appropriated	-	-	-	149,341	-	(149,341)	-	-	-
Special reserve appropriated	-	-	-	-	203,863	(203,863)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(979,624)	(979,624)	-	(979,624)
Net income for the year ended December 31, 2021	-	-	-	-	-	1,062,266	1,062,266	-	1,062,266
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	(1,848)	(1,848)	(37,893)	(39,741)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,060,418	1,060,418	(37,893)	1,022,525
Issuance of ordinary shares for cash	20,717	207,170	924,154	-	-	-	-	-	1,131,324
Share-based payment transactions	1,506	15,060	70,907	-	-	-	-	-	85,967
BALANCE AT DECEMBER 31, 2021	267,129	\$ 2,671,290	\$ 1,214,116	\$ 225,589	\$ 203,863	\$ 1,220,998	\$ 1,650,450	\$ (241,756)	\$ 5,294,100

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,250,782	\$ 1,700,208
Adjustments for:		
Expected credit loss reversed on accounts receivable	(54)	-
Depreciation expenses	198,770	205,195
Finance costs	10,658	22,730
Interest income	(111)	(8,898)
Share-based compensation expense	6,622	29,457
Share of profit of subsidiaries	(327,953)	(642,810)
(Gain) loss on disposal of property, plant and equipment	(281)	909
Write-downs (reversal of write-downs) of inventories	571	(11,790)
Unrealized gain on foreign currency exchange	(125)	(37,775)
Impairment loss on non-financial assets	760	724
Gain from lease modification	(41)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	(107,484)	20,995
Accounts receivable from related parties	(21,403)	(127,684)
Other receivables from related parties	23,741	(31,354)
Inventories	(26,321)	(8,191)
Other current assets	117,990	(85,051)
Notes and accounts payable	69,943	20,160
Accounts payable to related parties	(27,210)	102,228
Other payables	(48,941)	80,345
Other payables to related parties	(220)	(2,911)
Other current liabilities	17,517	13,699
Net defined benefit liabilities	<u>(7,678)</u>	<u>(2,433)</u>
Cash generated from operations	1,129,532	1,237,753
Interest received	111	15,068
Dividends received	79,063	40,969
Interest paid	(10,713)	(23,415)
Income tax paid	<u>(295,704)</u>	<u>(102,322)</u>

Net cash generated from operating activities	<u>902,289</u>	<u>1,168,053</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at amortized cost	-	160,728
Payments for property, plant and equipment	(147,378)	(141,091)
Proceeds from disposal of property, plant and equipment	281	9,131
Decrease in other receivables from related parties	-	812,438
(Increase) decrease in other non-current assets	<u>(1,047)</u>	<u>8,127</u>
Net cash (used in) generated from investing activities	<u>(148,144)</u>	<u>849,333</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ -	\$ (600,000)
Increase (decrease) in short-term bills payable	150,000	(200,000)
Repayments of long-term borrowings	(864,280)	(765,820)
Increase in other non-current liabilities	-	1,044
Repayment of the principal portion of lease liabilities	(37,376)	(45,426)
Distribution of cash dividends	(979,624)	(412,120)
Employee stock options exercised	78,312	49,050
Issuance of ordinary shares for cash	1,131,324	-
Acquisition of interests in subsidiaries	<u>-</u>	<u>(30,041)</u>
Net cash used in financing activities	<u>(521,644)</u>	<u>(2,003,313)</u>
NET INCREASE IN CASH	232,501	14,073
CASH AT THE BEGINNING OF THE YEAR	<u>60,305</u>	<u>46,232</u>
CASH AT THE END OF THE YEAR	<u>\$ 292,806</u>	<u>\$ 60,305</u>

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

(Concluded)

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



Chapter 7. Financial Position, Financial Performance and Risk Analysis

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Financial Position, Financial Performance and Risk Analysis

I. Financial comparison analysis

Unit: NT\$1,000; %

Item	2020	2021	Difference	
			Increase (decrease) in amount	Change (%)
Current assets	3,787,354	4,347,000	559,646	14.78%
Property, plant and equipment	3,298,154	3,114,280	(183,874)	-5.58%
Intangible assets	-	-	-	-
Other non-current assets	456,039	482,387	26,348	5.78%
Total assets	7,541,547	7,943,667	402,120	5.33%
Current liabilities	2,239,749	2,243,830	4,081	0.18%
Non-current liabilities	1,220,178	357,250	(862,928)	-70.72%
Total liabilities	3,459,927	2,601,080	(858,847)	-24.82%
Share capital	2,449,060	2,671,290	222,230	9.07%
Capital surplus	219,055	1,214,116	995,061	454.25%
Retained earnings	1,569,656	1,650,450	80,794	5.15%
Other equity	(203,863)	(241,756)	(37,893)	18.59%
Total equity	4,081,620	5,342,587	1,260,967	30.89%
Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)				
1. Non-current liabilities: This mainly resulted from repayment of long-term loans.				
2. Capital surplus: This mainly resulted from share issue premium for cash capital increase and the issuance of employee stock options.				
3. Total equity: This mainly resulted from cash capital increase and increased profit.				

II. Financial Performance Review and Analysis - Consolidated

Unit: NT\$1,000; %

Item	2020	2021	Difference	
			Increase (decrease) in amount	Change (%)
Operating revenue	10,147,738	9,890,353	(257,385)	-2.54%
Operating costs	6,911,622	7,209,860	298,238	4.32%
Gross profit	3,236,116	2,680,493	(555,623)	-17.17%
Operating expenses	1,690,146	1,443,228	(246,918)	-14.61%
Net operating profit	1,545,970	1,237,265	(308,705)	-19.97%
Non-operating income and expenditure	205,153	50,007	(155,146)	-75.62%
Pre-tax profit	1,751,123	1,287,272	(463,851)	-26.49%
Income tax expense	250,430	216,575	(33,855)	-13.52%
Net profit for the current period	1,500,693	1,070,697	(429,996)	-28.65%
Total comprehensive income for the current period	1,471,090	1,030,956	(440,134)	-29.92%
<p>Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)</p> <p>1. Non-operating income and expenditure: This mainly resulted from gain on disposal of sales of 100% of the shares of Yuen Foong Yu Family Paper (Beijing) Co., Ltd. in 2020.</p> <p>2. Pre-tax profit, Net profit for the current period, Total comprehensive income for the current period: This mainly resulted from profit impacted from the increase of raw material in 2021 and gain on disposal of sales of 100% of the shares of Yuen Foong Yu Family Paper (Beijing) Co., Ltd.</p>				

III. Cash flow analysis

Unit: NT\$1,000

Cash balance, beginning	Net cash flow from operating activities	Net cash flow input (output) from other activities	Cash balance, end	Liquidity contingency plan	
				Investment plan	Financial planning
\$1,231,266	\$1,227,962	(\$813,791)	\$1,645,437	-	-

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

- (1) Cash flow from operating activities: Mainly due to cash inflow from operational profit.
- (2) Cash flow from other activities: Investing activities mainly consisted of the annual capital expenditure on the upgrading and maintenance of relevant equipment. Financing activities mainly consisted of distribution of cash dividend and repayment of loans to financial institutions.

(II) Improvement plans for inadequate liquidity: N/A.

(III) Cash flow analysis for the coming year:

- (1) Cash flow from operating activities: The industry development is anticipated to be stable and the Company can maintain a steady operating cash inflow.
- (2) Cash flow from investment activities: Mainly consisted of the annual capital expenditure on the upgrading and maintenance of relevant equipment.
- (3) Cash flow from financial activities: Bank loans and repayments are arranged based on the cash flows from overall operating and investing activities.

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

- (I) To implement energy transition and pay attention to environmental protection, we will invest the 2nd-phase solar power generation in Chin Shui plant and improve operation efficiency and control emissions of boilers when replace fossil fuel with solid Solid Recovered Fuel (SRF) to meet high-standard control point.
- (II) To create safety workplace environment, increase capacity, and improve quality control, we continuously replace old production equipment and upgrade to automatic converting system.

Working capitals for capital expenditures are sourced from the Company's

funds and bank loans. This year and last year's interest expenditures were the same and therefore did not generate a material impact on the Company's finance.

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

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

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

The main reason for the profitability of the Company's investments in other businesses accounted for under the equity method in 2021 was the increased demand for products and appropriate cost control measures.

Unit: NT\$1,000

Name of the invested enterprise	Gain/loss on investments - 2021
Yuen Foong Yu Consumer Products Investment Limited	228,160
Ever Growing Agriculture Bio-tech Co., Ltd.	52,406
Yuen Foong Shop Co., Ltd.	47,387
YFY Investment Co., Ltd.	210,713
YFY Family Care (Kunshan) Co., Ltd.	14,678
YFY Consumer Products (Yangzhou) Co., Ltd.	13,158
YFY International Trading (Shanghai) Co. (note)	666

Note: Sold on August 2021.

(II) Investment plan in the coming year: In the future, the Company shall continue to conduct prudent assessments of investment projects accounted for under the equity method based on the principle of long-term strategic goals.

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

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

Unit: NT\$1,000; %

Item / year	2020	2021
Total operating revenues	10,147,738	9,890,353
Pre-tax profit	1,751,123	1,287,272
Net interest income (expense)	(21,327)	10,032
Ratio of interest income (expense) to operating revenue	(0.21)	0.10
Ratio of interest income (expense) to pre-tax profit	(1.22)	0.78
Net foreign exchange gains (losses)	49,413	18,851
Ratio of foreign exchange gains (losses) to operating revenue	0.49	0.19
Ratio of foreign exchange gains (losses) to pre-tax profit	2.82	1.46

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

The Company's ratios of net interest income (expense) to operating revenue for 2020 and 2021 were (0.21)% and 0.1%. The ratios of interest income (expense) to pre-tax profit were (1.22)% and 0.78% respectively. The effect on profit and loss was limited. The interest expenses were mainly interests of loans from financial institutions. In order to reduce the effect of interest rate changes on the Company, the Company not only pays close attention to global economy development and interest rate changes but also maintain good relationships with financial institutions in order to obtain better interest rates. The Company is also prepared to adopt response measures at any time. Taking into account future development and capital needs, the Company will also evaluate the costs of various capital sources and choose the appropriate financing method to respond to the needs for growth. In summary, interest rate changes shall not have significant influences on the Company's profit and loss.

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

The Company's ratios of foreign exchange gains (losses) to operating revenue for 2020 and 2021 were 0.49% and 0.19%. The ratio of foreign exchange

gains (losses) to pre-tax profit were 2.82% and 1.46% respectively. The effect on profit and loss was limited. The Company continues to observe the trends in exchange rate changes and adjusts the foreign exchange position in spot markets and uses natural hedges to cancel out the exchange risks in receivables and payables to reduce the impact of exchange rate fluctuations. In summary, exchange rate changes shall not have significant influences on the Company's profit and loss.

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

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

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

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

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

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

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

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

(1) Future R&D Plans

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

- A. Healthy and natural: For paper products, functional products shall be developed. For cleaning products, natural anti-bacterial and pandemic prevention products shall be upgraded and product categories shall be expanded to include personal cleaning products and household pandemic prevention products.
- B. Green opportunities and environmental sustainability: Research and develop green products; Develop green and environmentally friendly packaging materials. In terms of cleaning products, we use concentration technology to reduce the use of water resources, reduce wastewater discharge in the production process, and use raw materials from renewable sources (plants, fermentation, paper packaging, etc.) to achieve environmental sustainability.
- C. High-performance cleaning and active protection: We developed special active protection technology and its effectiveness and efficiency can be maintained in all systems to provide comprehensive cleaning effectiveness.

(2) R&D expenditure to be invested

The Company plans to invest approximately NT\$64,589 thousand for R&D in 2022. In the future, R&D expenditure to be invested shall be budgeted based on the progress of the development of new products and technologies. With the ever-changing consumer needs, the Company will gradually increase the R&D expenditure to support future R&D plans and to accelerate the R&D and launching of new products. In addition to the procurement and R&D of relevant software and hardware, the Company will also continue to recruit R&D talents with abundant experience and creativity to enhance the R&D capacity and, in turn, the Company's competitive edge.

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

The Company conducts operation in compliance with government policies and laws at home and broad, pays close attention to the trends and changes in government policies and laws at home and abroad to fully understand changes in the market environment,

and actively brings forth response measures. Up to the print date, the Company has not been significantly impacted in finances or business due to government policies and laws at home and abroad.

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

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

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

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

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

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

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

(1) Sales

The Company's main clients are hypermarket chains, supermarket chains and e-Commerce platforms. In the last two years, the sales percentage to the biggest client has not exceeded 23%; therefore, there were no concentrated sales.

(2) Procurement

In the last two years, the Company's procurement from the biggest supplier has not exceeded 20%. The procurement sources were relatively spread out and there

was no risk of concentrated procurement. In addition, the Company maintains good and stable collaborative relationship with all suppliers to ensure the stable supply of main raw materials.

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

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

- (XI) Impact of control transfer, associated risks and response measures: N/A.
(XII) Litigation or non-litigation events: N/A.
(XIII) Other significant risks and response measures: N/A.

