

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

**Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Yuen Foong Yu Consumer Products Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2022. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2022 is as follows:

Valuation of Receivables

The Company has a large number of customers and its notes and accounts receivable are material in amount. When evaluating the impairment of receivables, the management estimated the loss allowance based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we considered the valuation of receivables as a key audit matter.

For the disclosures related to receivables, refer to Notes 4, 5 and 7 to the financial statements.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year ended December 31, 2022, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Juan Ye and Shio-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 235,375	3	\$ 292,806	4
Notes and accounts receivable (Notes 4, 7 and 15)	874,197	12	780,267	11
Accounts receivable from related parties (Notes 4, 15 and 22)	154,703	2	191,213	3
Other receivables from related parties (Note 22)	27,477	-	8,551	-
Inventories (Notes 4 and 8)	489,427	6	383,331	5
Other current assets	<u>113,506</u>	<u>2</u>	<u>67,608</u>	<u>1</u>
Total current assets	<u>1,894,685</u>	<u>25</u>	<u>1,723,776</u>	<u>24</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 9)	3,568,968	47	3,536,730	49
Property, plant and equipment (Notes 4, 10 and 22)	1,862,522	25	1,774,196	24
Right-of-use assets (Notes 4 and 11)	198,507	3	177,418	2
Deferred tax assets (Notes 4 and 17)	9,964	-	13,717	-
Other non-current assets	<u>42,529</u>	<u>-</u>	<u>48,239</u>	<u>1</u>
Total non-current assets	<u>5,682,490</u>	<u>75</u>	<u>5,550,300</u>	<u>76</u>
TOTAL ASSETS	<u>\$ 7,577,175</u>	<u>100</u>	<u>\$ 7,274,076</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 12)	\$ 248,000	3	\$ -	-
Short-term bills payable (Note 12)	-	-	149,990	2
Notes and accounts payable	314,952	4	287,044	4
Accounts payable to related parties (Note 22)	368,542	5	308,382	4
Other payables	672,321	9	714,737	10
Other payables to related parties (Note 22)	4,745	-	3,233	-
Current tax liabilities (Notes 4 and 17)	130,015	2	128,470	2
Lease liabilities - current (Notes 4 and 11)	46,837	1	41,384	1
Other current liabilities (Note 15)	<u>36,656</u>	<u>-</u>	<u>40,437</u>	<u>-</u>
Total current liabilities	<u>1,822,068</u>	<u>24</u>	<u>1,673,677</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 12)	198,620	3	57,900	1
Deferred tax liabilities (Notes 4 and 17)	57,133	1	57,146	1
Lease liabilities - non-current (Notes 4 and 11)	154,197	2	138,412	2
Net defined benefit liabilities (Notes 4 and 13)	940	-	16,679	-
Other non-current liabilities	<u>24,177</u>	<u>-</u>	<u>36,162</u>	<u>-</u>
Total non-current liabilities	<u>435,067</u>	<u>6</u>	<u>306,299</u>	<u>4</u>
Total liabilities	<u>2,257,135</u>	<u>30</u>	<u>1,979,976</u>	<u>27</u>
EQUITY (Notes 4 and 14)				
Share capital				
Ordinary shares	<u>2,671,290</u>	<u>35</u>	<u>2,671,290</u>	<u>37</u>
Capital surplus	<u>1,214,116</u>	<u>16</u>	<u>1,214,116</u>	<u>17</u>
Retained earnings				
Legal reserve	331,631	4	225,589	3
Special reserve	241,756	3	203,863	3
Unappropriated earnings	<u>963,930</u>	<u>13</u>	<u>1,220,998</u>	<u>17</u>
Total retained earnings	<u>1,537,317</u>	<u>20</u>	<u>1,650,450</u>	<u>23</u>
Other equity	<u>(102,683)</u>	<u>(1)</u>	<u>(241,756)</u>	<u>(4)</u>
Total equity	<u>5,320,040</u>	<u>70</u>	<u>5,294,100</u>	<u>73</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 7,577,175</u>	<u>100</u>	<u>\$ 7,274,076</u>	<u>100</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
NET SALES (Notes 4, 15 and 22)	\$ 6,513,546	100	\$ 6,155,049	100
COST OF GOODS SOLD (Notes 4, 8, 13, 16 and 22)	<u>(4,728,392)</u>	<u>(73)</u>	<u>(4,273,625)</u>	<u>(69)</u>
GROSS PROFIT	<u>1,785,154</u>	<u>27</u>	<u>1,881,424</u>	<u>31</u>
OPERATING EXPENSES (Notes 4, 13, 16 and 22)				
Selling and marketing	(670,280)	(10)	(670,615)	(11)
General and administrative	(221,687)	(3)	(253,308)	(4)
Research and development	<u>(29,793)</u>	<u>(1)</u>	<u>(32,270)</u>	<u>(1)</u>
Total operating expenses	<u>(921,760)</u>	<u>(14)</u>	<u>(956,193)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>863,394</u>	<u>13</u>	<u>925,231</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 16)	(5,821)	-	(10,658)	-
Share of profit (loss) of subsidiaries (Notes 4 and 9)	(23,028)	-	327,953	5
Interest income (Note 4)	1,376	-	111	-
Other income (Note 22)	20,889	-	9,251	-
Gain on disposal of property, plant and equipment (Note 4)	1,087	-	281	-
Foreign exchange gain (loss) (Note 4)	249	-	(41)	-
Other expenses (Note 10)	<u>-</u>	<u>-</u>	<u>(1,346)</u>	<u>-</u>
Total non-operating income and expenses	<u>(5,248)</u>	<u>-</u>	<u>325,551</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	858,146	13	1,250,782	20
INCOME TAX EXPENSE (Notes 4 and 17)	<u>(176,226)</u>	<u>(2)</u>	<u>(188,516)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>681,920</u>	<u>11</u>	<u>1,062,266</u>	<u>17</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 13)	\$ 7,917	-	\$ (2,310)	-
Tax effect of items that will not be reclassified (Notes 4 and 17)	(1,583)	-	462	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries	<u>139,073</u>	<u>2</u>	<u>(37,893)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>145,407</u>	<u>2</u>	<u>(39,741)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 827,327</u>	<u>13</u>	<u>\$ 1,022,525</u>	<u>17</u>
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 2.55</u>		<u>\$ 4.24</u>	
Diluted	<u>\$ 2.55</u>		<u>\$ 4.23</u>	

