

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Yuen Foong Yu Consumer Products Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Note 10 to the consolidated financial statements, the financial statements for the nine months ended September 30, 2022 of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2022, combined total assets of these non-significant subsidiaries were NT\$2,169,363 thousand, representing 27.16% of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$589,710 thousand, representing 21.93% of the consolidated total liabilities; for the three months ended September 30, 2022 and for the nine months ended September 30, 2022, the amounts of combined comprehensive income of these subsidiaries were NT\$62,586 thousand and NT\$137,602 thousand, respectively, representing 25.49% and 18.01%, respectively, of the consolidated total comprehensive income.

## Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shu-Juan Ye and Shiow-Ming Shue.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 10, 2022

### Notice to Readers

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

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

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

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,892,749	24	\$ 1,645,437	21	\$ 2,319,785	28
Financial assets at amortized cost - current (Note 7)	4,839	-	103,499	1	92,966	1
Notes and accounts receivable (Notes 8 and 16)	1,245,898	15	1,269,329	16	1,087,775	13
Accounts receivable from related parties (Notes 16 and 24)	9,117	-	3,332	-	12,004	-
Inventories (Note 9)	1,177,156	15	1,099,668	14	1,101,081	13
Other current assets (Note 24)	<u>226,781</u>	<u>3</u>	<u>225,735</u>	<u>3</u>	<u>216,990</u>	<u>3</u>
Total current assets	<u>4,556,540</u>	<u>57</u>	<u>4,347,000</u>	<u>55</u>	<u>4,830,601</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment (Notes 11, 17 and 24)	3,059,853	38	3,114,280	39	3,107,811	37
Right-of-use assets (Notes 12 and 17)	300,687	4	318,635	4	299,885	3
Deferred tax assets	21,227	-	23,013	-	18,458	-
Other non-current assets	<u>47,876</u>	<u>1</u>	<u>140,739</u>	<u>2</u>	<u>135,002</u>	<u>2</u>
Total non-current assets	<u>3,429,643</u>	<u>43</u>	<u>3,596,667</u>	<u>45</u>	<u>3,561,156</u>	<u>42</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,986,183</u>	<u>100</u>	<u>\$ 7,943,667</u>	<u>100</u>	<u>\$ 8,391,757</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 13)	\$ 36,000	1	\$ 37,000	-	\$ 557,000	7
Short-term bills payable (Note 13)	99,958	1	149,990	2	599,844	7
Notes and accounts payable	649,430	8	492,114	6	528,440	6
Accounts payable to related parties (Note 24)	239,040	3	236,683	3	251,646	3
Other payables	818,431	10	982,708	12	845,328	10
Other payables to related parties (Note 24)	39,434	1	47,114	1	10,191	-
Current tax liabilities	107,131	1	148,399	2	91,943	1
Lease liabilities - current (Notes 12 and 24)	55,423	1	51,296	1	46,754	1
Other current liabilities (Notes 16 and 24)	<u>78,810</u>	<u>1</u>	<u>98,526</u>	<u>1</u>	<u>82,362</u>	<u>1</u>
Total current liabilities	<u>2,123,657</u>	<u>27</u>	<u>2,243,830</u>	<u>28</u>	<u>3,013,508</u>	<u>36</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 13)	298,440	4	57,900	1	-	-
Deferred tax liabilities	57,548	1	57,146	1	57,200	1
Lease liabilities - non-current (Notes 12 and 24)	165,474	2	187,322	2	174,131	2
Net defined benefit liabilities (Notes 4 and 14)	9,237	-	16,679	-	14,603	-
Other non-current liabilities	<u>34,356</u>	<u>-</u>	<u>38,203</u>	<u>1</u>	<u>38,395</u>	<u>-</u>
Total non-current liabilities	<u>565,055</u>	<u>7</u>	<u>357,250</u>	<u>5</u>	<u>284,329</u>	<u>3</u>
Total liabilities	<u>2,688,712</u>	<u>34</u>	<u>2,601,080</u>	<u>33</u>	<u>3,297,837</u>	<u>39</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 15)</b>						
Share capital						
Ordinary shares	<u>2,671,290</u>	<u>33</u>	<u>2,671,290</u>	<u>34</u>	<u>2,671,290</u>	<u>32</u>
Capital surplus	<u>1,214,116</u>	<u>15</u>	<u>1,214,116</u>	<u>15</u>	<u>1,214,116</u>	<u>14</u>
Retained earnings						
Legal reserve	331,631	4	225,589	3	225,589	3
Special reserve	241,756	3	203,863	3	203,863	2
Unappropriated earnings	<u>828,155</u>	<u>11</u>	<u>1,220,998</u>	<u>15</u>	<u>992,615</u>	<u>12</u>
Total retained earnings	<u>1,401,542</u>	<u>18</u>	<u>1,650,450</u>	<u>21</u>	<u>1,422,067</u>	<u>17</u>
Other equity	<u>(36,136)</u>	<u>-</u>	<u>(241,756)</u>	<u>(3)</u>	<u>(259,977)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	5,250,812	66	5,294,100	67	5,047,496	60
<b>NON-CONTROLLING INTERESTS</b>	<u>46,659</u>	<u>-</u>	<u>48,487</u>	<u>-</u>	<u>46,424</u>	<u>1</u>
Total equity	<u>5,297,471</u>	<u>66</u>	<u>5,342,587</u>	<u>67</u>	<u>5,093,920</u>	<u>61</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 7,986,183</u>	<u>100</u>	<u>\$ 7,943,667</u>	<u>100</u>	<u>\$ 8,391,757</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated November 10, 2022)

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES (Notes 16 and 24)	\$ 2,505,041	100	\$ 2,229,763	100	\$ 7,385,746	100	\$ 7,246,952	100
COST OF GOODS SOLD (Notes 9, 17 and 24)	<u>(2,011,035)</u>	<u>(80)</u>	<u>(1,711,049)</u>	<u>(77)</u>	<u>(5,675,472)</u>	<u>(77)</u>	<u>(5,187,016)</u>	<u>(72)</u>
GROSS PROFIT	<u>494,006</u>	<u>20</u>	<u>518,714</u>	<u>23</u>	<u>1,710,274</u>	<u>23</u>	<u>2,059,936</u>	<u>28</u>
OPERATING EXPENSES (Notes 17 and 24)								
Selling and marketing	(214,935)	(9)	(223,432)	(10)	(686,484)	(9)	(730,548)	(10)
General and administrative	(84,297)	(3)	(95,392)	(4)	(260,365)	(4)	(320,898)	(4)
Research and development	<u>(11,025)</u>	<u>(1)</u>	<u>(10,713)</u>	<u>(1)</u>	<u>(32,165)</u>	<u>-</u>	<u>(36,768)</u>	<u>(1)</u>
Total operating expenses	<u>(310,257)</u>	<u>(13)</u>	<u>(329,537)</u>	<u>(15)</u>	<u>(979,014)</u>	<u>(13)</u>	<u>(1,088,214)</u>	<u>(15)</u>
PROFIT FROM OPERATIONS	<u>183,749</u>	<u>7</u>	<u>189,177</u>	<u>8</u>	<u>731,260</u>	<u>10</u>	<u>971,722</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Notes 17 and 24)	(1,800)	-	(3,666)	-	(5,825)	-	(11,327)	-
Interest income	8,023	-	6,073	-	20,823	-	18,829	1
Other income (Note 24)	10,104	1	10,783	1	24,475	-	17,640	-
Gain (loss) on disposal of property, plant and equipment	(43)	-	2,121	-	277	-	2,136	-
Gain on disposal of investments	-	-	1,763	-	-	-	1,763	-
Other expenses	(148)	-	(2,734)	-	(1,012)	-	(3,049)	-
Foreign exchange (loss) gain (Note 26)	<u>946</u>	<u>-</u>	<u>(3,169)</u>	<u>-</u>	<u>(41,982)</u>	<u>-</u>	<u>4,835</u>	<u>-</u>
Total non-operating income and expenses	<u>17,082</u>	<u>1</u>	<u>11,171</u>	<u>1</u>	<u>(3,244)</u>	<u>-</u>	<u>30,827</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	200,831	8	200,348	9	728,016	10	1,002,549	14
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(46,752)</u>	<u>(2)</u>	<u>(41,353)</u>	<u>(2)</u>	<u>(169,726)</u>	<u>(3)</u>	<u>(164,200)</u>	<u>(2)</u>
NET PROFIT FOR THE PERIOD	<u>154,079</u>	<u>6</u>	<u>158,995</u>	<u>7</u>	<u>558,290</u>	<u>7</u>	<u>838,349</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation	<u>91,439</u>	<u>4</u>	<u>(9,139)</u>	<u>-</u>	<u>205,620</u>	<u>3</u>	<u>(56,114)</u>	<u>(1)</u>
Other comprehensive (loss) income for the period, net of income tax	<u>91,439</u>	<u>4</u>	<u>(9,139)</u>	<u>-</u>	<u>205,620</u>	<u>3</u>	<u>(56,114)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 245,518</u>	<u>10</u>	<u>\$ 149,856</u>	<u>7</u>	<u>\$ 763,910</u>	<u>10</u>	<u>\$ 782,235</u>	<u>11</u>