VII. Other material disclosures: N/A.



Chapter 8. Special Disclosures

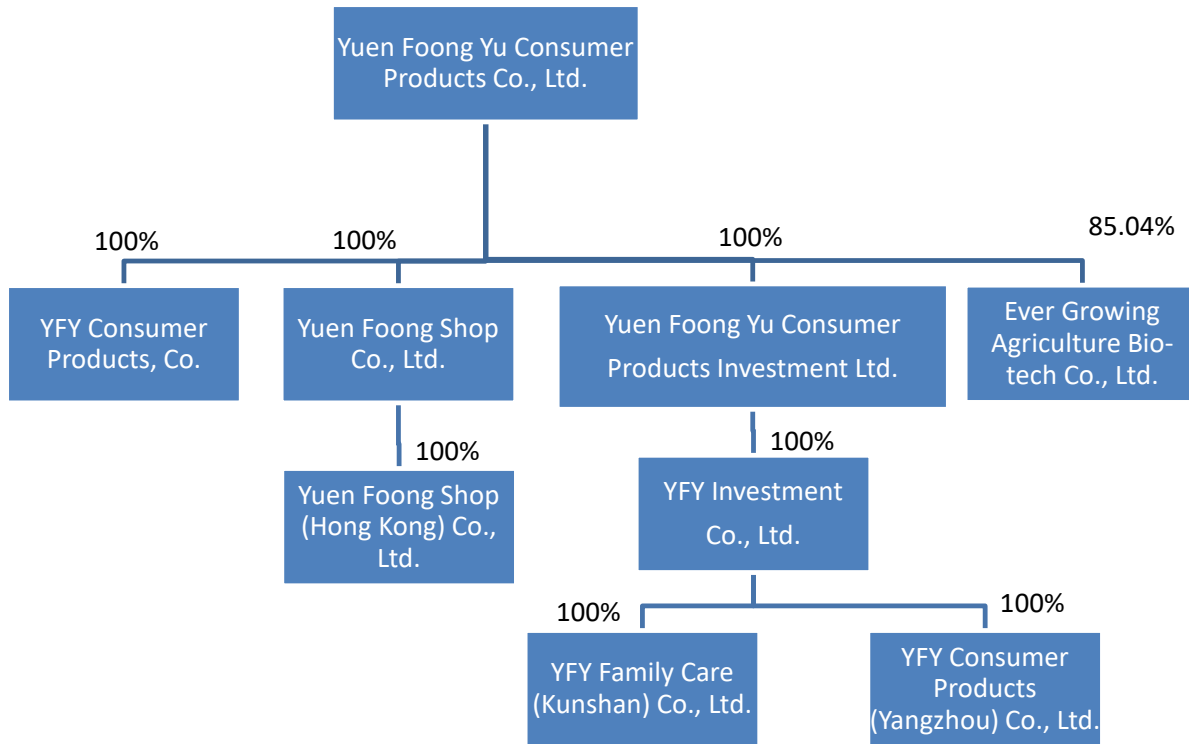
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Special disclosures

I. Information of Affiliates

(I) Organization chart of affiliates

December 31, 2021



(II) Basic information of the various affiliated enterprises

December 31, 2021; Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
Ever Growing Agriculture Bio-tech Co., Ltd.	1999/11/27	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	214,557	Manufacturing and wholesale of agricultural services, fertilizers and cleaning products.
Yuen Foong Shop Co., Ltd.	2014/09/19	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	50,000	E-commerce of selling consumer products
Yuen Foong Shop (Hong Kong) Co., Ltd.	2017/03/24	Rm 1702, Sino Centre, 582-592 Nathan Rd., MK, Kln. HK	HKD 0	General trade
YFY Consumer Products Investment Ltd.	2004/11/08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 150,013	General investment.
YFY Investment Co., Ltd.	2008/11/26	Rm. 301, 3F, Honghui Xinhui Garden, No. 6, Alley 4718, Gonghexin Rd., Jing'an District, Shanghai	USD 115,000	General investment and trading of paper products
YFY Family Care (Kunshan) Co., Ltd.	2004/12/28	No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu	USD 30,000	Production and sales of toilet paper, paper towels and napkins
YFY Consumer Products (Yangzhou) Co., Ltd.	2011/11/18	No. 168, Chuen Jiang Rd., Economic Development Park, Yuangzhou, Jiangsu	USD 30,000	Production and sales of toilet paper, paper towels and napkins
YFY Consumer Products, CO.	2021/01/22	8 The Green, STE A, Dover, DE 19901, United States	USD 0	IP management, on-line FMCG sales, FMCG franchise

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

December 31, 2021; Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Ever Growing Agriculture Bio-tech Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	18,245,944	85.0
	Director	Myra Kuo (Representative of YFY Consumer Products Co., Ltd.)	3,209,775	15.0
	Supervisor	Thomas Hsu (Representative of YFY Consumer Products Co., Ltd.)		
	President	Pao-Yu Hsieh (Representative of Cheng Yu Co., Ltd.) Myra Kuo		
Yuen Foong Shop Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	5,000,000	100.0
	Director	Thomas Hsu (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Sky Liu (Representative of YFY Consumer Products Co., Ltd.)		
	Supervisor	Daphne Chen (Representative of YFY Consumer Products Co., Ltd.)		
	President	Sky Liu		
Yuen Foong Shop (Hong Kong) Co., Ltd.	Director	Yuen Foong Shop Co., Ltd.	-	-
Yuen Foong Yu Consumer Products Investment Ltd.	Director	Felix Ho	-	-
	Director	Wei Li Tsai		
YFY Investment Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Investment Ltd.)	Capital Contribution USD115,000,000	100.0
	Director	Ronald Lee (Representative of YFY Consumer Products Investment Ltd.)		
	Director	K. T. Yin (Representative of YFY Consumer Products Investment Ltd.)		
	Supervisor	Daphne Chen (Representative of YFY Consumer Products Investment Ltd.)		
	President	Ronald Lee		
YFY Family Care (Kunshan) Co., Ltd.	Chairman	Ronald Lee (Representative of Yuen Foong Yu Investment Holding Co., Ltd.)	Capital Contribution	100.0
	Director			

	Director Supervisor President	Shih-Yang Tseng (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ming-Fa Tang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Daphne Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ronald Lee	USD 30,000,000	
YFY Consumer Products (Yangzhou) Co., Ltd.	Chairman Director Director Supervisor President	Ronald Lee (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shih-Yang Tseng (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ming-Fa Tang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Daphne Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ronald Lee	Capital Contribution USD 30,000,000	100.0
YFY Consumer Products, CO.	Director Director Director	Felix Ho Thomas Hsu Daphne Chen	-	-

(IV) Financial and operational overview of affiliated companies

2021 Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after taxes)
Ever Growing Agriculture Bio-tech Co., Ltd.	214,557	501,984	177,870	324,114	372,153	70,233	56,356	2.63
Yuen Foong Shop Co., Ltd.	50,000	422,657	322,462	100,195	1,344,023	52,639	44,738	8.95
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	-	-	-	-	-	-	-
YFY Consumer Products, CO.	-	-	-	-	-	-	-	-
YFY Consumer Products Investment Ltd.	4,152,360	3,178,718	-	3,178,718	-	-	228,160	1.52
YFY Investment Co., Ltd.	3,243,479	3,676,541	1,433,758	2,242,783	4,683,871	141,280	210,713	-
YFY Family Care (Kunshan) Co., Ltd.	985,048	353,626	76,738	276,888	628,838	10,542	14,039	-
YFY Consumer Products (Yangzhou) Co., Ltd.	805,313	1,638,156	483,259	1,154,897	1,995,253	19,786	13,158	-

(V) Consolidated financial statements of various affiliated enterprises

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2021.

Very truly yours,

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

By Felix Ho

March 14, 2022

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

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Past year and Up to the Print Date of the Annual Report: N/A

IV. Other necessary supplements: N/A

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



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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% of the shares of the Company) in October 1986. In order to comply with the listing rules and regulations, YFY Inc. held 59.14% of the Company’s shares as of December 31, 2021. The Company was renamed as Yuen Foong Yu Consumer Products Co., Ltd. in May 2006. In line with YFY Inc.’s operating strategy to carry out integration, the Company acquired assets, liabilities and business of the household products division that was split from YFY Inc., in accordance with the Mergers and Acquisitions Act in October 2007. The Company’s 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 the Company became a listed company on the emerging stock market on October 27, 2020. The Company’s shares ceased trading on the emerging stock market and have been listed on the Taiwan Stock Exchange (TWSE) since September 29, 2021.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 10, 2022.

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 a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

Financial assets held by the Group are classified as financial assets at amortized cost.

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

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

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

k. Leases

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

1) The Group as lessor

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

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

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

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

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

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

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

l. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Employee share options

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

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

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

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

The grant date of issued ordinary shares which are reserved for employees is the date on which the number of shares that the employees can purchase is confirmed.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

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 Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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 on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in 2021 due to the impact on credit risk of financial assets arising from the uncertainty of the COVID-19 pandemic and volatility in the financial markets.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 1,026	\$ 1,130
Checking accounts and demand deposits	614,455	461,224
Cash equivalents (Time deposits with original maturities of three months or less)		
Time deposits	922,956	656,912
Repurchase agreements collateralized by bonds	<u>107,000</u>	<u>112,000</u>
	<u>\$ 1,645,437</u>	<u>\$ 1,231,266</u>

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

	December 31	
	2021	2020
Cash equivalents	0.26%-2.1%	0.20%-2.03%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
Time deposits with original maturities between three months and a year	<u>\$ 103,499</u>	<u>\$ 86,564</u>

The interest rate ranges of time deposits with original maturities between three months and a year as of December 31, 2021 and 2020 were 0.26%-2.10% and 0.40%-1.40%, respectively.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
Notes receivable - operating	\$ 48,207	\$ 73,864
Accounts receivable - operating	1,222,027	1,120,270
Less: Allowance for impairment loss	<u>(905)</u>	<u>(3,887)</u>
	<u>\$ 1,269,329</u>	<u>\$ 1,190,247</u>

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

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

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

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

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

December 31, 2021

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,256,345	\$ 10,978	\$ 2,613	\$ -	\$ 298	\$ 1,270,234
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(143)</u>	<u>(464)</u>	<u>-</u>	<u>(298)</u>	<u>(905)</u>
Amortized cost	<u>\$ 1,256,345</u>	<u>\$ 10,835</u>	<u>\$ 2,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,329</u>

December 31, 2020

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

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

	2021	2020
Balance at January 1	\$ 3,887	\$ 3,016
Net remeasurement of loss allowance	(784)	856
Amounts written off	(2,179)	(41)
Foreign exchange gains and losses	<u>(19)</u>	<u>56</u>
Balance at December 31	<u>\$ 905</u>	<u>\$ 3,887</u>

9. INVENTORIES

	<u>December 31</u>	
	2021	2020
Finished and purchased goods	\$ 512,505	\$ 419,645
Work in process	168,930	96,155
Materials	<u>418,233</u>	<u>370,263</u>
	<u>\$ 1,099,668</u>	<u>\$ 886,063</u>

The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$4,008 thousand and \$15,469 thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	<u>% of Ownership</u>		
			<u>December 31</u>		Remark
			2021	2020	
The Company	Yuen Foong Yu Consumer Products Investment Limited	Investment holding	100.0	100.0	
	Ever Growing Agriculture Biotech Co., Ltd.	Wholesale of agriculture products	85.0	85.0	
	Yuen Foong Shop Co., Ltd.	E-commerce of selling consumer products	100.0	100.0	a.
	YFY Consumer Products, Co.	E-commerce for intellectual property management and sales of consumer products	100.0	0.0	b.
Yuen Foong Yu Consumer Products Investment Limited YFY Investment Co., Ltd.	YFY Investment Co., Ltd.	Investment and holding and sale of paper	100.0	100.0	
	YFY Family Paper (Beijing) Co., Ltd.	Manufacture and sale of tissue paper and napkins	-	-	c.
	YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	
	Shanghai YFY International Trade Co., Ltd.	General trade	-	100.0	d.
	Yuen Foong Shop (HK) Limited	General trade	100.0	100.0	

- a. The Company acquired 50% of the equity of Yuen Foong Shop Co., Ltd. from YFY Paradigm Investment Co., Ltd. in March 2020, which increased its shareholding to 100%. For more details, please refer to Note 20.
- b. In order to expand the US market, the Company established YFY Consumer Produces Co. in January 2021. It was registered on December 31, 2021, but the payment has not yet been realized.

