Yuen Foong Yu Consumer Products Co., Ltd.

Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Yuen Foong Yu Consumer Products Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 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

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

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

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

	2021		2020	
ASSETS	**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)	(4,273,625)	(69)	(3,823,018)	(65)
GROSS PROFIT	1,881,424	31	2,077,923	35
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	(32,270)	(1)	(37,793)	-
Total operating expenses	(956,193)	(16)	(1,004,607)	(17)
PROFIT FROM OPERATIONS	925,231	15	1,073,316	18
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)	(1,346)	-	(870)	-
Total non-operating income and expenses	325,551	5	626,892	11
PROFIT BEFORE INCOME TAX	1,250,782	20	1,700,208	29
INCOME TAX EXPENSE (Notes 4 and 17)	(188,516)	(3)	(212,980)	(4)
NET PROFIT FOR THE YEAR	1,062,266	17	1,487,228	25

(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	(37,893)	-	(35,662)	-
Other comprehensive loss for the year, net of income tax	(39,741)	-	(29,482)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,022,525	17	$ 1,457,746	25
EARNINGS PER SHARE (Note 18)				
Basic	$ 4.24		$ 6.12	
Diluted	$ 4.23		$ 6.09	

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			Retained Earnings (Note 14)				Other Equity	
	Shares (In Thousands)	Amount	Capital Surplus (Note 4)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Total Equity
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	(7,678)	(2,433)
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	(295,704)	(102,322)
Net cash generated from operating activities	902,289	1,168,053
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	(1,047)	8,127
Net cash (used in) generated from investing activities	(148,144)	849,333

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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	-	(30,041)
Net cash used in financing activities	(521,644)	(2,003,313)
NET INCREASE IN CASH	232,501	14,073
CASH AT THE BEGINNING OF THE YEAR	60,305	46,232
CASH AT THE END OF THE YEAR	$ 292,806	$ 60,305

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

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

1. GENERAL INFORMATION

Yuen Foong Yu Consumer Products Co., Ltd. (the "Company"), formerly known as Laiya Co., Ltd., was established and invested by YFY Inc. (originally the parent company which held 100% 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 remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit 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	292,598	60,097
	$ 292,806	$ 60,305

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
Notes receivable - operating	$ 17,490	$ 13,996
Accounts receivable - operating	762,777	659,064
Less: Allowance for impairment loss	-	(351)
	$ 780,267	$ 672,709

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)	-	-	-	-	-	-
Amortized cost	$ 773,838	$ 6,411	$ 18	$ -	$ -	$ 780,267

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

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	(297)	-
Balance at December 31	$ -	$ 351

8. INVENTORIES

	December 31	
	2021	2020
Finished goods and purchased goods	$ 246,752	$ 218,290
Work in process	81,980	65,849
Materials	54,599	73,442
	$ 383,331	$ 357,581

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)	-	-
	$ 3,536,730	$ 3,324,844

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

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiaries	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
Cost							
Balance at January 1, 2020	$ 675,822	$ 526,919	$ 1,689,621	$ 157,646	$ 100,653	$ 201,662	$ 3,352,323
Additions	-	7,627	42,988	9,384	8,256	9,436	77,691
Disposals	-	(1,150)	(58,239)	(821)	(34)	(3,863)	(64,107)
Balance at December 31, 2020	$ 675,822	$ 533,396	$ 1,674,370	$ 166,209	$ 108,875	$ 207,235	$ 3,365,907
Accumulated depreciation and impairment							
Balance at January 1, 2020	$ -	$ 285,914	$ 868,602	$ 77,704	$ 73,808	$ 160,789	$ 1,466,817
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	$ -	$ 304,728	$ 922,336	$ 88,107	$ 82,513	$ 174,788	$ 1,572,472
Carrying amounts at December 31, 2020	$ 675,822	$ 228,668	$ 752,034	$ 78,102	$ 26,362	$ 32,447	$ 1,793,435
Cost							
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	$ 675,822	$ 539,098	$ 1,761,160	$ 175,408	$ 119,466	$ 214,412	$ 3,485,366
Accumulated depreciation and impairment							
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	$ -	$ 320,658	$1,018,762	$ 98,164	$ 90,667	$ 182,919	$ 1,711,170
Carrying amounts at December 31, 2021	$ 675,822	$ 218,440	$ 742,398	$ 77,244	$ 28,799	$ 31,493	$ 1,774,196