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 150,914	6	\$ 156,770	7	\$ 552,479	7	\$ 832,035	12
Non-controlling interests	<u>3,165</u>	-	<u>2,225</u>	-	<u>5,811</u>	-	<u>6,314</u>	-
	<u>\$ 154,079</u>	<u>6</u>	<u>\$ 158,995</u>	<u>7</u>	<u>\$ 558,290</u>	<u>7</u>	<u>\$ 838,349</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 242,353	10	\$ 147,631	7	\$ 758,099	10	\$ 775,921	11
Non-controlling interests	<u>3,165</u>	-	<u>2,225</u>	-	<u>5,811</u>	-	<u>6,314</u>	-
	<u>\$ 245,518</u>	<u>10</u>	<u>\$ 149,856</u>	<u>7</u>	<u>\$ 763,910</u>	<u>10</u>	<u>\$ 782,235</u>	<u>11</u>
EARNINGS PER SHARE								
(Note 19)								
Basic	<u>\$ 0.56</u>		<u>\$ 0.64</u>		<u>\$ 2.07</u>		<u>\$ 3.39</u>	
Diluted	<u>\$ 0.56</u>		<u>\$ 0.64</u>		<u>\$ 2.07</u>		<u>\$ 3.39</u>	

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

(With Deloitte & Touche auditors' review report dated November 10, 2022)

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company (Note 15)										
	Share Capital		Capital Surplus	Retained Earnings				Other Equity Exchange Differences on Translation of Foreign Financial Statements	Total	Non-controlling Interests (Note 15)	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE AT JANUARY 1, 2021	244,906	\$ 2,449,060	\$ 219,055	\$ 76,248	\$ -	\$ 1,493,408	\$ 1,569,656	\$ (203,863)	\$ 4,033,908	\$ 47,712	\$ 4,081,620
Appropriation of 2020 earnings											
Legal reserve	-	-	-	149,341	-	(149,341)	-	-	-	-	-
Special reserve	-	-	-	-	203,863	(203,863)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(979,624)	(979,624)	-	(979,624)	-	(979,624)
Issuance of ordinary shares for cash	20,717	207,170	924,154	-	-	-	-	-	1,131,324	-	1,131,324
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	832,035	832,035	-	832,035	6,314	838,349
Other comprehensive loss for the nine months ended September 30, 2021	-	-	-	-	-	-	-	(56,114)	(56,114)	-	(56,114)
Total comprehensive (loss) income for the nine months ended September 30, 2021	-	-	-	-	-	832,035	832,035	(56,114)	775,921	6,314	782,235
Share-based payment transactions	1,506	15,060	70,907	-	-	-	-	-	85,967	37	86,004
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,639)	(7,639)
BALANCE AT SEPTEMBER 30, 2021	<u>267,129</u>	<u>\$ 2,671,290</u>	<u>\$ 1,214,116</u>	<u>\$ 225,589</u>	<u>\$ 203,863</u>	<u>\$ 992,615</u>	<u>\$ 1,422,067</u>	<u>\$ (259,977)</u>	<u>\$ 5,047,496</u>	<u>\$ 46,424</u>	<u>\$ 5,093,920</u>
BALANCE AT JANUARY 1, 2022	267,129	\$ 2,671,290	\$ 1,214,116	\$ 225,589	\$ 203,863	\$ 1,220,998	\$ 1,650,450	\$ (241,756)	\$ 5,294,100	\$ 48,487	\$ 5,342,587
Appropriation of 2021 earnings											
Legal reserve	-	-	-	106,042	-	(106,042)	-	-	-	-	-
Special reserve	-	-	-	-	37,893	(37,893)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(801,387)	(801,387)	-	(801,387)	-	(801,387)
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	552,479	552,479	-	552,479	5,811	558,290
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	-	205,620	205,620	-	205,620
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	552,479	552,479	205,620	758,099	5,811	763,910
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,639)	(7,639)
BALANCE AT SEPTEMBER 30, 2022	<u>267,129</u>	<u>\$ 2,671,290</u>	<u>\$ 1,214,116</u>	<u>\$ 331,631</u>	<u>\$ 241,756</u>	<u>\$ 828,155</u>	<u>\$ 1,401,542</u>	<u>\$ (36,136)</u>	<u>\$ 5,250,812</u>	<u>\$ 46,659</u>	<u>\$ 5,297,471</u>