- c. In response to the changes in the mainland China's market, the Group sold all the equity of YFY Family Paper (Beijing) Co., Ltd. in 2020. The disposal of the subsidiary was completed in August 2020; please refer to Note 22.
- d. In order to adjust the business and optimize the financial structure in response to the changes in the mainland China's market, the Group's board of directors resolved to sell the entire equity of Shanghai YFY International Trade Co., Ltd. in July 2021. The disposal of the subsidiary was completed in August 2021, please refer to Note 22.
- e. The financial statements of subsidiaries included in the abovementioned consolidated financial statements are based on the audited amounts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2020	\$ 675,822	\$ 1,339,411	\$ 4,968,579	\$ 554,755	\$ 229,429	\$ 323,221	\$ 180	\$ 8,091,397
Additions	-	7,717	69,708	9,907	8,993	17,453	2,160	115,938
Disposals	-	(3,350)	(804,812)	(89,819)	(12,319)	(25,350)	-	(935,650)
Disposal of subsidiary	-	(300,928)	(399,904)	(69,492)	(20,762)	(14,677)	-	(805,763)
Effect of foreign currency exchange differences	-	4,812	28,902	3,456	1,423	1,198	37	39,828
Transfers from investment properties	-	82,987	-	-	-	-	-	82,987
Reclassifications	-	-	335	-	-	11	(346)	-
Balance at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 1,130,649</u>	<u>\$ 3,862,808</u>	<u>\$ 408,807</u>	<u>\$ 206,764</u>	<u>\$ 301,856</u>	<u>\$ 2,031</u>	<u>\$ 6,588,737</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 660,186	\$ 2,563,453	\$ 396,919	\$ 179,314	\$ 267,291	\$ -	\$ 4,067,163
Depreciation expenses	-	53,617	268,025	24,642	14,590	23,242	-	384,116
Disposals	-	(3,188)	(645,633)	(86,104)	(8,956)	(24,582)	-	(768,463)
Disposal of subsidiary	-	(159,218)	(197,919)	(54,393)	(18,297)	(13,961)	-	(443,788)
Impairment loss	-	-	4,763	17	-	-	-	4,780
Effect of foreign currency exchange differences	-	3,189	14,394	2,788	1,271	1,006	-	22,648
Transfers from investment properties	-	24,127	-	-	-	-	-	24,127
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 578,713</u>	<u>\$ 2,007,083</u>	<u>\$ 283,869</u>	<u>\$ 167,922</u>	<u>\$ 252,996</u>	<u>\$ -</u>	<u>\$ 3,290,583</u>
Carrying amounts at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 551,936</u>	<u>\$ 1,855,725</u>	<u>\$ 124,938</u>	<u>\$ 38,842</u>	<u>\$ 48,860</u>	<u>\$ 2,031</u>	<u>\$ 3,298,154</u>
Cost								
Balance at January 1, 2021	\$ 675,822	\$ 1,130,649	\$ 3,862,808	\$ 408,807	\$ 206,764	\$ 301,856	\$ 2,031	\$ 6,588,737
Additions	-	9,712	118,082	11,222	22,844	25,710	3,964	191,534
Disposals	-	(5,022)	(53,470)	(1,525)	(7,005)	(19,292)	-	(86,314)
Effect of foreign currency exchange differences	-	(1,644)	(10,866)	(1,303)	(546)	(469)	73	(14,755)
Reclassifications	-	(327)	2,046	(68)	9	2,127	(3,787)	-
Balance at December 31, 2021	<u>\$ 675,822</u>	<u>\$ 1,133,368</u>	<u>\$ 3,918,600</u>	<u>\$ 417,133</u>	<u>\$ 222,066</u>	<u>\$ 309,932</u>	<u>\$ 2,281</u>	<u>\$ 6,679,202</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ -	\$ 578,713	\$ 2,007,083	\$ 283,869	\$ 167,922	\$ 252,996	\$ -	\$ 3,290,583
Depreciation expenses	-	46,737	254,182	24,744	14,846	23,783	-	364,292
Disposals	-	(4,738)	(50,132)	(1,525)	(6,985)	(19,210)	-	(82,590)
Impairment loss	-	-	1,042	-	-	-	-	1,042
Effect of foreign currency exchange differences	-	(1,077)	(5,471)	(1,047)	(443)	(367)	-	(8,405)
Reclassifications	-	(231)	(63)	(68)	9	353	-	-
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 619,404</u>	<u>\$ 2,206,641</u>	<u>\$ 305,973</u>	<u>\$ 175,340</u>	<u>\$ 257,555</u>	<u>\$ -</u>	<u>\$ 3,564,922</u>
Carrying amounts at December 31, 2021	<u>\$ 675,822</u>	<u>\$ 513,964</u>	<u>\$ 1,711,959</u>	<u>\$ 111,160</u>	<u>\$ 46,717</u>	<u>\$ 52,377</u>	<u>\$ 2,281</u>	<u>\$ 3,114,280</u>

Certain machinery and electrical equipment in the production department were left unused for a long period. The Group expects that the future economic benefits of these equipment will decrease, resulting in a recoverable amount of \$0, which was less than the book value. Therefore, it has recognized impairment loss of \$1,042 thousand and \$4,780 thousand in 2021 and 2020, respectively. The impairment loss has been included under the item of expenditure in the consolidated statements of comprehensive income.

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 111,725	\$ 120,683
Buildings	182,784	181,802
Office equipment	<u>24,126</u>	<u>3,722</u>
	<u>\$ 318,635</u>	<u>\$ 306,207</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 67,171</u>	<u>\$ 2,566</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,505	\$ 8,761
Buildings	40,356	51,166
Office equipment	<u>3,781</u>	<u>3,386</u>
	<u>\$ 52,642</u>	<u>\$ 63,313</u>

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

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 51,296</u>	<u>\$ 42,052</u>
Non-current	<u>\$ 187,322</u>	<u>\$ 180,357</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Land	1.08%	1.08%
Buildings	0.98%-2.37%	1.06%-2.37%
Office equipment	0.98%-1.42%	1.05%-1.42%

c. Material lease-in activities and terms

The Group leases certain equipment and buildings for the use of operating activities with lease terms of 2 to 12 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

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

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 108,569</u>	<u>\$ 86,885</u>
Total cash outflow for leases	<u>\$ 160,226</u>	<u>\$ 150,442</u>

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Bank credit loans	<u>\$ 37,000</u>	<u>\$ 77,000</u>

As of December 31, 2021 and 2020, the interest rates of bank credit loans were 0.80%-1.00% per annum and 0.90%-1.00% per annum, respectively.

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 150,000	\$ -
Less: Unamortized discounts on bills payable	<u>(10)</u>	<u>-</u>
	<u>\$ 149,990</u>	<u>\$ -</u>

Short-term bills payable are commercial papers due within one year. The interest rate on these bills payable was 0.81% as of December 31, 2021.

c. Long-term borrowings

	December 31	
	2021	2020
Bank credit loans	<u>\$ 57,900</u>	<u>\$ 922,180</u>

As of December 31, 2021 and 2020, the interest rates of long-term borrowings were 0.78% per annum and 0.99%-1.21% per annum, respectively.

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Yuen Foong Shop Co., Ltd. and Ever Growing Agriculture Biotech Co., Ltd of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act 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 consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 110,375	\$ 115,445
Fair value of plan assets	<u>(93,696)</u>	<u>(93,398)</u>
Net defined benefit liabilities	<u>\$ 16,679</u>	<u>\$ 22,047</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 122,339</u>	<u>\$ (90,134)</u>	<u>\$ 32,205</u>
Service cost			
Current service cost	3,312	-	3,312
Net interest expense (income)	<u>1,182</u>	<u>(893)</u>	<u>289</u>
Recognized in profit or loss	<u>4,494</u>	<u>(893)</u>	<u>3,601</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,805)	(2,805)
Actuarial loss - changes in demographic assumptions	3,729	-	3,729
Actuarial gain - experience adjustments	<u>(8,649)</u>	<u>-</u>	<u>(8,649)</u>
Recognized in other comprehensive income	<u>(4,920)</u>	<u>(2,805)</u>	<u>(7,725)</u>
Benefits paid	<u>(6,468)</u>	<u>6,468</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(6,034)</u>	<u>(6,034)</u>
Balance at December 31, 2020	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u>
Balance at January 1, 2021	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u>
Service cost			
Current service cost	3,564	-	3,564
Net interest expense (income)	<u>556</u>	<u>(455)</u>	<u>101</u>
Recognized in profit or loss	<u>4,120</u>	<u>(455)</u>	<u>3,665</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,206)	(1,206)
Actuarial loss - changes in demographic assumptions	434	-	434
Actuarial loss - experience adjustments	<u>3,082</u>	<u>-</u>	<u>3,082</u>
Recognized in other comprehensive income	<u>3,516</u>	<u>(1,206)</u>	<u>2,310</u>
Benefits paid	<u>(12,706)</u>	<u>12,706</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(11,343)</u>	<u>(11,343)</u>
Balance at December 31, 2021	<u>\$ 110,375</u>	<u>\$ (93,696)</u>	<u>\$ 16,679</u>

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

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

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Discount rate	0.75%	0.50%
Expected rate of salary increase - less than 16 years	1.50%	1.50%
Expected rate of salary increase - more than 16 years	1.00%	1.00%

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Discount rate		
0.125% increase	<u>\$ (743)</u>	<u>\$ (952)</u>
0.125% decrease	<u>\$ 752</u>	<u>\$ 964</u>
Expected rate of salary increase/decrease		
0.125% increase	<u>\$ 749</u>	<u>\$ 958</u>
0.125% decrease	<u>\$ (743)</u>	<u>\$ (948)</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Expected contributions to the plans for the next year	<u>\$ 3,126</u>	<u>\$ 3,665</u>
Average duration of the defined benefit obligation	5.5 years	6.6 years

15. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>267,129</u>	<u>244,906</u>
Shares issued	<u>\$ 2,671,290</u>	<u>\$ 2,449,060</u>

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

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

On June 24, 2021, the Company's board of directors resolved to issue 22,223 thousand ordinary shares before listing with a par value of \$10 and 10% of the shares are reserved for employee stock subscription in accordance with the laws and regulations. The subscription base date was September 28, 2021. The exercise prices of the shares consist of the weighted average bid price for competitive auction of \$55.38 per share, the price of shares for public offering and the price of shares for employee stock subscription of \$52 per share. The Company had collected the above proceeds amounting to \$1,209,636 thousand. The transaction was approved by the Taiwan Stock Exchange Corporation on July 8, 2021. The total paid-in capital after the capital increase was \$2,671,290 thousand and was registered on October 22, 2021.

b. Capital surplus

	Actual Acquisition or Disposal of Equity in Subsidiary (1)	Share Premium (1)	Employee Share Options (2)	Others (1)	Total
Balance at January 1, 2020	\$ 151,622	\$ -	\$ -	\$ -	\$ 151,622
Difference between the 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	<u>\$ 156,481</u>	<u>\$ 61,859</u>	<u>\$ -</u>	<u>\$ 715</u>	<u>\$ 219,055</u>
Balance at January 1, 2021	\$ 156,481	\$ 61,859	\$ -	\$ 715	\$ 219,055
Issuance of ordinary shares for cash	-	924,154	-	-	924,154
Employee share options granted	-	-	7,655	-	7,655
Employee share options exercised	-	68,435	(5,183)	-	63,252
Employee share options expired	-	-	(2,472)	2,472	-
Balance at December 31, 2021	<u>\$ 156,481</u>	<u>\$ 1,054,448</u>	<u>\$ -</u>	<u>\$ 3,187</u>	<u>\$ 1,214,116</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, 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 bonuses to shareholders.

In consideration of the overall environment and the long-term financial planning to achieve sustainable and stable business development, the Company's dividend policy is mainly based on the future capital budget plan to measure the capital needs of the following year. Every year, no less than 30% of the available profit shall be distributed as shareholder dividends. The distribution of dividends may be in cash or in shares, of which the cash dividends should be no less than 20%. However, when the Company has capital expenditure needs, all the aforementioned dividends will be distributed in the form of share dividends. 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).

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", should be appropriated to or reversed from a special reserve by the Company. When the deduction balance of other shareholders' equity is reversed, the surplus may be distributed thereafter.

The appropriations of earnings for 2020 and 2019, which were approved by the shareholders in their meeting and the Company's board of directors (on behalf of the shareholders) on July 26, 2021 and May 13, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 149,341</u>	<u>\$ 46,468</u>
Special reserve	<u>\$ 203,863</u>	<u>\$ -</u>
Cash dividends	<u>\$ 979,624</u>	<u>\$ 412,120</u>
Cash dividends per share (NT\$)	<u>\$ 4</u>	<u>\$ 1.71</u>

The appropriations of earnings for 2021, which were proposed by the Company's board of directors on March 10, 2022, were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 106,042</u>
Special reserve	<u>\$ 37,893</u>
Cash dividends	<u>\$ 801,387</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>

The appropriations of earnings for 2021 will be approved by the shareholders in their meeting to be held in June 2022. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 47,712	\$ 74,922
Attributable to non-controlling interests:		
Share of profit for the year	8,431	13,465
Exchange differences on translating the financial statements of foreign operations	-	(121)
Equity transactions with non-controlling interests (Note 20)	-	(34,900)
Share options granted by the Company to the employees of subsidiaries to adjust non-controlling interests	37	108
		(Continued)

	For the Year Ended December 31	
	2021	2020
Employees' compensation released by subsidiaries to the Company's employees to adjust non-controlling interests	\$ (54)	\$ (112)
Cash dividends to non-controlling interests	<u>(7,639)</u>	<u>(5,650)</u>
Balance at December 31	<u>\$ 48,487</u>	<u>\$ 47,712</u> (Concluded)

16. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers - sale of goods	<u>\$ 9,890,353</u>	<u>\$ 10,147,738</u>

Contract Balances

	December 31	
	2021	2020
Notes receivable and accounts receivable (including related parties)	<u>\$ 1,272,661</u>	<u>\$ 1,210,001</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 44,158</u>	<u>\$ 11,431</u>

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

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers - sale of goods	<u>\$ 10,725</u>	<u>\$ 5,662</u>

For information about notes receivable and accounts receivable, refer to Note 8. The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

17. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 12,353	\$ 28,330
Interest on lease liabilities	2,368	2,786
Less: Capitalization amount of interest	<u>(89)</u>	<u>(23)</u>
	<u>\$ 14,632</u>	<u>\$ 31,093</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2021	2020
Capitalization interest rate	0.77%-1.09%	0.79%-1.26%
b. Depreciation and amortization		
	For the Year Ended December 31	
	2021	2020
Right-of -use assets	\$ 52,642	\$ 63,313
Property, plant and equipment	364,292	384,116
Other non-current assets	<u>2,433</u>	<u>4,819</u>
Total depreciation and amortization expense	<u>\$ 419,367</u>	<u>\$ 452,248</u>
An analysis of depreciation by function		
Operating costs	\$ 357,964	\$ 370,725
Operating expenses	<u>58,970</u>	<u>76,704</u>
	<u>\$ 416,934</u>	<u>\$ 447,429</u>
An analysis of amortization by function		
Operating costs	\$ 169	\$ 1,781
Operating expenses	<u>2,264</u>	<u>3,038</u>
	<u>\$ 2,433</u>	<u>\$ 4,819</u>
c. Employee benefit expense		
	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 28,253	\$ 27,080
Defined benefit plans	<u>3,665</u>	<u>3,601</u>
	31,918	30,681
Share-based payment		
Equity settled	7,692	46,332
Other employee benefits	<u>1,140,039</u>	<u>1,161,513</u>
Total employee benefit expense	<u>\$ 1,179,649</u>	<u>\$ 1,238,526</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 587,057	\$ 571,699
Operating expenses	<u>592,592</u>	<u>666,827</u>
	<u>\$ 1,179,649</u>	<u>\$ 1,238,526</u>

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 10, 2022 and February 25, 2021, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 12,771	\$ 17,216
Remuneration of directors	13,500	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 significant difference between the actual amounts of the compensation and remuneration proposed in 2020 and 2019, and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019.