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

	December 31	
	2021	2020
Carrying amounts		
Buildings	$ 154,078	$ 176,772
Office equipment	23,340	3,464
	$ 177,418	$ 180,236

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	$ 36,742	$ 1,906
Depreciation charge for right-of-use assets		
Buildings	$ 34,345	$ 43,024
Office equipment	3,577	3,173
	$ 37,922	$ 46,197

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

	December 31	
	2021	2020
Carrying amounts		
Current	$ 41,384	$ 32,648
Non-current	$ 138,412	$ 149,461

Range of discount rates for lease liabilities was as follows:

	December 31	
	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	$ 48,276	$ 32,248
Total cash outflow for leases	$ 87,556	$ 79,854

12. BORROWINGS

a. Short-term bills payable

	December 31	
	2021	2020
Commercial papers	$ 150,000	$ -
Less: Unamortized discounts on bills payable	(10)	-
	$ 149,990	$ -

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	$ 57,900	$ 922,180

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:

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

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

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	$ (743)	$ (952)
0.125% decrease	$ 752	$ 964
Expected rate of salary increase/decrease		
0.125% increase	$ 749	$ 958
0.125% decrease	$ (743)	$ (948)

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	$ 3,126	$ 3,665
Average duration of the defined benefit obligation	5.5 years	6.6 years

14. EQUITY

a. Ordinary shares

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

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	$ 156,481	$ 61,859	$ -	$ 715	$ 219,055
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	$ 156,481	$ 1,054,448	$ -	$ 3,187	$ 1,214,116

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	$ 149,341	$ 46,468
Special reserve	$ 203,863	$ -
Cash dividends	$ 979,624	$ 412,120
Cash dividends per share (NT$)	$ 4	$ 1.71

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	$ 106,042
Special reserve	$ 37,893
Cash dividends	$ 801,387
Cash dividends per share (NT$)	$ 3

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

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers - sale of goods	$ 6,155,049	$ 5,900,941

Contract Balances

	December 31	
	2021	2020
Notes receivable and accounts receivable (including related parties)	$ 971,480	$ 842,519
Contract liabilities - sale of goods (under other current liabilities)	$ 13,673	$ 454

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	$ 454	$ 1,440

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

	For the Year Ended December 31	
	2021	2020
Interest on lease liabilities	$ 1,904	$ 2,180
Interest on bank loans	8,843	20,573
Less: Capitalization amount of interest	(89)	(23)
	$ 10,658	$ 22,730

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

	For the Year Ended December 31	
	2021	2020
Right-of-use assets	$ 37,922	$ 46,197
Property, plant and equipment	160,848	158,998
	$ 198,770	$ 205,195
An analysis of depreciation by function		
Operating costs	$ 154,397	$ 155,018
Operating expenses	44,373	50,177
	$ 198,770	$ 205,195

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	3,665	3,601
	28,547	27,571
Share-based payment		
Equity settled	6,622	29,457
Other employee benefits	703,882	721,894
Total employee benefit expense	$ 739,051	$ 778,922
An analysis of employee benefit expense by function		
Operating costs	$ 369,343	$ 370,394
Operating expenses	369,708	408,528
	$ 739,051	$ 778,922

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:

	For the Year Ended December 31	
	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	(4,079)	1,468
	187,518	202,684
Deferred tax		
In respect of the current year	998	10,264
Adjustments for prior years	-	32
	998	10,296
Income tax expense recognized in profit or loss	$ 188,516	$ 212,980