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

(With Deloitte & Touche auditors' review report dated November 10, 2022)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 728,016	\$ 1,002,549
Adjustments for:		
Depreciation expense	323,487	311,587
Amortization expense	321	2,139
Expected credit loss recognized (reversed)	2,243	(708)
Finance costs	5,825	11,327
Interest income	(20,823)	(18,829)
Share-based compensation expenses	-	7,692
Gain on disposal of property, plant and equipment	(277)	(2,136)
Gain on disposal of investments	-	(1,763)
Reversal of write-downs of inventories	(51)	(8,316)
Unrealized (gain) loss on foreign currency exchange	(226)	239
Changes in operating assets and liabilities		
Notes and accounts receivable	33,084	94,041
Accounts receivable from related parties	(5,744)	7,563
Other receivables from related parties	2,258	(6,947)
Inventories	(59,895)	(214,777)
Other current assets	1,185	155,860
Notes and accounts payable	152,579	103,277
Accounts payable to related parties	633	(56,770)
Other payables	(137,798)	(166,144)
Other payables to related parties	(8,922)	(17,082)
Other current liabilities	(21,816)	17,588
Net defined benefit liabilities	(7,442)	(7,443)
Cash generated from operations	986,637	1,212,947
Interest received	19,742	18,847
Interest paid	(6,851)	(12,200)
Income tax paid	(208,733)	(325,198)
Net cash generated from operating activities	790,795	894,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal (acquisition) of financial assets at amortized cost	104,514	(17,830)
Net cash outflow from disposal of subsidiary (Note 21)	-	(133)
Payments for property, plant and equipment	(218,696)	(122,137)
Proceeds from disposal of property, plant and equipment	2,649	5,540
Decrease (increase) in other non-current assets	85,838	(1,877)
Net cash used in from investing activities	(25,695)	(136,437)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	\$ (1,000)	\$ 480,000
(Decrease) increase in short-term bills payable	(50,000)	600,000
Proceeds from (repayments) of long-term borrowings	240,540	(922,180)
Decrease in other payables to related parties	-	(2,328)
(Decrease) increase in other non-current liabilities	(3,915)	1,808
Repayment of the principal portion of lease liabilities	(40,995)	(35,117)
Distribution of cash dividends	(801,387)	(979,624)
Employee stock options	-	78,312
Issuance of ordinary shares for cash	-	1,131,324
Changes in non-controlling interests	<u>(7,639)</u>	<u>(7,639)</u>
Net cash (used in) generated from financing activities	<u>(664,396)</u>	<u>344,556</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>146,608</u>	<u>(13,996)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	247,312	1,088,519
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,645,437</u>	<u>1,231,266</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,892,749</u>	<u>\$ 2,319,785</u>

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

(With Deloitte & Touche auditors' review report dated November 10, 2022)

(Concluded)

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”), formerly known as Laiya Co., Ltd., was established and invested by YFY Inc. (originally the parent company which held 100% shares of the Company) in October 1986. In order to comply with the listing rules and regulations, YFY Inc. held 59.14% of the Company’s shares as of September 30, 2022. The Company was renamed as Yuen Foong Yu Consumer Products Co., Ltd. in April 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 Business 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 at emerging stock market on October 27, 2020. The Company’s shares ceased trading on emerging stock market and have been listed on the Taiwan Stock Exchange (TWSE) since September 29, 2021.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 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 Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

- c. The IFRSs issued by IASB, but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition or since the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. See Note 10, Tables 4 and 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for other accounting policies listed below, refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

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

2) Taxation

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

For the critical accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2021.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 954	\$ 1,026	\$ 1,060
Checking accounts and demand deposits	465,947	614,455	1,300,930
Cash equivalents (investments with original maturities of three months or less)			
Time deposits	1,346,841	922,956	901,795
Repurchase agreements collateralized by bonds	<u>79,007</u>	<u>107,000</u>	<u>116,000</u>
	<u>\$ 1,892,749</u>	<u>\$ 1,645,437</u>	<u>\$ 2,319,785</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash equivalents	0.75%-2.70%	0.26%-2.10%	0.20%-2.10%

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits with original maturities between 3 months and a year	<u>\$ 4,839</u>	<u>\$ 103,499</u>	<u>\$ 92,966</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the interest rates for time deposits with original maturities between 3 months and a year were 2.10%-2.20%, 0.26%-2.10% and 0.28%-2.10%, respectively.

## 8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable - operating	\$ 59,588	\$ 48,207	\$ 47,395
Accounts receivable - operating	1,189,502	1,222,027	1,041,351
Less: Allowance for impairment loss	<u>(3,192)</u>	<u>(905)</u>	<u>(971)</u>
	<u>\$ 1,245,898</u>	<u>\$ 1,269,329</u>	<u>\$ 1,087,775</u>

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

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

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

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

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

September 30, 2022

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,236,455	\$ 9,522	\$ 8	\$ -	\$ 3,105	\$ 1,249,090
Loss allowance (Lifetime ECLs)	(61)	(26)	-	-	(3,105)	(3,192)
	<u>\$ 1,236,394</u>	<u>\$ 9,496</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,245,898</u>

December 31, 2021

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

September 30, 2021

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,068,732	\$ 19,674	\$ 45	\$ -	\$ 295	\$ 1,088,746
Loss allowance (Lifetime ECLs)	(195)	(481)	-	-	(295)	(971)
	<u>\$ 1,068,537</u>	<u>\$ 19,193</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,087,775</u>

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

	For the Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 905	\$ 3,887
Net remeasurement of loss allowance (gain on reversal)	2,243	(708)
Amounts written off	-	(2,178)
Foreign currency exchange gains and losses	44	(30)
Balance at September 30	<u>\$ 3,192</u>	<u>\$ 971</u>

## 9. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Finished and purchased goods	\$ 534,567	\$ 512,505	\$ 488,613
Work in process	226,034	168,930	141,369
Materials	<u>416,555</u>	<u>418,233</u>	<u>471,099</u>
	<u>\$ 1,177,156</u>	<u>\$ 1,099,668</u>	<u>\$ 1,101,081</u>

The cost of goods sold for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 included reversal of inventory write-downs of \$7,507 thousand, \$7,253 thousand, \$51 thousand and \$8,316 thousand, respectively. Due to the disposal of inventories which were written down, net realizable value of inventory increased.

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Yuen Foong Yu Consumer Products Investment Limited	Investment and holding	100.0	100.0	100.0	
	Ever Growing Agriculture Bio-tech Co., Ltd.	Wholesale of agriculture products	85.0	85.0	85.0	
	Yuen Foong Shop Co., Ltd.	E-commerce of selling consumer products	100.0	100.0	100.0	
	YFY Consumer Products, Co.	E-commerce for intellectual property management and sales of consumer products	100.0	100.0	100.0	a.
Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Investment and holding and sale of paper	100.0	100.0	100.0	
YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	100.0	
	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	100.0	100.0	100.0	
Yuen Foong Shop Co., Ltd.	Shanghai YFY International Trade Co., Ltd.	General trade	-	-	-	b.
	Yuen Foong Shop (HK) Limited	General trade	100.0	100.0	100.0	

- a. In order to expand the US market, the Company established YFY Consumer Products, Co. in January 2021. It was registered but the payment has not yet been realized as of September 30, 2022.
- b. In order to adjust the business and optimize the financial structure in response to the changes in the mainland China's market, the Company's board of directors resolved to sell the entire equity of Shanghai YFY International Trade Co., Ltd. in July 2021. The disposal of the subsidiary was completed in August 2021, please refer to Note 22 to the consolidated financial statements for the year ended December 31, 2021.