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Share Capital (Notes 14 and 19)		Capital Surplus (Notes 4 and 14)	Retained Earnings (Note 14)			Total	Other Equity Exchange Differences on Translation of Foreign Financial Statements (Note 4)	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
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
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)
Net income for the year ended December 31, 2021	-	-	-	-	-	1,062,266	1,062,266	-	1,062,266
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	-	-	(1,848)	(1,848)	(37,893)	(39,741)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,060,418	1,060,418	(37,893)	1,022,525
Issuance of ordinary shares for cash	20,717	207,170	924,154	-	-	-	-	-	1,131,324
Share-based payment transactions	1,506	15,060	70,907	-	-	-	-	-	85,967
BALANCE AT DECEMBER 31, 2021	267,129	2,671,290	1,214,116	225,589	203,863	1,220,998	1,650,450	(241,756)	5,294,100
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)
Net income for the year ended December 31, 2022	-	-	-	-	-	681,920	681,920	-	681,920
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	6,334	6,334	139,073	145,407
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	688,254	688,254	139,073	827,327
BALANCE AT DECEMBER 31, 2022	267,129	\$ 2,671,290	\$ 1,214,116	\$ 331,631	\$ 241,756	\$ 963,930	\$ 1,537,317	\$ (102,683)	\$ 5,320,040

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 858,146	\$ 1,250,782
Adjustments for:		
Expected credit loss recognized (reversed)	-	(54)
Depreciation expense	209,093	198,770
Finance costs	5,821	10,658
Interest income	(1,376)	(111)
Share-based compensation expense	-	6,622
Share of loss (profit) of subsidiaries	23,028	(327,953)
Gain on disposal of property, plant and equipment	(1,087)	(281)
(Reversal of write-downs) write-downs of inventories	(678)	571
Unrealized gain on foreign currency exchange	(103)	(125)
Impairment loss on non-financial assets	-	760
Gain from lease modification	-	(41)
Changes in operating assets and liabilities		
Notes and accounts receivable	(93,966)	(107,484)
Accounts receivable from related parties	36,510	(21,403)
Other receivables from related parties	(18,926)	23,741
Inventories	(105,418)	(26,321)
Other current assets	(45,778)	117,990
Notes and accounts payable	27,990	69,943
Accounts payable to related parties	60,191	(27,210)
Other payables	(31,094)	(48,941)
Other payables to related parties	494	(220)
Other current liabilities	(3,781)	17,517
Net defined benefit liabilities	(7,822)	(7,678)
Cash generated from operations	911,244	1,129,532
Interest received	1,256	111
Dividends received	83,689	79,063
Interest paid	(5,599)	(10,713)
Income tax paid	(172,524)	(295,704)
Net cash generated from operating activities	<u>818,066</u>	<u>902,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(257,800)	(147,378)
Proceeds from disposal of property, plant and equipment	1,087	281
(Increase) decrease in other non-current assets	693	(1,047)
Net cash used in investing activities	<u>(256,020)</u>	<u>(148,144)</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 248,000	\$ -
Increase (decrease) in short-term bills payable	(150,000)	150,000
Raise (repayments) of long-term borrowings	140,720	(864,280)
Decrease in other non-current liabilities	(11,985)	-
Repayment of the principal portion of lease liabilities	(44,825)	(37,376)
Distribution of cash dividends	(801,387)	(979,624)
Employee stock options	-	78,312
Issuance of ordinary shares for cash	<u>-</u>	<u>1,131,324</u>
Net cash used in financing activities	<u>(619,477)</u>	<u>(521,644)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,431)	232,501
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>292,806</u>	<u>60,305</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 235,375</u>	<u>\$ 292,806</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”), formerly known as Laiya Co., Ltd., was established and invested by YFY Inc. (originally the parent company which held 100% shares of the Company) in October 1986. In order to comply with the listing rules and regulations, YFY Inc. held 59.14% of the Company’s shares as of December 31, 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 financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 14, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. New 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 will be 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 were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income (loss) for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income (loss) of subsidiaries and the related equity items.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

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

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues to recognize its share of further losses.