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	$ 1,250,782	$ 1,700,208
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	(4,079)	1,500
Income tax expense recognized in profit or loss	$ 188,516	$ 212,980

b. Income tax recognized in other comprehensive income

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

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
Deferred tax assets				
Temporary differences				
Allowance for loss on inventories	$ 9,643	$ 114	$ -	$ 9,757
Defined benefit obligation	4,409	(1,535)	462	3,336
Others	188	436	-	624
	$ 14,240	$ (985)	$ 462	$ 13,717
Deferred tax liabilities				
Temporary differences				
Land value increment tax	$ 57,133	$ -	$ -	$ 57,133
Others	-	13	-	13
	$ 57,133	$ 13	$ -	$ 57,146

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on inventories	$ 12,001	$ (2,358)	$ -	$ 9,643
Defined benefit obligation	6,441	(487)	(1,545)	4,409
Others	7,639	(7,451)	-	188
	$ 26,081	$ (10,296)	$ (1,545)	$ 14,240
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$)	$ 4.24	$ 6.12
Diluted earnings per share (NT$)	$ 4.23	$ 6.09

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	$ 1,062,266	$ 1,487,228

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	411	1,151
Weighted average number of ordinary shares used in the computation of diluted earnings per share	251,107	244,319

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

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

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

The employees' compensation cost recognized on the statements of comprehensive income was $29,457 thousand for the year ended 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	(717)	52
Balance at December 31	-	
Weighted-average fair value of options granted in September 2021 (NT$)	$ 3.46	

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.

	For the Year Ended December 31	
	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:

	December 31	
	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:

	For the Year Ended December 31	
	2021	2020
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

Related Party Name	Related Party Category
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)

Related Party Name	Related Party Category
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

Related Party Category	For the Year Ended December 31 2021	2020
Subsidiaries		
Yuen Foong Shop Co., Ltd.	$ 1,022,295	$ 883,180
Others	2,591	33
	1,024,886	883,213
Substantial related parties	9,038	10,233
Fellow subsidiaries	4,763	9,007
Parent company	2,524	1,535
	$ 1,041,211	$ 903,988

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	110,137	133,741
	795,380	541,993
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	370,041	332,315
Others	28,817	29,583
	398,858	361,898
Substantial related parties	154	185
	$ 1,194,392	$ 904,076

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	14	23
	188,299	167,041
Substantial related parties	2,173	1,726
Fellow subsidiaries	741	1,040
Parent company	-	3
	$ 191,213	$ 169,810

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	2,898	-
	148,255	163,021
Fellow subsidiaries		
Chung Hwa Pulp Corporation	134,722	125,895
YFY Packaging Inc.	25,405	46,707
	160,127	172,602
	$ 308,382	$ 335,623

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	December 31 2020
Subsidiaries		
Yuen Foong Shop Co., Ltd.	$ 8,545	$ 21,804
Ever Growing Agriculture Biotech Co., Ltd.	6	10,299
	8,551	32,103
Substantial related parties	-	45
	$ 8,551	$ 32,148

g. Other payables to related parties

Related Party Category	December 31 2021	December 31 2020
Fellow subsidiaries		
YFY Corporate Advisory & Services Co., Ltd.	$ 1,022	$ 1,067
YFY Jupiter US, Inc.	401	-
Others	451	888
	1,874	1,955
Substantial related parties		
Shin-Yi Enterprise Co., Ltd.	839	883
Others	294	267
	1,133	1,150
Subsidiaries		
Ever Growing Agriculture Biotech Co., Ltd.	226	350
	$ 3,233	$ 3,455

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

Related Party Category	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Interest income		
Subsidiaries		
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	$ -	$ 9,430