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

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 213,670	\$ 239,214
Income tax on unappropriated earnings	8,029	-
Adjustments for prior years	<u>(4,092)</u>	<u>4,949</u>
	<u>217,607</u>	<u>244,163</u>
Deferred tax		
In respect of the current year	(1,032)	6,248
Adjustments for prior years	<u>-</u>	<u>19</u>
	<u>(1,032)</u>	<u>6,267</u>
Income tax expense recognized in profit or loss	<u>\$ 216,575</u>	<u>\$ 250,430</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 1,287,272</u>	<u>\$ 1,751,123</u>
Income tax expense calculated at the statutory rate (20%)	\$ 257,454	\$ 350,225
Permanent differences	(5,397)	(123,210)
Income tax on unappropriated earnings	8,029	-
Adjustments for prior years	(4,092)	4,968
Deduction for unrecognized loss	(51,024)	16,361
Effect of different tax rates of entities in the Group operating in other jurisdictions	<u>11,605</u>	<u>2,086</u>
Income tax expense recognized in profit or loss	<u>\$ 216,575</u>	<u>\$ 250,430</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ 462</u>	<u>\$ (1,545)</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 16,211	\$ 934	\$ -	\$ (30)	\$ 17,115
Defined benefit obligation	4,409	(1,535)	462	-	3,336
Others	<u>1,241</u>	<u>1324</u>	<u>-</u>	<u>(3)</u>	<u>2,562</u>
	<u>\$ 21,861</u>	<u>\$ 723</u>	<u>\$ 462</u>	<u>\$ (33)</u>	<u>\$ 23,013</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ -	\$ 57,133
Others	<u>322</u>	<u>(309)</u>	<u>-</u>	<u>-</u>	<u>13</u>
	<u>\$ 57,455</u>	<u>\$ (309)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,146</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 15,006	\$ 1,109	\$ -	\$ 96	\$ 16,211
Defined benefit obligation	6,441	(487)	(1,545)	-	4,409
Others	<u>7,789</u>	<u>(6,566)</u>	<u>-</u>	<u>18</u>	<u>1,241</u>
	<u>\$ 29,236</u>	<u>\$ (5,944)</u>	<u>\$ (1,545)</u>	<u>\$ 114</u>	<u>\$ 21,861</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ -	\$ 57,133
Others	<u>-</u>	<u>323</u>	<u>-</u>	<u>(1)</u>	<u>322</u>
	<u>\$ 57,133</u>	<u>\$ 323</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 57,455</u>

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

YFY Investment Co., Ltd.

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2021	\$ -	\$ 135,174
Expiry in 2022	47,108	100,214
Expiry in 2023	<u>68,376</u>	<u>68,743</u>
	<u>\$ 115,484</u>	<u>\$ 304,131</u>

YFY Family Care (Kunshan) Co., Ltd.

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2025	<u>\$ 114,927</u>	<u>\$ 132,701</u>

- e. Income tax assessments

	Latest Approved Year
The Company	2017
Yuen Foong Shop Co., Ltd.	2019
Ever Growing Agriculture Biotech Co., Ltd.	2019

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share (NT\$)	<u>\$ 4.24</u>	<u>\$ 6.12</u>
Diluted earnings per share (NT\$)	<u>\$ 4.23</u>	<u>\$ 6.09</u>

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

Net profit for the year:

	For the Year Ended December 31	
	2021	2020
Profit for the year attributable to owners of the Company	<u>\$ 1,062,266</u>	<u>\$ 1,487,228</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	250,690	243,146
Effect of potentially dilutive ordinary shares:		
Employee share options	6	22
Compensation of employees	<u>411</u>	<u>1,151</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>251,107</u>	<u>244,319</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

To boost management performance, the Group carried out a restructuring of the organization, and acquired 50% shares of Yuen Foong Shop Co., Ltd. owned by YFY Paradigm Investment Co., Ltd. in March 2020.

The above transactions were accounted for as equity transactions since the Group did not change the control over the subsidiary.

	Yuen Foong Shop Co., Ltd.
Consideration received	\$ (30,041)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>34,900</u>
Differences recognized from equity transactions	<u>\$ 4,859</u>

21. SHARE-BASED PAYMENT ARRANGEMENTS

- a. 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	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	3,320	15
Options exercised	(3,270)	15
Options expired	<u>(50)</u>	15
Balance at December 31	<u><u>-</u></u>	
Weighted-average fair value of options granted in July 2020 (NT\$)	<u>\$ 14.3</u>	

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

	July 2020
Share price at the grant date	\$29.3
Exercise price	\$15
Expected volatility (%)	45.69
Expected lives (days)	6
Expected dividend yield (%)	-
Risk free interest rate (%)	0.28

The employees' compensation cost recognized on the consolidated statements of comprehensive income was \$46,332 thousand for the year ended December 31, 2020.

- b. The board of directors resolved to issue 22,223 thousand ordinary shares on June 24, 2021 and 10% of the shares are reserved for employee stock subscription in accordance with the laws and regulations. The Company granted the right to subscribe for 1,914 thousand ordinary shares to the Company's employees and the right to subscribe for 309 thousand ordinary shares to the subsidiaries' employees on September 13, 2021 (the date of specifying the number of shares for employee stock subscription). The price per share of the 2,223 thousand ordinary shares reserved for employee stock subscription is \$52.

Information on employee share options issued on September 30, 2021 is as follows:

Employee Share Options	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	2,223	52
Options exercised	(1,506)	52
Options expired	<u>(717)</u>	52
Balance at September 30	<u> -</u>	
Weighted-average fair value of options granted in September 2021 (NT\$)	<u>\$ 3.46</u>	

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

	September 2021
Share price at the grant date	\$55.29
Exercise price	\$52
Expected volatility (%)	44.85
Expected lives (days)	5
Expected dividend yield (%)	-
Risk free interest rate (%)	0.13

The compensation of employees recognized on the consolidated statement of comprehensive income was \$7,692 thousand for the year ended December 31, 2021.

22. DISPOSAL OF SUBSIDIARIES

On July 14, 2021 and June 22, 2020, the Company's board of directors resolved to sell all the equity of Shanghai YFY International Trade Co., Ltd. and YFY Family Paper (Beijing) Co., Ltd., respectively. The disposals were completed in August 2021 and August 2020, respectively.

a. Consideration received from disposals

	Shanghai YFY International Trade Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.
Consideration received in cash	\$ 87	\$ 773,734
Disposal expense	<u>(1)</u>	<u>(24,081)</u>
Total consideration received	<u>\$ 86</u>	<u>\$ 749,653</u>

b. Analysis of assets and liabilities on the date control was lost

	Shanghai YFY International Trade Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.
Current assets		
Cash and cash equivalents	\$ 219	\$ 309
Accounts receivable	2,098	52,346
Other receivables from related parties	-	4,283
Inventories	-	1,668
Other current assets	6,565	42,975
Non-current assets		
Property, plant and equipment	-	361,975
Right-of-use assets	-	21,640
Other non-current assets	472	914
Current liabilities		
Notes and accounts payable	-	(2)
Accounts payable to related parties	(3,696)	(8)
Other payables, others	(7,091)	(37,324)
Other current liabilities	<u>(8)</u>	<u>(37,492)</u>
Net assets disposed of	<u>\$ (1,441)</u>	<u>\$ 411,284</u>

c. Gain on disposal of subsidiary

	Shanghai YFY International Trade Co., Ltd.	YFY Family Paper (Beijing) Co., Ltd.
Consideration received	\$ 87	\$ 773,734
Disposal expense	(1)	(24,081)
Net assets disposed of	1,441	(411,284)
Cumulative exchange difference on net assets of the subsidiary reclassified from equity to profit or loss due to loss of control of the subsidiary	236	19,701
Net exchange difference	<u>-</u>	<u>(1,244)</u>
Gain on disposals	<u>\$ 1,763</u>	<u>\$ 356,826</u>

d. Net cash inflow (outflow) on disposals of subsidiary

	Shanghai YFY International Trade Co., Ltd	YFY Family Paper (Beijing) Co., Ltd.
Consideration received in cash and cash equivalents	\$ 86	\$ 749,653
Less: Cash and cash equivalent balances disposed of	<u>(219)</u>	<u>(309)</u>
	<u>\$ (133)</u>	<u>\$ 749,344</u>

23. CAPITAL MANAGEMENT

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Group may adjust the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements to approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 3,204,103	\$ 2,701,706
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,041,712	2,836,785

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, accounts receivable from related parties, other receivables from related parties, other receivables (accounted for as other current assets), and refundable deposits (accounted for as other current assets and 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 for as other non-current liabilities) and deposits received (accounted for as other non-current liabilities).

c. Financial risk management objectives and policies

The Group's main objective of financial risk management is to manage the market risk related to operating activity including foreign currency risk, interest rate risk, credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures. The Group did not enter into or trade financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Group's income.

Sensitivity analysis

The Group is mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis included only outstanding foreign forward currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

	For the Year Ended December 31	
	2021	2020
Profit or loss at 5% variance		
USD	<u>\$ (41,847)</u>	<u>\$ (41,071)</u>
RMB	<u>\$ 166</u>	<u>\$ 469</u>

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	<u>\$ 1,133,455</u>	<u>\$ 855,476</u>
Financial liabilities	<u>\$ 483,508</u>	<u>\$ 1,223,931</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 613,535</u>	<u>\$ 460,631</u>

Due to the close and long-term relationship with banks, the Group obtained better and flexible interest rates from banks. The impact of the change in interest rates is not significant to the Group.

Sensitivity analysis

For the Group's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased as follows:

	For the Year Ended December 31	
	2021	2020
Increase/decrease	\$ 614	\$ 461

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation is at the level of the carrying amounts of the respective recognized financial assets which comprise receivables from operating activities and financial assets from investing activities as stated in the consolidated balance sheets.

The Group transacts with a large number of unrelated customers in various industries. The Group continuously evaluates the financial conditions of those customers.

To maintain the quality of the accounts receivable, the Group has developed a credit risk management procedure to reduce the credit risk from specific customer. The credit evaluation of individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Group's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, there was no significant credit risk.

3) Liquidity risk

The objective of liquidity risk management is to maintain adequate cash and cash equivalents with high liquidity and sufficient bank facilities required by business operation and to ensure the Group has sufficient financial flexibility.

As of December 31, 2021 and 2020, the Group's unused financing facilities were \$6,778,028 thousand and \$5,927,250 thousand, respectively.

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc., which held 59.14% and 64.52% of the ordinary shares of the Company as of December 31, 2021 and 2020, respectively.

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
San Ying Enterprise Co., Ltd.	Fellow subsidiary
YFY Biotech Management Co., Ltd.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co, Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Packaging (Yangzhou) Investment Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Paper Enterprise (Shanghai) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Tianjin) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Kunshan) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Qingdao) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Nanjing) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Suzhou) Co., Ltd.	Fellow subsidiary
YFY International Limited.	Fellow subsidiary
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Fellow subsidiary
Livebricks Inc.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong) Co., Ltd.	Fellow subsidiary
Hsinex International Corp.	Substantive related party
E Ink Holdings Incorporated	Substantive related party
SinoPac Leasing Co., Ltd.	Substantive related party
SinoPac Financial Holdings Company Limited	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Bank SinoPac Co., Ltd.	Substantive related party
YFY Biotechnology Co., Ltd.	Substantive related party
YFY Biotechnology (Kunshun) Co., Ltd.	Substantive related party
YFY Restaurant Management (Shanghai) Co., Ltd.	Substantive related party
Xingyuan Investment Co., Ltd.	Substantive related party
Beautone Co., Ltd.	Substantive related party
Hotan Life Corporation	Substantive related party
Shin-Yi Enterprise Co., Ltd.	Substantive related party
Shin-Yi Foundation	Substantive related party
SinoPac Securities Co., Ltd.	Substantive related party
Taiwan Stock Exchange	Substantive related party
Sung Yu Corporation	Substantive related party
Hoi Toy & Play Corporation	Substantive related party
Yuanhan Materials Inc.	Substantive related party
Synmax Biochemical Co., Ltd.	Substantive related party
Transcend Optronics (Yangzhou) Co., Ltd.	Substantive related party

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 14,193	\$ 15,417
Substantial related parties	10,259	12,170
Parent company	<u>2,533</u>	<u>1,535</u>
	<u>\$ 26,985</u>	<u>\$ 29,122</u>

For sales of goods to related parties, the prices and terms of receivables approximate those with non-related parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 700,357	\$ 416,813
Guangdong Dingfung Pulp & Paper Co., Ltd.	615,145	604,260
Others	<u>180,588</u>	<u>244,764</u>
	1,496,090	1,265,837
Substantial related parties	<u>1,000</u>	<u>881</u>
	<u>\$ 1,497,090</u>	<u>\$ 1,266,718</u>

For purchases of goods from related parties, the prices and terms of payables approximate those with non-related parties.

d. Accounts receivable from related parties

Related Party Category	December 31	
	2021	2020
Substantial related parties		
Yuen Foong Paper Co., Ltd.	\$ 1,817	\$ 1,305
Others	<u>361</u>	<u>655</u>
	2,178	1,960
Fellow subsidiaries		
Chung Hwa Pulp Corporation	437	396
Others	<u>717</u>	<u>17,395</u>
	1,154	17,791
Parent company	<u>-</u>	<u>3</u>
	<u>\$ 3,332</u>	<u>\$ 19,754</u>

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

Related Party Category	December 31	
	2021	2020
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 134,722	\$ 125,895
Guangdong Dingfung Pulp & Paper Co., Ltd.	47,984	106,132
YFY Packaging Inc.	30,646	53,181
Others	<u>23,202</u>	<u>24,546</u>
	236,554	309,754
Substantial related-parties	<u>129</u>	<u>32</u>
	<u>\$ 236,683</u>	<u>\$ 309,786</u>

The outstanding accounts payable to related parties are unsecured.