- c. The financial statements of subsidiaries that were not individually material, including Ever Growing Agriculture Bio-tech Co., Ltd., Yuen Foong Shop Co., Ltd., YFY Consumer Products, Co., YFY Family Care (Kunshan) Co., Ltd., Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd., and Yuen Foong Shop (HK) Limited, have not been reviewed. As of September 30, 2022, combined total assets of these subsidiaries were \$2,169,363 thousand, representing 27.16% of the consolidated total assets, and combined total liabilities of these subsidiaries were \$589,710 thousand, representing 21.93% of the consolidated total liabilities; for the three months ended September 30, 2022 and for the nine months ended September 30, 2022, the amounts of combined comprehensive income of these subsidiaries were \$62,586 thousand and \$137,602 thousand, respectively, representing 25.49% and 18.01%, respectively, of the consolidated total comprehensive income. Management believes that the financial statements, even if reviewed, are not subject to significant adjustments.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 675,822	\$ 1,133,368	\$ 3,918,600	\$ 417,133	\$ 222,066	\$ 309,932	\$ 2,281	\$ 6,679,202
Additions	-	722	96,751	31,219	8,846	6,198	53,372	197,108
Disposals	-	-	(13,908)	(10,286)	(565)	(14,239)	-	(38,998)
Effect of foreign currency exchange differences	-	9,152	59,838	7,191	2,984	2,330	51	81,546
Reclassifications	-	-	4,344	-	-	2,695	(7,039)	-
Balance at September 30, 2022	\$ 675,822	\$ 1,143,242	\$ 4,065,625	\$ 445,257	\$ 233,331	\$ 306,916	\$ 48,665	\$ 6,918,858
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 619,404	\$ 2,206,641	\$ 305,973	\$ 175,349	\$ 257,555	\$ -	\$ 3,564,922
Depreciation expense	-	35,057	194,608	19,479	14,021	16,628	-	279,793
Disposals	-	-	(11,855)	(10,137)	(561)	(14,073)	-	(36,626)
Effect of foreign currency exchange differences	-	6,254	34,032	6,247	2,505	1,878	-	50,916
Balance at September 30, 2022	\$ -	\$ 660,715	\$ 2,423,426	\$ 321,562	\$ 191,314	\$ 261,988	\$ -	\$ 3,895,005
Carrying amounts at January 1, 2022	\$ 675,822	\$ 513,964	\$ 1,711,959	\$ 111,160	\$ 46,717	\$ 52,377	\$ 2,281	\$ 3,114,280
Carrying amounts at September 30, 2022	\$ 675,822	\$ 482,527	\$ 1,642,199	\$ 123,695	\$ 42,017	\$ 44,928	\$ 48,665	\$ 3,059,853
<u>Cost</u>								
Balance at January 1, 2021	\$ 675,822	\$ 1,130,649	\$ 3,862,808	\$ 408,807	\$ 206,764	\$ 301,856	\$ 2,031	\$ 6,588,737
Additions	-	2,280	57,301	6,675	15,122	21,080	1,865	104,323
Disposals	-	(4,009)	(53,191)	(1,340)	(6,736)	(15,922)	-	(81,198)
Effect of foreign currency exchange differences	-	(4,969)	(32,545)	(3,928)	(1,598)	(1,331)	69	(44,302)
Reclassifications	-	(327)	2,045	(68)	9	2,125	(3,784)	-
Balance at September 30, 2021	\$ 675,822	\$ 1,123,624	\$ 3,836,418	\$ 410,146	\$ 213,561	\$ 307,808	\$ 181	\$ 6,567,560
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	\$ -	\$ 578,713	\$ 2,007,083	\$ 283,869	\$ 167,922	\$ 252,996	\$ -	\$ 3,290,583
Depreciation expense	-	34,993	191,062	18,476	10,503	18,009	-	273,043
Disposals	-	(4,009)	(49,855)	(1,340)	(6,719)	(15,871)	-	(77,794)
Effect of foreign currency exchange differences	-	(3,309)	(17,113)	(3,262)	(1,320)	(1,079)	-	(26,083)
Reclassifications	-	(231)	(63)	(68)	9	353	-	-
Balance at September 30, 2021	\$ -	\$ 606,157	\$ 2,131,114	\$ 297,675	\$ 170,395	\$ 254,408	\$ -	\$ 3,459,749
Carrying amounts at January 1, 2021	\$ 675,822	\$ 551,936	\$ 1,855,725	\$ 124,938	\$ 38,842	\$ 48,860	\$ 2,031	\$ 3,298,154
Carrying amounts at September 30, 2021	\$ 675,822	\$ 517,467	\$ 1,705,304	\$ 112,471	\$ 43,166	\$ 53,400	\$ 181	\$ 3,107,811

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

Buildings	3-55 years
Machinery	3-20 years
Electric equipment	3-20 years
Tools	3-16 years
Miscellaneous equipment	3-16 years

The Company's board of directors resolved to purchase paper machines and related production line equipment in response to the market demand and in order to expand the scale of production on June 27, 2022. As of November 10, 2022, the purchase contract amounted to EUR8,000 thousand was signed and the paid amount of the contract was \$48,589 thousand.



## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021	
<u>Carrying amounts</u>				
Land	\$ 107,733	\$ 111,725	\$ 112,958	
Buildings	168,056	182,784	163,745	
Others	<u>24,898</u>	<u>24,126</u>	<u>23,182</u>	
	<u>\$ 300,687</u>	<u>\$ 318,635</u>	<u>\$ 299,885</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Additions to right-of-use assets	<u>\$ 11,803</u>	<u>\$ 19,497</u>	<u>\$ 22,981</u>	<u>\$ 33,666</u>
Depreciation charge for right-of-use assets				
Land	\$ 2,144	\$ 2,120	\$ 6,425	\$ 6,377
Buildings	11,295	10,617	32,647	29,691
Others	<u>1,618</u>	<u>806</u>	<u>4,622</u>	<u>2,476</u>
	<u>\$ 15,057</u>	<u>\$ 13,543</u>	<u>\$ 43,694</u>	<u>\$ 38,544</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

### b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amounts</u>			
Current	<u>\$ 55,423</u>	<u>\$ 51,296</u>	<u>\$ 46,754</u>
Non-current	<u>\$ 165,474</u>	<u>\$ 187,322</u>	<u>\$ 174,131</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	1.08%	1.08%	1.08%
Buildings	0.86%-2.37%	0.98%-2.37%	0.98%-2.37%
Others	0.86%-1.13%	0.98%-1.42%	0.98%-1.42%

c. Material lease-in activities and terms

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

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

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases and low-value asset leases	\$ 27,520	\$ 25,817	\$ 81,857	\$ 81,437
Total cash outflow for leases	<u>\$ 42,334</u>	<u>\$ 38,154</u>	<u>\$ 124,724</u>	<u>\$ 118,292</u>

### 13. BORROWINGS

a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Bank credit loans	<u>\$ 36,000</u>	<u>\$ 37,000</u>	<u>\$ 557,000</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the interest rates of bank credit loans were 1.43%-1.80% per annum, 0.80%-1.00% per annum and 0.75%-0.90% per annum, respectively.

b. Short-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial paper	\$ 100,000	\$ 150,000	\$ 600,000
Less: Unamortized discounts on bills payable	<u>(42)</u>	<u>(10)</u>	<u>(156)</u>
	<u>\$ 99,958</u>	<u>\$ 149,990</u>	<u>\$ 599,844</u>

Short-term bills payable are commercial papers due within one year. The interest rate on these bills payable were 1.39% per annum, 0.81% per annum and 0.72%-0.82% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

c. Long-term borrowings

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Bank credit loans	<u>\$ 298,440</u>	<u>\$ 57,900</u>	<u>\$ -</u>

As of September 30, 2022 and December 31, 2021, the interest rates of long-term borrowings were 1.13%-1.30% per annum and 0.78% per annum, respectively.

#### 14. RETIREMENT BENEFIT PLANS

The amounts of pension cost in respect of the Group's defined benefit plans for the three months ended and nine months ended September 30, 2022 and 2021 were calculated based on the pension cost rate determined by the actuarial calculation as of December 31, 2021 and 2020, which amounted to \$782 thousand, \$917 thousand, \$2,345 thousand and \$2,749 thousand, respectively.