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	For the Year Ended December 31 2020
Fellow subsidiaries	$ -	$ 855

j. Lease arrangements

Related Party Category	For the Year Ended December 31 2021		For the Year Ended December 31 2020	
Lease paid				
Substantial related parties				
Shin-Yi Enterprise Co., Ltd.	$	7,946	$	7,970
Others		1,413		1,464
		9,359		9,434
Fellow subsidiaries		1,320		1,314
	$	10,679	$	10,748

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		369		105
	$	1,738	$	1,476

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		2,976		2,282
	$	11,796	$	12,503

Related Party Category	Prepayment (Accounted as Other Current Assets) For the Year Ended December 31 2021		2020	
Substantial related parties	$	45	$	-

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	$ 30,041

Please refer to Note 9.

m. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Salaries and benefits	$ 50,282	$ 37,659
Share based payment	332	15,158
	$ 50,614	$ 52,817

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
Financial assets			
Monetary items			
USD	$ 649	27.68	$ 17,964
Financial liabilities			
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
Financial assets			
Monetary items			
USD	$ 293	28.48	$ 8,345
RMB	29	4.377	127
Financial liabilities			
Monetary items			
USD	8	28.48	228

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

	For the Year Ended 2021		For the Year Ended 2020	
Foreign Currency	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)	15	4.377 (RMB:NTD)	(6,827)
		$ (63)		$ (7,601)

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.	a.	Sale	$ (1,022,295)	(17)	In agreed terms	$ -	-	$ 188,285	19	$ 7,102
	Ever Growing Agriculture Biotech Co., Ltd.	a.	Purchase	370,041	11	In agreed terms	-	-	(145,357)	(24)	10,708
	YFY Packaging Inc.	b.	Purchase	109,247	3	In agreed terms	-	-	(25,405)	(4)	-
	Chung Hwa Pulp Corporation	b.	Purchase	685,243	19	In agreed terms	-	-	(134,722)	(23)	-

Note:
a. Parent company and subsidiary.
b. Fellow subsidiaries.

TABLE 2

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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 INVESTEES
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.

TABLE 4

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:

a. Financial statements reviewed by an international CPA firm with the cooperation of the ROC CPA firm.
b. Financial statements reviewed by the ROC CPA firm.
c. Others.

Note 3: According to Article 3 of the “Principles of Investing or Technical Cooperation in Mainland China” on August 29, 2008, companies approved by the Industrial Development Bureau, MOEA within the scope of operations of the operational headquarters are not subject to the upper limit. The Company is an enterprise that is eligible and is not subject to the aforementioned restrictions.

Note 4: 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.

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Item	Statement Index
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
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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	-
	$ 780,267

Note: The amount included in others does not exceed 5% of the account balance.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 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	67,284	54,599
	432,114	$ 383,331
Less: Write-downs of inventories (Note)	(48,783)	
	$ 383,331	

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 Shares	Balance, January 1, 2021 Amount	Additions in Investment Shares	Additions in Investment Amount	Decrease in Investment (Note 3) Shares	Decrease in Investment (Note 3) Amount	Share of Profit of Subsidiaries (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2021 Shares	Balance, December 31, 2021 %	Balance, December 31, 2021 Amount	Market Value or Net Asset Value
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
		$ 3,324,844		$ -		$ 79,364	$ 327,953	$ (36,703)			$ 3,536,730	$ 3,554,540

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)	422,940
	$ 714,737

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)	-	1,125,131
		$ 6,155,049

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	$ 2,449,908
Direct labor	247,881
Manufacturing expenses	614,434
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	(83,116)
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	(18,786)
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	(89,298)
	$ 4,273,625

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)	53,263	40,725	7,705	101,693
	$ 670,615	$ 253,308	$ 32,270	$ 956,193

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	21,722	18,859	40,581	27,112	19,265	46,377
	$ 369,343	$ 369,708	$ 739,051	$ 370,394	$ 408,528	$ 778,922
Depreciation expense	$ 154,397	$ 44,373	$ 198,770	$ 155,018	$ 50,177	$ 205,195

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.