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

Related Party Category	December 31	
	2021	2020
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 2,223	\$ -
Others	<u>-</u>	<u>327</u>
	2,223	327
Substantial related parties	<u>-</u>	<u>46</u>
	<u>\$ 2,223</u>	<u>\$ 373</u>

g. Loans to related parties

Related Party Category	For the Year Ended December 31	
	2021	2020
<u>Interest income</u>		
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	<u>\$ -</u>	<u>\$ 7,196</u>

The Group provided loans to YFY Paper MFG (Yangzhou) Co., Ltd. at an interest rate of 3.25%.

h. Other payables to related parties (excluding loans from related parties)

Related Party Category	December 31	
	2021	2020
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ 42,820	\$ 23,250
Others	<u>2,600</u>	<u>2,485</u>
	45,420	25,735
Substantial related parties	<u>1,694</u>	<u>1,737</u>
	<u>\$ 47,114</u>	<u>\$ 27,472</u>

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

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

Related Party Category	For the Year Ended December 31	
	2021	2020
<u>Interest paid</u>		
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	<u>\$ 23</u>	<u>\$ 279</u>

The Group obtained loans from related parties at an interest rate of 3.50%.

j. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ <u> -</u>	\$ <u> 855</u>

k. Disposals of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ <u> 5</u>	\$ <u> 117</u>

l. Acquisition of financial assets

For the year ended December 31, 2020

Related Party Category	Line Item	Number of Shares	Underlying Assets	Proceeds
Fellow subsidiaries				
YFY Paradigm Investment Co., Ltd.	Investments accounted for using the equity method	2,500,000	Ordinary shares	\$ <u>30,041</u>

Please refer to Note 20 for more details of the difference recognized from equity transactions

m. Lease arrangements

Lease Liabilities	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 30,718	\$ 36,374
Substantial related parties	<u> -</u>	<u> 244</u>
	\$ <u>30,718</u>	\$ <u>36,618</u>

Interest Paid	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 364	\$ 425
Substantial related parties	<u> -</u>	<u> 23</u>
	\$ <u>364</u>	\$ <u>448</u>

Lease Paid	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ 33,233	\$ 32,675
Others	<u>3,599</u>	<u>3,563</u>
	36,832	36,238
Substantial related parties	<u>12,140</u>	<u>9,530</u>
	<u>\$ 48,972</u>	<u>\$ 45,768</u>

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

n. Other transactions with related parties

Related Party Category	Agency Fees (Accounted for as Operating Expenses)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	<u>\$ 9,307</u>	<u>\$ 12,070</u>

Related Party Category	Miscellaneous Expenses (Accounted for as Operating Costs and Expenses)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries		
YFY Paper MFG (Yangzhou) Co., Ltd.	\$ 244,190	\$ 197,943
Others	<u>5,457</u>	<u>7,550</u>
	249,647	205,493
Substantial related parties	<u>10,347</u>	<u>10,192</u>
	<u>\$ 259,994</u>	<u>\$ 215,685</u>

Related Party Category	Other Income (Accounted for as Non-operating Revenue)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 6,925	\$ 15
Others	<u>-</u>	<u>12,183</u>
	<u>\$ 6,925</u>	<u>\$ 12,198</u>

Related Party Category	Prepayments (Accounted for as Other Current Assets)	
	For the Year Ended December 31	
	2021	2020
Substantial related parties	<u>\$ 45</u>	<u>\$ -</u>

o. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Salaries and benefits	\$ 66,988	\$ 57,430
Share based payment	<u>467</u>	<u>26,598</u>
	<u>\$ 67,455</u>	<u>\$ 84,028</u>

The remuneration of directors and key executives as determined by the remuneration committee, was based on the performance of individuals and market trends.

26. OTHER ITEMS

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

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

The following is information on the foreign currencies other than the functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 996	27.68	\$ 27,569
RMB	1,434	4.341	6,226
<u>Financial liabilities</u>			
Monetary items			
USD	31,232	27.68	864,502
RMB	669	4.341	2,904

	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,167	28.48	\$ 33,236
RMB	2,142	4.377	9,376
<u>Financial liabilities</u>			
Monetary items			
USD	30,009	28.48	854,656

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

Foreign Currency	For the Year Ended 2021		For the Year Ended 2020	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	27.68 (USD:NTD)	\$ (22)	28.48 (USD:NTD)	\$ (765)
USD	6.376 (USD:RMB)	18,885	6.507 (USD:RMB)	56,803
RMB	4.341 (RMB:NTD)	<u>(34)</u>	4.377 (RMB:NTD)	<u>(6,626)</u>
		<u>\$ 18,829</u>		<u>\$ 49,412</u>

28. 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 or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 6)

11) Information on investees (Table 4)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 2)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 2 and 6)
 - 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 (Table 1)
 - 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
- 3) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

29. SEGMENT INFORMATION

a. Consolidated revenue and results

	Taiwan Segment	China Segment	Adjustment and Elimination	Total
For the year ended <u>December 31, 2021</u>				
Revenue from external customers	<u>\$ 6,476,387</u>	<u>\$ 3,413,966</u>	<u>\$ -</u>	<u>\$ 9,890,353</u>
Revenue from other internal operating segments	<u>\$ 1,394,837</u>	<u>\$ 3,913,632</u>	<u>\$ (5,308,469)</u>	<u>\$ -</u>
Segment profit before income tax	<u>\$ 1,055,036</u>	<u>\$ 232,236</u>	<u>\$ -</u>	<u>\$ 1,287,272</u>

(Continued)

	Taiwan Segment	China Segment	Adjustment and Elimination	Total
For the year ended <u>December 31, 2020</u>				
Revenue from external customers	<u>\$ 6,279,743</u>	<u>\$ 3,867,995</u>	<u>\$ -</u>	<u>\$ 10,147,738</u>
Revenue from other internal operating segments	<u>\$ 1,213,422</u>	<u>\$ 3,984,817</u>	<u>\$ (5,198,239)</u>	<u>\$ -</u>
Segment profit before income tax	<u>\$ 1,172,631</u>	<u>\$ 578,492</u>	<u>\$ -</u>	<u>\$ 1,751,123</u> (Concluded)

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

1) Taiwan segment

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

2) China segment

Manufacture and sale of paper and paper-related merchandise in mainland China

The accounting policies of each segment are the same as those accounting policies stated in Note 4. The performance of segments is measured by income after tax. Revenue and profit between segments have been adjusted; these adjustments include the elimination of inter-segment transactions to reconcile the segment information with that reported for the Group as a whole.

b. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2021	2020	2021	2020
Taiwan	<u>\$ 6,476,387</u>	<u>\$ 6,279,743</u>	<u>\$ 2,325,298</u>	<u>\$ 2,354,674</u>
Mainland China	<u>3,413,966</u>	<u>3,867,995</u>	<u>1,248,356</u>	<u>1,377,658</u>
	<u>\$ 9,890,353</u>	<u>\$ 10,147,738</u>	<u>\$ 3,573,654</u>	<u>\$ 3,732,332</u>

c. Information on major customers

Single customer contributed 10% or more to the Group's revenue for both 2021 and 2020 was as follows:

	2021		2020	
	Amount	%	Amount	%
A company	\$ 2,198,981	22.23	\$ 1,725,707	17.01

TABLE 1

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

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (In Thousands of Foreign Currencies) (Notes 2 and 5)	Ending Balance (In Thousands of Foreign Currencies) (Notes 2 and 5)	Actual Borrowing Amount (In Thousands of Foreign Currencies) (Note 5)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (In Thousands of Foreign Currencies) (Notes 3, 4 and 5)	Aggregate Financing Limit (In Thousands of Foreign Currencies) (Notes 3, 4 and 5)	Note
													Item	Value			
1	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 285,350	\$ 276,800	\$ 276,800	2.00	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 6,223,691	\$ 6,223,691	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	428,025	415,200	415,200	2.00	Short-term financing	-	Operating capital	-	-	-	6,223,691	6,223,691	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	142,675	138,400	138,400	2.00	Short-term financing	-	Operating capital	-	-	-	6,223,691	6,223,691	Note 6
2	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	413,594	270,715	93,575	3.25	Short-term financing	-	Operating capital	-	-	-	541,429	541,429	Note 6
3	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	1,122,122	1,117,926	-	3.25	Short-term financing	-	Operating capital	-	-	-	2,235,853	2,235,853	Note 6
4	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	2,226,060	2,217,737	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,435,474	4,435,474	Note 6
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,226,060	2,217,737	133,278	3.50	Short-term financing	-	Operating capital	-	-	-	4,435,474	4,435,474	Note 6
		Shanghai YFY International Trade Co., Ltd.	Other receivables from related parties	Yes	3,462	-	-	-	Short-term financing	-	Operating capital	-	-	-	-	-	Note 7

Note 1: The number column of financing provided to others by Yuen Foong Yu Consumer Products Co., Ltd. and subsidiaries is illustrated as follows:

- The Company is numbered 0.
- The subsidiaries of the Company are sequentially numbered from 1 based on their investment structures.

Note 2: The balances are the approved amount that could be financed to others, including those not actually borrowed.

Note 3: In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender's net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender's net equity of the prior year while individual loans shall not exceed the 40% of the lender's net equity of the prior year. In summary, the total provision of loans due to business dealings and short-term-loans shall not exceed 80% of the lender's net equity of the prior year while individual loans shall not exceed the 80% of the lender's net equity of the prior year.

Note 4: Foreign companies that directly and indirectly hold 100% of the voting shares are not subject to the aforementioned restrictions when engaging in financing provided to others. The total amount of financing loans and individual object limits due to business relationships and the need for short-term financing are limited to no more than twice the net value of the Company at the end of the previous year.

Note 5: The exchange rates are US\$1=NT\$27.68 or RMB1=NT\$4.341484 as of December 31, 2021.

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

Note 7: On July 14, 2021, the subsidiary Yuen Foong Shop Co., Ltd.'s board of directors resolved to sell all the equity of Shanghai YFY International Trade Co., Ltd. The disposal was completed in August 2021.

TABLE 2

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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Yuen Foong Shop Co., Ltd. YFY Packaging Inc. Chung Hwa Pulp Corporation	a.	Sale	\$ (1,022,295)	(17)	In agreed terms	\$ -	-	\$ 188,285	19	Note 2
		b.	Purchase	109,247	3	In agreed terms	-	-	(25,405)	(4)	
		b.	Purchase	685,243	19	In agreed terms	-	-	(134,722)	(23)	
Ever Growing Agriculture Biotech Co., Ltd.	The Company	a.	Sale	(369,720)	(99)	In agreed terms	-	-	143,443	99	Note 2
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd. Guangdong Dingfung Pulp & Paper Co., Ltd.	a.	Sale	(1,255,055)	(27)	In agreed terms	-	-	111,544	22	Note 2
		b.	Purchase	481,037	11	In agreed terms	-	-	(28,802)	(8)	
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd. Guangdong Dingfung Pulp & Paper Co., Ltd.	a.	Sale	(628,333)	(100)	In agreed terms	-	-	88,621	100	Note 2
		b.	Purchase	107,876	20	In agreed terms	-	-	(9,957)	(16)	
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd. YFY Family Care (Kunshan) Co., Ltd.	a.	Sale	(1,774,107)	(89)	In agreed terms	-	-	236,092	90	Note 2
		b.	Sale	(215,907)	(11)	In agreed terms	-	-	26,999	10	

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

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

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Yuen Foong Shop Co., Ltd.	Subsidiary	\$ 188,285	5.75	\$ -	-	\$ 164,078	\$ -
Ever Growing Agriculture Biotech Co., Ltd.	The Company	Parent company	143,443	2.44	-	-	68,769	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	111,544	12.37	-	-	111,544	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	236,092	10.10	-	-	220,246	-

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

TABLE 4

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

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment holding	\$ 3,845,458	\$ 3,845,458	150,013,000	100.0	\$ 3,178,718	\$ 228,160	\$ 228,160	a. and b
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	264,919	56,356	52,406	a. and b.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	93,093	44,738	47,387	a. and b
	YFY Consumer Products, Co.	United States	E-commerce for intellectual property management and sales of consumer products	-	-	-	100.0	-	-	-	a. and b
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong	General trade	-	-	-	100.0	-	-	-	a. and b

Note: a. Subsidiaries.
 b. In preparing the consolidated financial statements, the transaction has been eliminated.
 c. Refer to Table 5 for information on investments in mainland China.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (In Thousands of Foreign Currencies) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,183,200 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 2,617,836 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,617,836 (US\$ 94,575 thousand)	\$ 210,713 (Note 2.b.)	100.0	\$ 210,713 (Note 2.b.)	\$ 2,242,783	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	830,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	14,039 (Note 2.b.)	100.0	14,678 (Note 2.b.)	273,035	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	830,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	13,158 (Note 2.b.)	100.0	13,158 (Note 2.b.)	1,154,897	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,540 (US\$ 164 thousand)	Direct investment in mainland China.	4,540 (US\$ 164 thousand)	-	4,540 (US\$ 164 thousand)	-	666 (Note 2.c.)	-	666 (Note 2.c.)	-	-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$2,894,636 (Notes 1 and 4)	\$2,894,636 (Notes 1 and 4)	Note 3

Note 1: The exchange rates are US\$1=NT\$27.68 or RMB1=NT\$4.341484 as of December 31, 2021.

Note 2: The recognition basis for investment gain (loss) are as follows:

- Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements audited by the ROC CPA firm.
- Others.

Note 3: According to Article 3 of the "Principles of Investing or Technical Cooperation in Mainland China" on August 29, 2008, companies approved by the Industrial Development Bureau, MOEA within the scope of operations of the operational headquarters are not subject to the upper limit. The Company is an enterprise that is eligible and is not subject to the aforementioned restrictions

Note 4: The disposal of entire shares of YFY Family Paper (Beijing) Co., Ltd. was completed by the subsidiary YFY Investment Co., Ltd. in August 2020. The sale proceeds have not been remitted back to Taiwan; therefore, the Company has not yet processed the deduction of the accumulated investment amount to the Investment Commission, MOEA.

Note 5: On July 14, 2021, the subsidiary Yuen Foong Shop Co., Ltd.'s board of directors resolved to sell all the equity of Shanghai YFY International Trade Co., Ltd. The disposal was completed in August 2021.