#### 15. EQUITY

a. Ordinary shares

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>267,129</u>	<u>267,129</u>	<u>267,129</u>
Shares issued	<u>\$ 2,671,290</u>	<u>\$ 2,671,290</u>	<u>\$ 2,671,290</u>

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

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 (refer to Note 20 for the details of the compensation of employees recognized on the consolidated statements of comprehensive income). 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

	<b>Differences Between Equity Purchase Price and Carrying Amount from Actual Acquisition or Disposal of Subsidiary</b>				
	<b>(1)</b>	<b>Share Premium (1)</b>	<b>Employee Share Options (2)</b>	<b>Others (1)</b>	<b>Total</b>
Balance at January 1 and September 30, 2022	\$ 156,481	\$ 1,054,448	\$ -	\$ 3,187	\$ 1,214,116
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 September 30, 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 may not 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 profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and 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 shareholder dividends. The distribution of dividends may be in cash or in shares, of which the cash dividends should be no less than 20%. However, when the Company has capital expenditure needs, all the aforementioned dividends will be distributed in the form of share dividends. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 17(d).

Appropriation of earnings to 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 2021 and 2020 which were approved by the shareholders’ meeting on June 15, 2022 and July 26, 2021 respectively, were as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	<u>\$ 106,042</u>	<u>\$ 149,341</u>
Special reserve	<u>\$ 37,893</u>	<u>\$ 203,863</u>
Cash dividends	<u>\$ 801,387</u>	<u>\$ 979,624</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>	<u>\$ 4</u>

In response to the Measures for Public Companies to Postpone Shareholders’ Meetings for Pandemic Prevention announced by the FSC, the Company stopped convening the original shareholders’ meeting and held the shareholders’ meeting on July 26, 2021. However, as of June 28, 2021 the electronic voting transmission result on the appropriation of earnings for 2020 reached the legal resolution threshold, and the Group adjusted the related amount accordingly.

Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 48,487	\$ 47,712
Attributable to non-controlling interests:		
Share of profit for the period	5,811	6,314
Share options granted by the company to the employees of subsidiaries to adjust non-controlling interests	-	37
Cash dividends issued by subsidiaries	<u>(7,639)</u>	<u>(7,639)</u>
Balance at September 30	<u>\$ 46,659</u>	<u>\$ 46,424</u>

**16. REVENUE**

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers - sale of goods	<u>\$ 2,505,041</u>	<u>\$ 2,229,763</u>	<u>\$ 7,385,746</u>	<u>\$ 7,246,952</u>

## Contract Balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable and accounts receivable (including related parties)	\$ 1,255,015	\$ 1,272,661	\$ 1,099,779
Contract liabilities - sale of goods (under other current liabilities)	\$ 43,269	\$ 44,158	\$ 47,153

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Revenue from contracts with customers - sale of goods	\$ 41	\$ 760	\$ 42,891	\$ 10,535

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

## 17. NET PROFIT

### a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest on bank loans	\$ 1,366	\$ 3,112	\$ 4,238	\$ 9,641
Interest on lease liabilities	607	574	1,872	1,738
Less: Capitalization amount of interest	(173)	(20)	(285)	(52)
	<u>\$ 1,800</u>	<u>\$ 3,666</u>	<u>\$ 5,825</u>	<u>\$ 11,327</u>

Information about capitalized interest was as follows:

	For the Nine Months Ended September 30	
	2022	2021
Capitalization interest rate	0.80%-1.31%	0.81%-1.09%

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Right-of-use assets	\$ 15,057	\$ 13,543	\$ 43,694	\$ 38,544
Property, plant and equipment	<u>93,446</u>	<u>91,331</u>	<u>279,793</u>	<u>273,043</u>
	<u>\$ 108,503</u>	<u>\$ 104,874</u>	<u>\$ 323,487</u>	<u>\$ 311,587</u>
An analysis of depreciation by function				
Operating costs	\$ 92,635	\$ 87,261	\$ 276,955	\$ 261,362
Operating expenses	<u>15,868</u>	<u>17,613</u>	<u>46,532</u>	<u>50,225</u>
	<u>\$ 108,503</u>	<u>\$ 104,874</u>	<u>\$ 323,487</u>	<u>\$ 311,587</u>
An analysis of amortization by function				
Operating costs	\$ 77	\$ 27	\$ 135	\$ 140
Operating expenses	<u>58</u>	<u>651</u>	<u>186</u>	<u>1,999</u>
	<u>\$ 135</u>	<u>\$ 678</u>	<u>\$ 321</u>	<u>\$ 2,139</u>

c. Employee benefit expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plans	\$ 7,026	\$ 7,106	\$ 21,177	\$ 21,070
Defined benefit plans (Note 14)	<u>782</u>	<u>917</u>	<u>2,345</u>	<u>2,749</u>
	7,808	8,023	23,522	23,819
Other employee benefits	<u>274,222</u>	<u>276,820</u>	<u>842,904</u>	<u>862,348</u>
Total employee benefits expense	<u>\$ 282,030</u>	<u>\$ 284,843</u>	<u>\$ 866,426</u>	<u>\$ 886,167</u>
An analysis of employee benefit expense by function				
Operating costs	\$ 138,744	\$ 136,897	\$ 428,997	\$ 436,654
Operating expenses	<u>143,286</u>	<u>147,946</u>	<u>437,429</u>	<u>449,513</u>
	<u>\$ 282,030</u>	<u>\$ 284,843</u>	<u>\$ 866,426</u>	<u>\$ 886,167</u>

d. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The estimated compensation of employees and remuneration of directors for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Compensation of employees	\$ 280	\$ 2,291	\$ 8,500	\$ 10,917
Remuneration of directors	3,266	3,125	10,233	9,375

The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, were approved by the Company's board of directors on March 10, 2022 and February 25, 2021, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 12,771	\$ 17,216
Remuneration of directors	13,500	3,015

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There was no difference between the amounts of the compensation and remuneration approved by the Company's board of directors on March 10, 2022 and February 25, 2021, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

## 18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax	\$ 45,102	\$ 39,248	\$ 167,538	\$ 161,052
Deferred tax	<u>1,650</u>	<u>2,105</u>	<u>2,188</u>	<u>3,148</u>
Income tax expense recognized in profit or loss	<u>\$ 46,752</u>	<u>\$ 41,353</u>	<u>\$ 169,726</u>	<u>\$ 164,200</u>



- b. The tax filings of the Company through 2017 and 2020 have been approved by the tax authorities. The tax filings of Yuen Foong Shop Co., Ltd. and Ever Growing Agriculture Bio-tech Co., Ltd. through 2020 have been approved by the tax authorities.

## 19. EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Basic earnings per share (NT\$)	<u>\$ 0.56</u>	<u>\$ 0.64</u>	<u>\$ 2.07</u>	<u>\$ 3.39</u>
Diluted earnings per share (NT\$)	<u>\$ 0.56</u>	<u>\$ 0.64</u>	<u>\$ 2.07</u>	<u>\$ 3.39</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the period:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Company	<u>\$ 150,914</u>	<u>\$ 156,770</u>	<u>\$ 552,479</u>	<u>\$ 832,035</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	267,129	245,631	267,129	245,150
Effect of potentially dilutive ordinary shares:				
Employee share options	-	23	-	8
Compensation of employees	<u>237</u>	<u>204</u>	<u>301</u>	<u>423</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>267,366</u>	<u>245,858</u>	<u>267,430</u>	<u>245,581</u>

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

## 20. SHARE-BASED PAYMENT ARRANGEMENTS

The board of directors resolved to issue 22,223 thousand ordinary shares on June 24, 2021 and 10% of the shares are 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 subsidiaries' employees on September 13, 2021 (the date of specifying the number of shares for employee stock subscription), respectively. The price per share of 2,223 thousand ordinary shares for employee stock subscription is \$52.

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

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

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

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

The compensation of employees recognized on the consolidated statement of comprehensive income was \$7,692 thousand for the nine months ended September 30, 2021.

## 21. DISPOSAL OF SUBSIDIARIES

On July 14, 2021, the Company's board of directors resolved to sell all the equity of Shanghai YFY International Trade Co., Ltd. The disposals were completed in August 2021.

### a. Consideration received from disposals

	<b>Shanghai YFY International Trade Co., Ltd.</b>
Consideration received in cash	\$ 87
Disposal expense	<u>(1)</u>
Total consideration received	<u>\$ 86</u>

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

	<b>Shanghai YFY International Trade Co., Ltd.</b>
Current assets	
Cash and cash equivalents	\$ 219
Accounts receivable	2,098
Other current assets	6,565
Non-current assets	
Other non-current assets	472
Current liabilities	
Accounts payable to related parties	(3,696)
Other payables	(7,091)
Other current liabilities	<u>(8)</u>
Net assets disposed	<u>\$ (1,441)</u>

### c. Gain on disposal of subsidiary

	<b>Shanghai YFY International Trade Co., Ltd.</b>
Consideration received	\$ 87
Disposal expense	(1)
Net assets disposed	1,441
Cumulative exchange difference on net assets of the subsidiary reclassified from equity to profit or loss due to loss of control of the subsidiary	<u>236</u>
Gain on disposal of subsidiary	<u>\$ 1,763</u>

d. Net cash outflow on disposals of subsidiary

**Shanghai YFY  
International  
Trade Co., Ltd.**

Consideration received in cash and cash equivalents	\$ 86
Less: Cash and cash equivalent balances disposed	<u>(219)</u>
	<u>\$ (133)</u>

## 22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through consideration of future operational plan, profitability, capital expenditure, operating income and debt repayment when assessing various costs and risks. In order to balance the overall capital and financial structure, the Group may pay dividends, issue new shares, etc.

## 23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

b. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 3,234,502	\$ 3,204,103	\$ 3,672,641
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	2,215,089	2,041,712	2,830,844

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

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, accounts payable to related parties, other payables, other payables to related parties, long-term borrowings, long-term payables (accounted as other non-current liabilities) and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

The Group's main 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 market fluctuations on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

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

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group follows the movement of foreign exchange rates and adjusts the exposure position respond to it to minimize the effects of these risk.

Sensitivity analysis

The Group is mainly exposed to the USD and RMB.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss at 5% variance		
USD	<u>\$ 1,781</u>	<u>\$ (41,235)</u>
RMB	<u>\$ 324</u>	<u>\$ (765)</u>

b) Interest rate risk

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fair value interest rate risk			
Financial assets	<u>\$ 1,430,687</u>	<u>\$ 1,133,455</u>	<u>\$ 1,110,761</u>
Financial liabilities	<u>\$ 655,295</u>	<u>\$ 483,508</u>	<u>\$ 1,377,729</u>
Cash flow interest rate risk			
Financial assets	<u>\$ 465,369</u>	<u>\$ 613,535</u>	<u>\$ 1,300,930</u>

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

### Sensitivity analysis

For the Group's floating interest rate financial assets and liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Increase (decrease)	\$ 349	\$ 976

#### 2) Credit risk

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

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

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

#### 3) Liquidity risk

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

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's unused financing facilities were \$7,409,345 thousand, \$7,291,028 thousand and \$6,423,142 thousand, respectively.

## **24. TRANSACTIONS WITH RELATED PARTIES**

The Company's parent is YFY Inc., which held 59.14%, 59.14% and 58.92% of the ordinary shares of the Company as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
San Ying Enterprise Co., Ltd.	Fellow subsidiary
YFY Biotech Management Co., Ltd.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co, Ltd.	Fellow subsidiary
Arizon RFID Technologies (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Packaging (Yangzhou) Investment Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Shanghai) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Kunshan) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Qingdao) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Nanjing) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Suzhou) Co., Ltd.	Fellow subsidiary
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Fellow subsidiary
Livebricks Inc.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong)	Fellow subsidiary
Shin Foong Specialty & Applied Materials Co., Ltd.	Fellow subsidiary
Kunshan YFY Jupiter Green Packaging Ltd.	Fellow subsidiary
Effion Eneritech Co., Ltd.	Fellow subsidiary
Hsinex International Corp.	Substantive related party
E Ink Holdings Inc.	Substantive related party
SinoPac Leasing Corporation	Substantive related party
SinoPac Financial Holdings Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Bank SinoPac	Substantive related party
YFY Biotech Co., Ltd.	Substantive related party
YFY BioTechnology (Kunshun) Co., Ltd.	Substantive related party
YFY Green Food (Shanghai) Co., Ltd.	Substantive related party
Hsin Yuan Investment Co., Ltd.	Substantive related party
Beautone Co., Ltd.	Substantive related party
Ho Tien Co., Ltd.	Substantive related party
Hsin-Yi Enterprise Co., Ltd.	Substantive related party
Hsin-Yi Foundation	Substantive related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
SinoPac Securities Corporation	Substantive related party
Taiwan Stock Exchange Corporation	Substantive related party
Chen Yu Co., Ltd.	Substantive related party
Hoi Toy & Play Corporation	Substantive related party
Yuanhan Materials Inc.	Substantive related party
Synmax Biochemical Co., Ltd.	Substantive related party
Transcend Optronics (Yangzhou) Co., Ltd.	Substantive related party
	(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fellow subsidiaries	\$ 13,539	\$ 7,104	\$ 38,415	\$ 12,467
Substantive related parties	2,612	2,622	7,367	7,731
Parent company	<u>43</u>	<u>38</u>	<u>261</u>	<u>2,532</u>
	<u>\$ 16,194</u>	<u>\$ 9,764</u>	<u>\$ 46,043</u>	<u>\$ 22,730</u>

For sales of goods to related parties, the prices and terms of receivables approximate those with non-related parties.

c. Purchases of goods

<u>Related Party Category</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fellow subsidiaries				
Chung Hwa Pulp Corporation	\$ 197,937	\$ 152,035	\$ 538,662	\$ 571,392
Guangdong Dingfung Pulp & Paper Co., Ltd.	68,814	195,954	257,221	486,818
Others	<u>21,923</u>	<u>35,287</u>	<u>70,683</u>	<u>142,475</u>
	288,674	383,276	866,566	1,200,685
Substantive related parties	<u>120</u>	<u>65</u>	<u>573</u>	<u>649</u>
	<u>\$ 288,794</u>	<u>\$ 383,341</u>	<u>\$ 867,139</u>	<u>\$ 1,201,334</u>

For purchases of goods from related parties, the prices and terms of payables approximate those with non-related parties.



d. Accounts receivable from related parties

<b>Related Party Category</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fellow subsidiaries			
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 3,812	\$ -	\$ 7,179
Chung Hwa Pulp Corporation	800	437	669
Other	<u>2,017</u>	<u>717</u>	<u>1,695</u>
	6,629	1,154	9,543
Substantive related parties			
Yuen Foong Paper Co., Ltd.	1,701	1,817	1,725
Others	<u>743</u>	<u>361</u>	<u>695</u>
	2,444	2,178	2,420
Parent company	<u>44</u>	<u>-</u>	<u>41</u>
	<u>\$ 9,117</u>	<u>\$ 3,332</u>	<u>\$ 12,004</u>

The outstanding accounts receivable from related parties are unsecured and no expected credit losses should be recognized after estimating.

e. Accounts payable to related parties

<b>Related Party Category</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fellow subsidiaries			
Chung Hwa Pulp Corporation	\$ 206,995	\$ 134,722	\$ 159,535
YFY Packaging Inc.	12,898	30,646	36,356
Guangdong Dingfung Pulp & Paper Co., Ltd.	-	47,984	37,804
Others	<u>19,080</u>	<u>23,202</u>	<u>17,929</u>
	238,973	236,554	251,624
Substantive related parties	<u>67</u>	<u>129</u>	<u>22</u>
	<u>\$ 239,040</u>	<u>\$ 236,683</u>	<u>\$ 251,646</u>

The outstanding accounts payable to related parties are unsecured.