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	The Company	Yuen Foong Shop Co., Ltd.	Subsidiary	Sales Accounts receivable	\$ 1,022,295 188,285	By market price By market price	10.34 2.37
2	Ever Growing Agriculture Biotech Co., Ltd.	The Company	Parent company	Sales Accounts receivable	369,720 143,443	By market price By market price	3.74 1.81
3	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales Accounts receivable	1,255,055 111,544	By market price By market price	12.69 1.40
4	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd. YFY Family Care (Kunshan) Co., Ltd.	Parent company Fellow subsidiaries	Sales Accounts receivable Sales	1,774,107 236,092 215,907	By market price By market price By market price	17.94 2.97 2.18
5	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales Accounts receivable	628,333 88,621	By market price By market price	6.35 1.12

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

TABLE 7**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	158,004,565	59.14
YFY Paradigm Investment Co., Ltd.	17,386,815	6.50

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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% of the shares of the Company) in October 1986. In order to comply with the listing rules and regulations, YFY Inc. held 59.14% of the Company’s shares as of December 31, 2021. The Company was renamed as Yuen Foong Yu Consumer Products Co., Ltd. in May 2006. In line with YFY Inc.’s operating strategy to carry out integration, the Company acquired assets, liabilities and business of the household products division that was split from YFY Inc., in accordance with the Mergers and Acquisitions Act in October 2007. The Company’s 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 the Company became a listed company on the emerging stock market on October 27, 2020. The Company’s shares ceased trading on the emerging stock market and have been listed on the Taiwan Stock Exchange (TWSE) since September 29, 2021.

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 March 10, 2022.

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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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)
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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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 (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items 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 the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries or those use currencies 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, and right-of-use assets

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

Financial assets held by the Company are classified as 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 amounts 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 Company 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 Company 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 the sale of goods with the immaterial discounted effect, the Company measures their original invoice amounts without discounting.

k. Leases

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

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

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

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

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

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

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

l. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent 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.

The grant date of issued ordinary shares which are reserved for employees is the date on which the number of shares that the employees can purchase is confirmed.

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 Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and 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 possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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 on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in 2021 due to the impact on credit risk of financial assets arising from the uncertainty of the COVID-19 pandemic and volatility in the financial markets.

6. CASH

	December 31	
	2021	2020
Cash on hand	\$ 208	\$ 208
Checking accounts and demand deposits	<u>292,598</u>	<u>60,097</u>
	<u>\$ 292,806</u>	<u>\$ 60,305</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes receivable - operating	\$ 17,490	\$ 13,996
Accounts receivable - operating	762,777	659,064
Less: Allowance for impairment loss	<u>-</u>	<u>(351)</u>
	<u>\$ 780,267</u>	<u>\$ 672,709</u>

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

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

The Company applies the simplified approach to providing for expected credit losses, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the GDP forecasts and industry outlook. 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, 2021

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 773,838	\$ 6,411	\$ 18	\$ -	\$ -	\$ 780,267
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 773,838</u>	<u>\$ 6,411</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780,267</u>

December 31, 2020

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 663,647	\$ 9,074	\$ 42	\$ -	\$ 297	\$ 673,060
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(45)</u>	<u>(9)</u>	<u>-</u>	<u>(297)</u>	<u>(351)</u>
Amortized cost	<u>\$ 663,647</u>	<u>\$ 9,029</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,709</u>

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

	2021	2020
Balance at January 1	\$ 351	\$ 351
Net remeasurement of loss allowance	(54)	-
Amounts written off	<u>(297)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 351</u>

8. INVENTORIES

	December 31	
	2021	2020
Finished goods and purchased goods	\$ 246,752	\$ 218,290
Work in process	81,980	65,849
Materials	<u>54,599</u>	<u>73,442</u>
	<u>\$ 383,331</u>	<u>\$ 357,581</u>

The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$571 thousand and reversal of inventory write-downs of \$11,790 thousand, respectively. Due to the disposal of inventories which were written down, net realizable value of inventory increased.

9. INVESTMENTS IN SUBSIDIARIES USING THE EQUITY METHOD

	December 31	
	2021	2020
Non-listed (public) companies		
Yuen Foong Yu Consumer Products Investment Limited	\$ 3,178,718	\$ 2,987,775
Ever Growing Agriculture Biotech Co., Ltd.	264,919	256,030
Yuen Foong Shop Co., Ltd. (Note a)	93,093	81,039
YFY Consumer Products Co. (Note b)	<u>-</u>	<u>-</u>
	<u>\$ 3,536,730</u>	<u>\$ 3,324,844</u>

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

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
Yuen Foong Yu Consumer Products Investment Limited	100%	100%
Ever Growing Agriculture Biotech Co., Ltd.	85%	85%
Yuen Foong Shop Co., Ltd. (Note a)	100%	100%
YFY Consumer Products Co. (Note b)	100%	-

- a. The Company acquired 50% of the equity of Yuen Foong Shop Co., Ltd. from YFY Paradigm Investment Co., Ltd. in March 2020, which increased its shareholding to 100%. For more details, please refer to Note 20 of the Company's consolidated financial report.

b. In order to expand into the US market, the Company established YFY Consumer Produces Co. in January 2021. It was registered on December 31, 2021, but the payment has not yet been realized.

The financial statements of subsidiaries included in the abovementioned financial statements are based on the audited amounts.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 675,822	\$ 526,919	\$ 1,689,621	\$ 157,646	\$ 100,653	\$ 201,662	\$ 3,352,323
Additions	-	7,627	42,988	9,384	8,256	9,436	77,691
Disposals	-	(1,150)	(58,239)	(821)	(34)	(3,863)	(64,107)
Balance at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 533,396</u>	<u>\$ 1,674,370</u>	<u>\$ 166,209</u>	<u>\$ 108,875</u>	<u>\$ 207,235</u>	<u>\$ 3,365,907</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 285,914	\$ 868,602	\$ 77,704	\$ 73,808	\$ 160,789	\$ 1,466,817
Depreciation expenses	-	19,964	101,348	11,085	8,739	17,862	158,998
Disposals	-	(1,150)	(48,321)	(699)	(34)	(3,863)	(54,067)
Impairment loss	-	-	707	17	-	-	724
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 304,728</u>	<u>\$ 922,336</u>	<u>\$ 88,107</u>	<u>\$ 82,513</u>	<u>\$ 174,788</u>	<u>\$ 1,572,472</u>
Carrying amounts at December 31, 2020	<u>\$ 675,822</u>	<u>\$ 228,668</u>	<u>\$ 752,034</u>	<u>\$ 78,102</u>	<u>\$ 26,362</u>	<u>\$ 32,447</u>	<u>\$ 1,793,435</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 675,822	\$ 533,396	\$ 1,674,370	\$ 166,209	\$ 108,875	\$ 207,235	\$ 3,365,907
Additions	-	9,712	93,402	10,717	12,131	16,407	142,369
Disposals	-	(4,010)	(6,612)	(1,518)	(1,540)	(9,230)	(22,910)
Balance at December 31, 2021	<u>\$ 675,822</u>	<u>\$ 539,098</u>	<u>\$ 1,761,160</u>	<u>\$ 175,408</u>	<u>\$ 119,466</u>	<u>\$ 214,412</u>	<u>\$ 3,485,366</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 304,728	\$ 922,336	\$ 88,107	\$ 82,513	\$ 174,788	\$ 1,572,472
Depreciation expenses	-	19,940	102,278	11,575	9,694	17,361	160,848
Disposals	-	(4,010)	(6,612)	(1,518)	(1,540)	(9,230)	(22,910)
Impairment loss	-	-	760	-	-	-	760
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 320,658</u>	<u>\$ 1,018,762</u>	<u>\$ 98,164</u>	<u>\$ 90,667</u>	<u>\$ 182,919</u>	<u>\$ 1,711,170</u>
Carrying amounts at December 31, 2021	<u>\$ 675,822</u>	<u>\$ 218,440</u>	<u>\$ 742,398</u>	<u>\$ 77,244</u>	<u>\$ 28,799</u>	<u>\$ 31,493</u>	<u>\$ 1,774,196</u>

Certain machinery and electrical equipment in the production department were left unused for a long period. The Company expects that the future economic benefits of these equipment will decrease, resulting in a recoverable amount of \$0, which was less than the book value. Therefore, it has recognized impairment loss of \$760 thousand and \$724 thousand in 2021 and 2020, respectively. 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 as follows:

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

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Buildings	\$ 154,078	\$ 176,772
Office equipment	<u>23,340</u>	<u>3,464</u>
	<u>\$ 177,418</u>	<u>\$ 180,236</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 36,742</u>	<u>\$ 1,906</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 34,345	\$ 43,024
Office equipment	<u>3,577</u>	<u>3,173</u>
	<u>\$ 37,922</u>	<u>\$ 46,197</u>

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 41,384</u>	<u>\$ 32,648</u>
Non-current	<u>\$ 138,412</u>	<u>\$ 149,461</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Buildings	0.98%-1.06%	1.06%
Office equipment	0.98%-1.06%	1.05%-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 2 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	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 48,276</u>	<u>\$ 32,248</u>
Total cash outflow for leases	<u>\$ 87,556</u>	<u>\$ 79,854</u>

12. BORROWINGS

a. Short-term bills payable

	December 31	
	2021	2020
Commercial papers	\$ 150,000	\$ -
Less: Unamortized discounts on bills payable	<u>(10)</u>	<u>-</u>
	<u>\$ 149,990</u>	<u>\$ -</u>

Short-term bills payable are commercial papers due within one year. The interest rate on these bills payable was 0.81% as of December 31, 2021.

b. Long-term borrowings

	December 31	
	2021	2020
Bank credit loans	<u>\$ 57,900</u>	<u>\$ 922,180</u>

As of December 31, 2021 and 2020, the interest rates of long-term borrowings were 0.78% per annum and 0.99%-1.21% per annum, respectively.

13. 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 Act 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:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 110,375	\$ 115,445
Fair value of plan assets	<u>(93,696)</u>	<u>(93,398)</u>
Net defined benefit liabilities	<u>\$ 16,679</u>	<u>\$ 22,047</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 122,339</u>	<u>\$ (90,134)</u>	<u>\$ 32,205</u>
Service cost			
Current service cost	3,312	-	3,312
Net interest expense (income)	<u>1,182</u>	<u>(893)</u>	<u>289</u>
Recognized in profit or loss	<u>4,494</u>	<u>(893)</u>	<u>3,601</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,805)	(2,805)
Actuarial loss - changes in demographic assumptions	3,729	-	3,729
Actuarial gain - experience adjustments	<u>(8,649)</u>	<u>-</u>	<u>(8,649)</u>
Recognized in other comprehensive income	<u>(4,920)</u>	<u>(2,805)</u>	<u>(7,725)</u>
Benefits paid	<u>(6,468)</u>	<u>6,468</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(6,034)</u>	<u>(6,034)</u>
Balance at December 31, 2020	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u>
Balance at January 1, 2021	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u>
Service cost			
Current service cost	3,564	-	3,564
Net interest expense (income)	<u>556</u>	<u>(455)</u>	<u>101</u>
Recognized in profit or loss	<u>4,120</u>	<u>(455)</u>	<u>3,665</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,206)	(1,206)
Actuarial loss - changes in demographic assumptions	434	-	434
Actuarial loss - experience adjustments	<u>3,082</u>	<u>-</u>	<u>3,082</u>
Recognized in other comprehensive income	<u>3,516</u>	<u>(1,206)</u>	<u>2,310</u>
Benefits paid	<u>(12,706)</u>	<u>12,706</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(11,343)</u>	<u>(11,343)</u>
Balance at December 31, 2021	<u>\$ 110,375</u>	<u>\$ (93,696)</u>	<u>\$ 16,679</u>

Through the defined benefit plans under the Labor Standards Act, 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	
	2021	2020
Discount rate	0.75%	0.50%
Expected rate of salary increase - less than 16 years	1.50%	1.50%
Expected rate 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	
	2021	2020
Discount rate		
0.125% increase	<u>\$ (743)</u>	<u>\$ (952)</u>
0.125% decrease	<u>\$ 752</u>	<u>\$ 964</u>
Expected rate of salary increase/decrease		
0.125% increase	<u>\$ 749</u>	<u>\$ 958</u>
0.125% decrease	<u>\$ (743)</u>	<u>\$ (948)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 3,126</u>	<u>\$ 3,665</u>
Average duration of the defined benefit obligation	5.5 years	6.6 years

14. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>267,129</u>	<u>244,906</u>
Shares issued	<u>\$ 2,671,290</u>	<u>\$ 2,449,060</u>

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

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

On June 24, 2021, the Company's board of directors resolved to issue 22,223 thousand ordinary shares before listing with a par value of \$10, and 10% of the shares are reserved for employee stock subscription in accordance with the laws and regulations. The subscription base date was September 28, 2021. The exercise prices of the shares consist of the weighted average bid price for competitive auction of \$55.38 per share, the price of shares for public offering and the price of shares for employee stock subscription of \$52 per share. The Company had collected the above proceeds amounting to \$1,209,636 thousand. The transaction was approved by the Taiwan Stock Exchange Corporation on July 8, 2021. The total paid-in capital after the capital increase was \$2,671,290 thousand and was registered on October 22, 2021.

b. Capital surplus

	Actual Acquisition or Disposal of Equity in Subsidiary (1)	Share Premium (1)	Employee Share Options (2)	Others (1)	Total
Balance at January 1, 2020	\$ 151,622	\$ -	\$ -	\$ -	\$ 151,622
Difference between the 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	<u>\$ 156,481</u>	<u>\$ 61,859</u>	<u>\$ -</u>	<u>\$ 715</u>	<u>\$ 219,055</u>
Balance at January 1, 2021	\$ 156,481	\$ 61,859	\$ -	\$ 715	\$ 219,055
Issuance of ordinary shares for cash	-	924,154	-	-	924,154
Employee share options granted	-	-	7,655	-	7,655
Employee share options exercised	-	68,435	(5,183)	-	63,252
Employee share options expired	-	-	(2,472)	2,472	-
Balance at December 31, 2021	<u>\$ 156,481</u>	<u>\$ 1,054,448</u>	<u>\$ -</u>	<u>\$ 3,187</u>	<u>\$ 1,214,116</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus cannot be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, 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 bonuses to shareholders.