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

<b>Related Party Category</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fellow subsidiaries			
YFY Paper Enterprise (Kunshan) Co., Ltd.	\$ 15	\$ -	\$ -
Guangdong Dingfung Pulp & Paper Co., Ltd.	-	2,223	2,389
Others	<u>-</u>	<u>-</u>	<u>4,855</u>
	<u>\$ 15</u>	<u>\$ 2,223</u>	<u>\$ 7,244</u>

g. Other payables to related parties (excluding loans from related parties)

<b>Related Party Category</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fellow subsidiaries			
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 35,037	\$ 42,820	\$ 6,091
Others	<u>2,502</u>	<u>2,600</u>	<u>2,517</u>
	37,539	45,420	8,608
Substantive related parties	<u>1,895</u>	<u>1,694</u>	<u>1,583</u>
	<u>\$ 39,434</u>	<u>\$ 47,114</u>	<u>\$ 10,191</u>

h. Loans from related parties

<b>Related Party Category</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<u>Interest paid</u>				
Fellow subsidiaries				
YFY Paper Mfg (Yangzhou) Co., Ltd.	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ 23

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

i. Disposal of property, plant and equipment

<b>Related Party Category</b>	<b>Proceeds</b>	
	<b>For the Nine Months Ended September 30</b>	<b>2021</b>
	<b>2022</b>	<b>2021</b>
Fellow subsidiaries	\$ _____ -	\$ _____ 5

j. Lease arrangements

<b>Lease Liabilities</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	
	Fellow subsidiaries			
YFY Packaging Inc.	<u>\$ 26,435</u>	<u>\$ 30,718</u>	<u>\$ 32,138</u>	
<b>Interest Paid</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Fellow subsidiaries	<u>\$ 74</u>	<u>\$ 89</u>	<u>\$ 233</u>	<u>\$ 279</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Lease Paid</b>				
Fellow subsidiaries				
YFY Paper Mfg (Yangzhou) Co., Ltd.	\$ 8,973	\$ 8,227	\$ 26,726	\$ 24,888
Others	914	894	2,734	2,700
	<u>9,887</u>	<u>9,121</u>	<u>29,460</u>	<u>27,588</u>
Substantive related parties	<u>3,160</u>	<u>3,083</u>	<u>9,482</u>	<u>9,057</u>
	<u>\$ 13,047</u>	<u>\$ 12,204</u>	<u>\$ 38,942</u>	<u>\$ 36,645</u>

The lease period, rent and the payment condition for related parties are approximate those with non-related parties.

k. Other transactions with related parties

	<b>Miscellaneous Expenses (Accounted as Operating Costs and Expenses)</b>			
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Related Party Category</b>				
Fellow subsidiaries				
YFY Paper Mfg (Yangzhou) Co., Ltd.	\$ 86,672	\$ 41,827	\$ 243,127	\$ 167,309
Others	3,093	4,345	11,743	11,000
	<u>89,765</u>	<u>46,172</u>	<u>254,870</u>	<u>178,309</u>
Substantive related parties	<u>2,737</u>	<u>2,058</u>	<u>8,028</u>	<u>7,144</u>
	<u>\$ 92,502</u>	<u>\$ 48,230</u>	<u>\$ 262,898</u>	<u>\$ 185,453</u>

	<b>Other Income (Accounted as Non-operating Income)</b>			
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Related Party Category</b>				
Fellow subsidiaries	\$ -	\$ 2,136	\$ -	\$ 6,919

	<b>Prepayments (Accounted as Other Current Assets)</b>		
	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
	<b>Related Party Category</b>		
Fellow subsidiaries	\$ 1,223	\$ -	\$ 329
Substantive related parties	<u>54</u>	<u>45</u>	<u>56</u>
	<u>\$ 1,277</u>	<u>\$ 45</u>	<u>\$ 385</u>

1. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 16,238	\$ 15,965	\$ 47,987	\$ 48,368
Others	<u>246</u>	<u>693</u>	<u>2,822</u>	<u>1,159</u>
	<u>\$ 16,484</u>	<u>\$ 16,658</u>	<u>\$ 50,809</u>	<u>\$ 49,527</u>

The remuneration of directors and key executives as determined by the remuneration committee, was based on the performance of individuals and market trends.

**25. OTHER ITEMS**

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

**26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The following information on the foreign currencies other than the functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,373	31.75	\$ 43,593
RMB	1,448	4.472	6,475
<u>Financial liabilities</u>			
Monetary items			
USD	251	31.75	7,969

<b>December 31, 2021</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 996	27.68	\$ 27,569
RMB	1,434	4.341	6,226
<u>Financial liabilities</u>			
Monetary items			
USD	31,232	27.68	864,502
RMB	669	4.341	2,904

<b>September 30, 2021</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 686	27.85	\$ 19,105
RMB	1,634	4.294	7,016
<u>Financial liabilities</u>			
Monetary items			
USD	30,298	27.85	843,799
RMB	5,195	4.294	22,307

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

<b>For the Nine Months Ended September 30</b>				
	<b>2022</b>		<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate (Foreign Currency: Functional Currency)</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate (Foreign Currency: Functional Currency)</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	31.75 (USD:NTD)	\$ 2,533	27.85 (USD:NTD)	\$ (42)
USD	7.0998 (USD:RMB)	(44,691)	6.4854 (USD:RMB)	4,722
RMB	4.472 (RMB:NTD)	<u>149</u>	4.294 (RMB:NTD)	<u>143</u>
		<u>\$ (42,009)</u>		<u>\$ 4,823</u>

## 27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)

- 3) Marketable securities held (None)
  - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
  - 9) Trading in derivative instruments (None)
  - 10) Intercompany relationships and significant intercompany transactions (Table 6)
  - 11) Information on investees (Table 4)
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 2)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 2 and 6)
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
    - f) Other transactions that have a material effect on the profit or loss for the period 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 7)

## 28. SEGMENT INFORMATION

Segment revenue and results are as follows:

	<b>Taiwan</b>	<b>Mainland China</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
<u>For the nine months ended September 30, 2022</u>				
Revenue from external customers	<u>\$ 5,016,675</u>	<u>\$ 2,369,071</u>	<u>\$ -</u>	<u>\$ 7,385,746</u>
Revenue from other internal operating segments	<u>\$ 849,999</u>	<u>\$ 3,494,968</u>	<u>\$ (4,344,967)</u>	<u>\$ -</u>
Segment profit or loss before income tax	<u>\$ 780,990</u>	<u>\$ (52,974)</u>	<u>\$ -</u>	<u>\$ 728,016</u>
<u>For the nine months ended September 30, 2021</u>				
Revenue from external customers	<u>\$ 4,713,790</u>	<u>\$ 2,533,162</u>	<u>\$ -</u>	<u>\$ 7,246,952</u>
Revenue from other internal operating segments	<u>\$ 989,337</u>	<u>\$ 2,789,222</u>	<u>\$ (3,778,559)</u>	<u>\$ -</u>
Segment profit or loss before income tax	<u>\$ 802,337</u>	<u>\$ 200,212</u>	<u>\$ -</u>	<u>\$ 1,002,549</u>

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

a. Taiwan

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

b. Mainland China

Manufacture and sale of paper and paper-related merchandise in mainland China.