In consideration of the overall environment and the long-term financial planning to achieve sustainable and stable business development, the Company's dividend policy is mainly based on the future capital budget plan to measure the capital needs of the following year. Every year, no less than 30% of the available profit shall be distributed as shareholder dividends. The distribution of dividends may be in cash or in shares, of which the cash dividends should be no less than 20%. However, when the Company has capital expenditure needs, all the aforementioned dividends will be distributed in the form of share dividends. 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 16(d).

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", should be appropriated to or reversed from a special reserve by the Company. When the deduction balance of other shareholders' equity is reversed, the surplus may be distributed thereafter.

The appropriations of earnings for 2020 and 2019, which were approved by the shareholders in their meeting and the Company's board of directors (on behalf of the shareholders) on July 26, 2021 and May 13, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 149,341</u>	<u>\$ 46,468</u>
Special reserve	<u>\$ 203,863</u>	<u>\$ -</u>
Cash dividends	<u>\$ 979,624</u>	<u>\$ 412,120</u>
Cash dividends per share (NT\$)	<u>\$ 4</u>	<u>\$ 1.71</u>

The appropriations of earnings for 2021, which were proposed by the Company's board of directors on March 10, 2022, were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 106,042</u>
Special reserve	<u>\$ 37,893</u>
Cash dividends	<u>\$ 801,387</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>

The appropriations of earnings for 2021 will be approved by the shareholders in their meeting to be held in June 2022. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

15. REVENUE

	<u>For the Year Ended December 31</u>	
	2021	2020
Revenue from contracts with customers - sale of goods	<u>\$ 6,155,049</u>	<u>\$ 5,900,941</u>

Contract Balances

	<u>December 31</u>	
	2021	2020
Notes receivable and accounts receivable (including related parties)	<u>\$ 971,480</u>	<u>\$ 842,519</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 13,673</u>	<u>\$ 454</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Revenue from contracts with customers - sale of goods	<u>\$ 454</u>	<u>\$ 1,440</u>

For information about notes receivable and accounts receivable, refer to Note 7. The changes in the balance of contract liabilities primarily resulted from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

16. NET PROFIT

a. Finance costs

	<u>For the Year Ended December 31</u>	
	2021	2020
Interest on lease liabilities	\$ 1,904	\$ 2,180
Interest on bank loans	8,843	20,573
Less: Capitalization amount of interest	<u>(89)</u>	<u>(23)</u>
	<u>\$ 10,658</u>	<u>\$ 22,730</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Capitalization interest rate	0.77%-1.09%	0.79%-1.26%

b. Depreciation

	For the Year Ended December 31	
	2021	2020
Right-of-use assets	\$ 37,922	\$ 46,197
Property, plant and equipment	<u>160,848</u>	<u>158,998</u>
	<u>\$ 198,770</u>	<u>\$ 205,195</u>
An analysis of depreciation by function		
Operating costs	\$ 154,397	\$ 155,018
Operating expenses	<u>44,373</u>	<u>50,177</u>
	<u>\$ 198,770</u>	<u>\$ 205,195</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 24,882	\$ 23,970
Defined benefit plans	<u>3,665</u>	<u>3,601</u>
	28,547	27,571
Share-based payment		
Equity settled	6,622	29,457
Other employee benefits	<u>703,882</u>	<u>721,894</u>
Total employee benefit expense	<u>\$ 739,051</u>	<u>\$ 778,922</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 369,343	\$ 370,394
Operating expenses	<u>369,708</u>	<u>408,528</u>
	<u>\$ 739,051</u>	<u>\$ 778,922</u>

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 10, 2022 and February 25, 2021, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 12,771	\$ 17,216
Remuneration of directors	13,500	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 significant difference between the actual amounts of the compensation and remuneration proposed in 2020 and 2019, and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019.

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

17. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Current tax		
In respect of the current year	\$ 183,568	\$ 201,216
Income tax on unappropriated earnings	8,029	-
Adjustments for prior years	<u>(4,079)</u>	<u>1,468</u>
	<u>187,518</u>	<u>202,684</u>
Deferred tax		
In respect of the current year	998	10,264
Adjustments for prior years	<u>-</u>	<u>32</u>
	<u>998</u>	<u>10,296</u>
Income tax expense recognized in profit or loss	<u>\$ 188,516</u>	<u>\$ 212,980</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit before tax from continuing operations	<u>\$ 1,250,782</u>	<u>\$ 1,700,208</u>
Income tax expense calculated at the statutory rate (20%)	\$ 250,156	\$ 340,042
Permanent differences	(65,590)	(128,562)
Income tax on unappropriated earnings	8,029	-
Adjustments for prior years	<u>(4,079)</u>	<u>1,500</u>
Income tax expense recognized in profit or loss	<u>\$ 188,516</u>	<u>\$ 212,980</u>

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ 462</u>	<u>\$ (1,545)</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 9,643	\$ 114	\$ -	\$ 9,757
Defined benefit obligation	4,409	(1,535)	462	3,336
Others	<u>188</u>	<u>436</u>	<u>-</u>	<u>624</u>
	<u>\$ 14,240</u>	<u>\$ (985)</u>	<u>\$ 462</u>	<u>\$ 13,717</u>

Deferred tax liabilities

Temporary differences				
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ 57,133
Others	<u>-</u>	<u>13</u>	<u>-</u>	<u>13</u>
	<u>\$ 57,133</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 57,146</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 12,001	\$ (2,358)	\$ -	\$ 9,643
Defined benefit obligation	6,441	(487)	(1,545)	4,409
Others	<u>7,639</u>	<u>(7,451)</u>	<u>-</u>	<u>188</u>
	<u>\$ 26,081</u>	<u>\$ (10,296)</u>	<u>\$ (1,545)</u>	<u>\$ 14,240</u>

Deferred tax liabilities

Temporary differences				
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ 57,133

- d. Income tax assessments

	Latest Approved Year
The Company	2017

18. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share (NT\$)	<u>\$ 4.24</u>	<u>\$ 6.12</u>
Diluted earnings per share (NT\$)	<u>\$ 4.23</u>	<u>\$ 6.09</u>

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

Net profit for the year:

	For the Year Ended December 31	
	2021	2020
Profit for the year attributable to owners of the Company	<u>\$ 1,062,266</u>	<u>\$ 1,487,228</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	250,690	243,146
Effect of potentially dilutive ordinary shares:		
Employee share options	6	22
Compensation of employees	<u>411</u>	<u>1,151</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>251,107</u>	<u>244,319</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

19. SHARE-BASED PAYMENT ARRANGEMENTS

- a. 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	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	3,320	15
Options exercised	(3,270)	15
Options expired	<u>(50)</u>	15
Balance at December 31	<u><u>-</u></u>	
Weighted-average fair value of options granted in July 2020 (NT\$)	<u>\$ 14.3</u>	

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

	July 2020
Share price at the grant date	\$29.3
Exercise price	\$15
Expected volatility (%)	45.69
Expected lives (days)	6
Expected dividend yield (%)	-
Risk free interest rate (%)	0.28

The employees' compensation cost recognized on the statements of comprehensive income was \$29,457 thousand for the year ended December 31, 2020.

- b. The board of directors resolved to issue 22,223 thousand ordinary shares on June 24, 2021 and 10% of the shares are reserved for employee stock subscription in accordance with the laws and regulations. The Company granted the right to subscribe for 1,914 thousand ordinary shares to the Company's employees and the right to subscribe for 309 thousand ordinary shares to the subsidiaries' employees on September 13, 2021 (the date of specifying the number of shares for employee stock subscription). The price per share of the 2,223 thousand ordinary shares reserved for employee stock subscription is \$52.

Information on employee share options issued on September 30, 2021 is as follows:

Employee Share Options	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	2,223	52
Options exercised	(1,506)	52
Options expired	<u>(717)</u>	52
Balance at December 31	<u><u>-</u></u>	
Weighted-average fair value of options granted in September 2021 (NT\$)	<u>\$ 3.46</u>	

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

	September 2021
Share price at the grant date	\$55.29
Exercise price	\$52
Expected volatility (%)	44.85
Expected lives (days)	5
Expected dividend yield (%)	-
Risk free interest rate (%)	0.13

The compensation of employees recognized on the statement of comprehensive income was \$6,622 thousand for the year ended December 31, 2021.

20. 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.

21. 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	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,315,476	\$ 970,351
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,557,448	2,258,716

- 1) The balances include financial assets measured at amortized cost, which comprise cash, 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 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 objective of financial risk management is to manage the market risk related to operating activity including foreign currency risk, interest rate risk, credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Company's financial performance, the Company endeavors to identify, estimate and hedge the uncertainties of the market.

The Company's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures. The Company did not enter into or trade financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Company's income.

Sensitivity analysis

The Company is mainly exposed to the USD and RMB.

The following table details the Company'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.

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit or loss at 5% variance		
USD	\$ (490)	\$ 406
RMB	\$ (145)	\$ 6

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:

	<u>December 31</u>	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 387,686	\$ 1,104,289
Cash flow interest rate risk		
Financial assets	\$ 291,681	\$ 59,506

Due to the close and long-term relationship with banks, the Company obtained better and flexible interest rates from banks. The impact of the change 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, 2021 and 2020 would have decreased/increased as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Increase/decrease	\$ 292	\$ 60

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a 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 transacts with a large number of unrelated customers in 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 company is YFY Inc., which held 59.14% and 64.52% of the ordinary shares of the Company as of December 31, 2021 and 2020, respectively.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
Ever Growing Agriculture Biotech Co., Ltd.	Subsidiary
Yuen Foong Shop Co., Ltd.	Subsidiary
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary
YFY Investment Co., Ltd.	Subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
China Color Printing Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co, Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong) Co., Ltd.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
Hsinex International Corp.	Substantial related party
E Ink Holdings Incorporated	Substantial related party
SinoPac Leasing Co., Ltd.	Substantial related party
SinoPac Financial Holdings Company Limited	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
Bank SinoPac Co., Ltd.	Substantial related party
YFY Biotechnology Co., Ltd.	Substantial related party
Xingyuan Investment Co., Ltd.	Substantial related party
Beautone Co., Ltd.	Substantial related party
Shin-Yi Enterprise Co., Ltd	Substantial related party
Shin-Yi Foundation	Substantial related party
SinoPac Securities Co., Ltd.	Substantial related party
Taiwan Stock Exchange	Substantial related party
Sung Yu Corporation	Substantial related party
Hoi Toy & Play Corporation	Substantial related party
Yuanhan Materials Inc.	Substantial related party
Synmax Biochemical Co., Ltd.	Substantial related party

(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 1,022,295	\$ 883,180
Others	<u>2,591</u>	<u>33</u>
	1,024,886	883,213
Substantial related parties	9,038	10,233
Fellow subsidiaries	4,763	9,007
Parent company	<u>2,524</u>	<u>1,535</u>
	<u>\$ 1,041,211</u>	<u>\$ 903,988</u>

For sales of goods to related parties, the prices and terms of receivables approximate those with non-related parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 685,243	\$ 408,252
Others	<u>110,137</u>	<u>133,741</u>
	<u>795,380</u>	<u>541,993</u>
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	370,041	332,315
Others	<u>28,817</u>	<u>29,583</u>
	<u>398,858</u>	<u>361,898</u>
Substantial related parties	<u>154</u>	<u>185</u>
	<u>\$ 1,194,392</u>	<u>\$ 904,076</u>

For purchases of goods from related parties, the prices and terms of payables approximate those with non-related parties.

d. Accounts receivable from related parties

Related Party Category	December 31	
	2021	2020
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 188,285	\$ 167,018
Others	<u>14</u>	<u>23</u>
	188,299	167,041
Substantial related parties	2,173	1,726
Fellow subsidiaries	741	1,040
Parent company	<u>-</u>	<u>3</u>
	<u>\$ 191,213</u>	<u>\$ 169,810</u>

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

Related Party Category	December 31	
	2021	2020
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	\$ 145,357	\$ 163,021
Others	<u>2,898</u>	<u>-</u>
	<u>148,255</u>	<u>163,021</u>
Fellow subsidiaries		
Chung Hwa Pulp Corporation	134,722	125,895
YFY Packaging Inc.	<u>25,405</u>	<u>46,707</u>
	<u>160,127</u>	<u>172,602</u>
	<u>\$ 308,382</u>	<u>\$ 335,623</u>

The outstanding accounts payable to related parties are unsecured.