The accounting policies of each segment are the same as those accounting policies stated in Note 4. The performance of segments is measured by income before tax. Revenue and profit between segments have been adjusted; these adjustments include the elimination of intra-group transactions to reconcile the segment information with that reported for the Group as a whole.

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

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Notes 2 and 5)	Ending Balance (Notes 2 and 5)	Actual Borrowing Amount (Note 5)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3, 4 and 5)	Aggregate Financing Limit (Notes 3, 4 and 5)	Note
													Item	Value			
1	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 294,750	\$ -	\$ -	0.00	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 6,908,531	\$ 6,908,531	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	445,800	-	-	0.00	Short-term financing	-	Operating capital	-	-	-	6,908,531	6,908,531	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	148,600	-	-	0.00	Short-term financing	-	Operating capital	-	-	-	6,908,531	6,908,531	Note 6
2	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	281,170	278,850	118,609	3.25	Short-term financing	-	Operating capital	-	-	-	570,933	570,933	Note 6
3	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	1,161,101	1,151,523	109,284	3.25	Short-term financing	-	Operating capital	-	-	-	2,424,759	2,424,759	Note 6
4	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	2,303,386	2,241,362	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,482,725	4,482,725	Note 6
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,303,386	2,241,362	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,482,725	4,482,725	Note 6

Note 1: The number column of financing provided to others by Yuen Foong Yu Consumer Products Co., Ltd. and subsidiaries is illustrated as follows:

- The Company is numbered 0.
- The subsidiaries of the Company are sequentially numbered from 1.

Note 2: The balances are the approved amount that could be financed to others, including those not actually borrowed.

Note 3: Based on the provision of loans due to business relationships, the total amount of loans should not exceed 40% of the lender's net equity on the most current financial statements which was audited or reviewed by auditors, and the amount of individual loans should not exceed the total purchases and sales between the lender and the borrower in the prior year. According to the provision of short-term loans, both individual loans and total loans should not exceed 40% of the lender's net equity on the most current financial statements which was audited or reviewed by auditors. In summary, according to the provision of business dealings and short-term financing, both aggregate loans and individual loans should not exceed 80% of the lender's net equity on the most current financial statements which was audited or reviewed by auditors.

Note 4: Foreign companies that directly and indirectly hold 100% of the voting shares are not subject to the aforementioned restrictions when engaging in financing provided to others. The total amount of financing loans and individual object limits due to business relationships and the need for short-term financing are limited to no more than twice the net value of the Company on the most current financial statements which was audited or reviewed by auditors.

Note 5: The exchange rates were US\$1=NT\$31.75 and RMB1=NT\$4.471957 as of September 30, 2022.

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



**TABLE 2**

ON OR 20% OF THE PAID-IN CAPITAL

Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
9	In agreed terms	\$ -	-	\$ (206,995)	(33)	
3)	In agreed terms	-	-	156,678	16	Note 2
0)	In agreed terms	-	-	130,242	100	Note 2
1)	In agreed terms	-	-	176,151	33	Note 2
5	In agreed terms	-	-	-	-	
0)	In agreed terms	-	-	70,375	100	Note 2
0)	In agreed terms	-	-	267,464	91	Note 2
0)	In agreed terms	-	-	24,915	9	Note 2

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

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

SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Yuen Foong Shop Co., Ltd.	Subsidiary	\$ 156,678	4.71	\$ -	-	\$ 48,269	\$ -
Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	Parent company	130,242	2.33	-	-	25,831	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	176,151	9.98	-	-	176,151	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	267,464	9.45	-	-	267,464	-

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

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

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment and holding	\$ 3,845,458	\$ 3,845,458	150,013,000	100.0	\$ 3,317,175	\$ (67,163)	\$ (67,163)	a. and b.
	Ever Growing Agriculture Bio-tech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	252,997	38,846	31,504	a. and b.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	99,199	47,163	46,370	a. and b.
	YFY Consumer Products, Co.	United States	E-commerce for intellectual property management and sales of consumer products	-	-	-	100.0	-	-	-	a. and b.
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong	General trade	-	-	-	100.0	-	-	-	a. and b.

Note: a. Subsidiaries.  
b. In preparing the consolidated financial statements, the transaction has been eliminated.  
c. Refer to Table 5 for information on investments in mainland China.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(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, 2022 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022 (In Thousands of Foreign Currencies) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,651,250 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 3,002,756 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 3,002,756 (US\$ 94,575 thousand)	\$ (81,502) (Note 2,b.)	100.0	\$ (81,502) (Note 2,b.)	\$ 2,228,076	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	952,500 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	9,970 (Note 2,c.)	100.0	10,461 (Note 2,c.)	291,778	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	952,500 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	41,623 (Note 2,c.)	100.0	41,623 (Note 2,c.)	1,231,537	-

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$3,320,256 (Notes 1 and 4)	\$3,320,256 (Note 1)	Note 3

Note 1: The exchange rates were US\$1=NT\$31.75 and RMB1=NT\$4.471957 as of September 30, 2022.

Note 2: The recognition basis for investment gain (loss) is as follows:

- Financial statements reviewed by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements reviewed by the ROC CPA firm.
- Others.

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

Note 4: The disposal of entire shares of YFY Family Paper (Beijing) Co., Ltd. was completed by the subsidiary YFY Investment Co., Ltd. in August 2020. The sale proceeds have not been remitted back to Taiwan; therefore, the Company has not yet processed the deduction of the accumulated investment amount to the Investment Commission, MOEA.

Note 5: On July 14, 2021, the subsidiary Yuen Foong Shop Co., Ltd.'s board of directors resolved to sell all the equity of Shanghai YFY International Trade Co., Ltd. The disposal was completed in August 2021. The disposal proceeds have been transferred back to Taiwan.

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	The Company	Yuen Foong Shop Co., Ltd.	Subsidiary	Sales Accounts receivable	\$ 609,798 156,678	By market price By market price	8.26 1.96
2	Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	Parent company	Sales Accounts receivable	234,449 130,242	By market price By market price	3.24 1.63
3	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales Accounts receivable	1,076,842 176,151	By market price By market price	14.58 2.21
4	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd. YFY Family Care (Kunshan) Co., Ltd.	Parent company Fellow subsidiary	Sales Accounts receivable Sales	1,784,540 267,464 202,661	By market price By market price By market price	24.16 3.35 2.74
5	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	428,790	By market price	5.81

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

**TABLE 7****YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	158,004,565	59.14
YFY Paradigm Investment Co., Ltd.	17,386,815	6.50

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.