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

Related Party Category	December 31	
	2021	2020
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 8,545	\$ 21,804
Ever Growing Agriculture Biotech Co., Ltd.	<u>6</u>	<u>10,299</u>
	8,551	32,103
Substantial related parties	<u>-</u>	<u>45</u>
	<u>\$ 8,551</u>	<u>\$ 32,148</u>

g. Other payables to related parties

Related Party Category	December 31	
	2021	2020
Fellow subsidiaries		
YFY Corporate Advisory & Services Co., Ltd.	\$ 1,022	\$ 1,067
YFY Jupiter US, Inc.	401	-
Others	<u>451</u>	<u>888</u>
	<u>1,874</u>	<u>1,955</u>
Substantial related parties		
Shin-Yi Enterprise Co., Ltd.	839	883
Others	<u>294</u>	<u>267</u>
	<u>1,133</u>	<u>1,150</u>
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	<u>226</u>	<u>350</u>
	<u>\$ 3,233</u>	<u>\$ 3,455</u>

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

Related Party Category	For the Year Ended December 31	
	2021	2020
<u>Interest income</u>		
Subsidiaries		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	<u>\$ -</u>	<u>\$ 9,430</u>

The Company provided loans to subsidiaries at an interest rate of 2%.

i. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	<u>\$ -</u>	<u>\$ 855</u>

j. Lease arrangements

Related Party Category	For the Year Ended December 31	
	2021	2020
Lease paid		
Substantial related parties		
Shin-Yi Enterprise Co., Ltd.	\$ 7,946	\$ 7,970
Others	<u>1,413</u>	<u>1,464</u>
	9,359	9,434
Fellow subsidiaries	<u>1,320</u>	<u>1,314</u>
	<u>\$ 10,679</u>	<u>\$ 10,748</u>

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

k. Other transactions with related parties

Related Party Category	Other Income	
	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 1,369	\$ 1,371
Others	<u>369</u>	<u>105</u>
	<u>\$ 1,738</u>	<u>\$ 1,476</u>

Related Party Category	Agency Fees (Accounted for as Operating Expenses)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries		
YFY Corporate Advisory & Services Co., Ltd.	\$ 9,307	\$ 12,070

Related Party Category	Miscellaneous Expenses (Accounted for Cost of Goods Sold and Operating Expenses)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 5,448	\$ 7,398
Substantial related parties	3,372	2,823
Subsidiaries	<u>2,976</u>	<u>2,282</u>
	<u>\$ 11,796</u>	<u>\$ 12,503</u>

Related Party Category	Prepayment (Accounted as Other Current Assets)	
	For the Year Ended December 31	
	2021	2020
Substantial related parties	\$ <u>45</u>	\$ <u>-</u>

l. Acquisition of financial assets

For the year ended December 31, 2020

Related Party Category	Line Item	Number of Shares	Underlying Assets	Proceeds
Fellow subsidiaries YFY Paradigm Investment Co., Ltd.	Investments accounted for using the equity method	2,500,000	Ordinary shares	<u>\$ 30,041</u>

Please refer to Note 9.

m. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Salaries and benefits	\$ 50,282	\$ 37,659
Share based payment	<u>332</u>	<u>15,158</u>
	<u>\$ 50,614</u>	<u>\$ 52,817</u>

The remuneration of directors and key executives as determined by the remuneration committee, was based on the performance of individuals and market trends.

23. OTHER ITEMS

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

24. 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, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 649	27.68	\$ 17,964
<u>Financial liabilities</u>			
Monetary items			
USD	1,003	27.68	27,763
RMB	668	4.341	2,900
	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 293	28.48	\$ 8,345
RMB	29	4.377	127
<u>Financial liabilities</u>			
Monetary items			
USD	8	28.48	228

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

Foreign Currency	For the Year Ended 2021		For the Year Ended 2020	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	27.68 (USD:NTD)	\$ (78)	28.48 (USD:NTD)	\$ (774)
RMB	4.341 (RMB:NTD)	<u>15</u>	4.377 (RMB:NTD)	<u>(6,827)</u>
		<u>\$ (63)</u>		<u>\$ (7,601)</u>

25. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
 - 4) Marketable securities acquired or disposed of 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 1)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
 - 9) Trading in derivative instruments (None)
 - 10) Information on investees (Table 3)
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (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
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

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, 2021
(Amounts in Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd. Ever Growing Agriculture Biotech Co., Ltd.	a.	Sale	\$ (1,022,295)	(17)	In agreed terms	\$ -	-	\$ 188,285	19	\$ 7,102
		a.	Purchase	370,041	11	In agreed terms	-	-	(145,357)	(24)	10,708
	YFY Packaging Inc. Chung Hwa Pulp Corporation	b.	Purchase	109,247	3	In agreed terms	-	-	(25,405)	(4)	-
		b.	Purchase	685,243	19	In agreed terms	-	-	(134,722)	(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 NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Shop Co., Ltd.	Subsidiary	\$ 188,285	5.75	\$ -	-	\$ 164,078	\$ -

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Yuen Foong Yu Consumer Products Co., Ltd.	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment holding	\$ 3,845,458	\$ 3,845,458	150,013,000	100.0	\$ 3,178,718	\$ 228,160	\$ 228,160	a.
	Ever Growing Agriculture Biotech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	264,919	56,356	52,406	a.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	93,093	44,738	47,387	a.
	YFY Consumer Products, Co.	United States	E-commerce for intellectual property management and sales of consumer products	-	-	-	100.0	-	-	-	a.

Note: a. Subsidiaries.

b. Refer to Table 4 for information on investments in mainland China.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (In Thousands of Foreign Currencies) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (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, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
YFY Investment Co., Ltd.	Investment holding and sale of paper	\$ 3,183,200 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 2,617,836 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,617,836 (US\$ 94,575 thousand)	\$ 210,713 (Note 2,b.)	100.0	\$ 210,713 (Note 2,b.)	\$ 2,242,783	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	830,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	14,039 (Note 2,b.)	100.0	14,678 (Note 2,b.)	273,035	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	830,400 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	13,158 (Note 2,b.)	100.0	13,158 (Note 2,b.)	1,154,897	-
Shanghai YFY International Trade Co., Ltd.	General trade	4,540 (US\$ 164 thousand)	Direct investment in mainland China.	4,540 (US\$ 164 thousand)	-	4,540 (US\$ 164 thousand)	-	666 (Note 2,c.)	-	666 (Note 2,c.)	-	-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$2,894,636 (Notes 1 and 4)	\$2,894,636 (Notes 1 and 4)	Note 3

Note 1: The exchange rates are US\$1=\$27.68 and RMB1=\$4.341484 as of December 31, 2021.

Note 2: The recognition basis for investment gain (loss) are as follows:

- Financial statements reviewed by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements reviewed by the ROC CPA firm.
- Others.

Note 3: According to Article 3 of the "Principles of Investing or Technical Cooperation in Mainland China" on August 29, 2008, companies approved by the Industrial Development Bureau, MOEA within the scope of operations of the operational headquarters are not subject to the upper limit. The Company is an enterprise that is eligible and is not subject to the aforementioned restrictions.

Note 4: The disposal of entire shares of YFY Family Paper (Beijing) Co., Ltd. was completed by the subsidiary YFY Investment Co., Ltd. in August 2020. The sale proceeds have not been remitted back to Taiwan; therefore, the Company has not yet processed the deduction of the accumulated investment amount to the Investment Commission, MOEA.

Note 5: On July 14, 2021, the subsidiary Yuen Foong Shop Co., Ltd.'s board of directors resolved to sell all of its equity of Shanghai YFY International Trade Co., Ltd. The disposal was completed in August 2021.

TABLE 5**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	158,004,565	59.14
YFY Paradigm Investment Co., Ltd.	17,386,815	6.50

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of notes and accounts receivable	1
Statement of inventories	2
Statement of changes in investments accounted for using the equity method	3
Statement of changes in property, plant, and equipment	Note 10
Statement of other payables	4
Major Accounting Items in Profit or Loss	
Statement of operating revenue	5
Statement of operating costs	6
Statement of operating expenses	7
Statement of employee benefit and depreciation expense by function	8

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Costco President Taiwan Inc.	\$ 259,419
Chuan Lian Enterprise Co., Ltd.	128,065
Presicarre Corporation	99,792
Others (Note)	292,991
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 780,267</u>

Note: The amount included in others does not exceed 5% of the account balance.

STATEMENT 2

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods and purchased goods	\$ 281,714	\$ 246,752
Work in process	83,116	81,980
Materials	<u>67,284</u>	<u>54,599</u>
	432,114	<u>\$ 383,331</u>
Less: Write-downs of inventories (Note)	<u>(48,783)</u>	
	<u>\$ 383,331</u>	

Note: Included finished goods and purchased goods of \$34,962 thousand, work in process of \$1,136 thousand and materials of \$12,685 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, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Balance, January 1, 2021		Additions in Investment		Decrease in Investment (Note 3)		Share of Profit of Subsidiaries (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2021			Market Value or Net Asset Value
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	
Yuen Foong Yu Consumer Products Investment Limited	150,013,000	\$ 2,987,775	-	\$ -	-	\$ -	\$ 228,160	\$ (37,217)	150,013,000	100	\$ 3,178,718	\$ 3,178,718
Ever Growing Agriculture Biotech Co., Ltd.	18,245,944	256,030	-	-	-	43,726	52,406	209	18,245,944	85	264,919	275,627
Yuen Foong Shop Co., Ltd.	5,000,000	81,039	-	-	-	35,638	47,387	305	5,000,000	100	93,093	100,195
		<u>\$ 3,324,844</u>		<u>\$ -</u>		<u>\$ 79,364</u>	<u>\$ 327,953</u>	<u>\$ (36,703)</u>			<u>\$ 3,536,730</u>	<u>\$ 3,554,540</u>

Note 1: The recognition basis for investment gain are the financial statements audited by ROC CPA firm.

Note 2: Including exchange differences arising on translating the financial statements of foreign operations of \$(37,893) thousand, granted share options to employees of subsidiaries to adjust capital surplus of \$1,032 thousand and granted employee compensation to employees of subsidiaries to adjust capital surplus of \$158 thousand.

Note 3: Included cash dividends collected of \$79,063 thousand and employee compensation paid by subsidiaries to the Company's employees of \$301 thousand.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Payables on wages and employee benefits	\$ 151,006
Payables on channel marketing expense	84,915
Payables on equipment	55,876
Others (Note)	<u>422,940</u>
	<u>\$ 714,737</u>

Note: The amount included in others does not exceed 5% of the account balance.

STATEMENT 5

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Tons)	Amount
Paper	86,021	\$ 5,029,918
Others (Note)	-	<u>1,125,131</u>
		<u>\$ 6,155,049</u>

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

STATEMENT 6

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	\$ 2,449,908
Direct labor	247,881
Manufacturing expenses	<u>614,434</u>
Manufacturing cost	3,312,223
Add (less):	
Work in process, beginning of year	65,984
Transferred to other accounts	(1,633)
Work in process, end of year	<u>(83,116)</u>
Cost of finished goods	3,293,458
Add (less):	
Finished goods, beginning of year	162,264
Finished goods, end of year	(192,416)
Transferred to other accounts	(12,910)
Reversal of write-down of inventories	<u>(18,786)</u>
Cost of homemade products sold	3,231,610
Purchased goods, beginning of year	71,786
Finished goods purchased	1,051,894
Add (less)	
Transferred to other accounts	(11,724)
Write-down of inventories	19,357
Purchased goods, end of year	<u>(89,298)</u>
	<u>\$ 4,273,625</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefit expense	\$ 171,163	\$ 177,063	\$ 21,482	\$ 369,708
Freight expense	318,869	-	-	318,869
Advertising and marketing expense	85,536	-	-	85,536
Remuneration expense	5,278	30,732	4	36,014
Depreciation	36,506	4,788	3,079	44,373
Others (Note)	<u>53,263</u>	<u>40,725</u>	<u>7,705</u>	<u>101,693</u>
	<u>\$ 670,615</u>	<u>\$ 253,308</u>	<u>\$ 32,270</u>	<u>\$ 956,193</u>

Note: The amount included in others does not exceed 5% of the account balance.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF EMPLOYMENT BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment benefit expense						
Salary expense	\$ 300,825	\$ 298,202	\$ 599,027	\$ 300,247	\$ 349,022	\$ 649,269
Insurance expense	31,929	25,467	57,396	28,875	23,815	52,690
Pension expense	14,867	13,680	28,547	14,160	13,411	27,571
Remuneration of directors	-	13,500	13,500	-	3,015	3,015
Other expense	<u>21,722</u>	<u>18,859</u>	<u>40,581</u>	<u>27,112</u>	<u>19,265</u>	<u>46,377</u>
	<u>\$ 369,343</u>	<u>\$ 369,708</u>	<u>\$ 739,051</u>	<u>\$ 370,394</u>	<u>\$ 408,528</u>	<u>\$ 778,922</u>
Depreciation expense	<u>\$ 154,397</u>	<u>\$ 44,373</u>	<u>\$ 198,770</u>	<u>\$ 155,018</u>	<u>\$ 50,177</u>	<u>\$ 205,195</u>

1. As of December 31, 2021 and 2020, the Company had 717 and 726 employees, respectively. There were both 4 non-employee directors.
2. A company whose shares are listed on the stock exchange or traded in the over-the-counter market shall disclose the following:
 - a. For the years ended December 31, 2021 and 2020, the average employment benefit expense was \$1,018 thousand and \$1,075 thousand, respectively. (“Total Employment Benefit Expense” - “Total Compensation for Directors and Supervisors”/”Number of Employees” - “Number of Directors Not Classified as Employees”).
 - b. For the years ended December 31, 2021 and 2020, the average salary expense was \$840 thousand and \$899 thousand, respectively. (“Total Salary Expense”/”Number of Employees” - “Number of Directors Not Classified as Employees”).
 - c. Average salary adjustment was 6.56% (“Current Year Average Salary Expense” - “Prior Year Average Salary Expense”/”Prior Year Average Salary Expense”).
 - d. The Company has no supervisors.
3. Salary and remuneration policy (including directors, managers and employees):
 - a. According to the Articles of Incorporation, if the Company made a profit based on operating results in the current year, 1% or more of the income shall be set aside as compensation of employees and 2% or less shall be distributed as remuneration of directors.
 - b. The total compensation paid to the executive officers which included salary, bonus, and compensation of employees is based on the salary structures of other companies operating similar businesses or with similar business scales, in order to attract outstanding executive officers with a competitive compensation package. Such compensation and remuneration are submitted to the compensation committee and the Company’s board of directors for review and approval.
 - c. The Company participates in compensation surveys to measure pay levels in the labor market. Besides, the Company also takes into account industry pay levels in order to make adequate adjustments to the overall compensation policies. In addition to annual salary adjustment and comprehensive promotional practices, various award systems are established to attract, retain, develop, and encourage talent.

Notice to readers

This English-version annual report is a translation version from the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

YFYCPG

Chairman of the board

Felix Ho

A handwritten signature in blue ink, appearing to read 'Felix Ho', positioned to the right of the printed name.



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