Any excess of acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the acquisition date is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the acquisition cost is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the estimated recoverable amount with the carrying amount based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Company will recognize a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

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

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

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

i. Financial instruments

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

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

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

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including accounts receivable) at the end of each reporting period.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

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

k. Leases

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

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

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

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

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

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

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

l. Borrowing costs

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Employee share options

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

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

2) Employee share options granted to the subsidiaries' employees

The grant by the Company of its share options to the employees of the subsidiaries under equity-settled share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

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

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

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

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

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated impairment of Receivables

The provision for impairment of receivables is based on assumptions on probability of default and loss given default ratio. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
Cash on hand	\$ 208	\$ 208
Checking accounts and demand deposits	174,668	292,598
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	<u>60,499</u>	-
	<u>\$ 235,375</u>	<u>\$ 292,806</u>

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

	<u>December 31</u>	
	2022	2021
Cash equivalents	4.17%-4.95%	-

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2022	2021
Notes receivable - operating	\$ 18,918	\$ 17,490
Accounts receivable - operating	855,279	762,777
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 874,197</u>	<u>\$ 780,267</u>

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

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

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

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

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

December 31, 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	\$ 867,655	\$ 6,542	\$ -	\$ -	\$ -	\$ 874,197
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
	<u>\$ 867,655</u>	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,197</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	\$ 773,838	\$ 6,411	\$ 18	\$ -	\$ -	\$ 780,267
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
	<u>\$ 773,838</u>	<u>\$ 6,411</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780,267</u>

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

	2022	2021
Balance at January 1	\$ -	\$ 351
Net remeasurement of loss allowance	-	(54)
Amounts written off	-	(297)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

8. INVENTORIES

	December 31	
	2022	2021
Finished and purchased goods	\$ 282,154	\$ 246,752
Work in process	122,588	81,980
Materials	<u>84,685</u>	<u>54,599</u>
	<u>\$ 489,427</u>	<u>\$ 383,331</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 included reversal of inventory write-downs of \$678 thousand and inventory write-downs of \$571 thousand, respectively. Due to the disposal of inventories which were written down, the net realizable value of inventory increased.

9. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Non-listed (public) companies		
Yuen Foong Yu Consumer Products Investment Limited	\$ 3,207,155	\$ 3,178,718
Ever Growing Agriculture Bio-tech Co., Ltd.	262,273	264,919
Yuen Foong Shop Co., Ltd.	99,540	93,093
YFY Consumer Products Co. (Note a)	<u>-</u>	<u>-</u>
	<u>\$ 3,568,968</u>	<u>\$ 3,536,730</u>

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

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
Yuen Foong Yu Consumer Products Investment Limited	100%	100%
Ever Growing Agriculture Bio-tech Co., Ltd.	85%	85%
Yuen Foong Shop Co., Ltd.	100%	100%
YFY Consumer Products Co. (Note a)	100%	100%

- 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 December 31, 2022.

The financial statements of subsidiaries included in the abovementioned financial statements are based on the audited amounts.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 675,822	\$ 539,098	\$ 1,761,160	\$ 175,408	\$ 119,466	\$ 214,412	\$ -	\$ 3,485,366
Additions	-	4,496	100,628	49,121	18,546	6,931	72,723	252,445
Disposals	-	(1,620)	(4,584)	(4,344)	(237)	(6,220)	-	(17,005)
Balance at December 31, 2022	\$ 675,822	\$ 541,974	\$ 1,857,204	\$ 220,185	\$ 137,775	\$ 215,123	\$ 72,723	\$ 3,720,806
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 320,658	\$ 1,018,762	\$ 98,164	\$ 90,667	\$ 182,919	\$ -	\$ 1,711,170
Depreciation expenses	-	19,636	105,640	12,737	11,704	14,402	-	164,119
Disposals	-	(1,620)	(4,584)	(4,344)	(237)	(6,220)	-	(17,005)
Balance at December 31, 2022	\$ -	\$ 338,674	\$ 1,119,818	\$ 106,557	\$ 102,134	\$ 191,101	\$ -	\$ 1,858,284
Carrying amounts at December 31, 2022	\$ 675,822	\$ 203,300	\$ 737,386	\$ 113,628	\$ 35,641	\$ 24,022	\$ 72,723	\$ 1,862,522
<u>Cost</u>								
Balance at January 1, 2021	\$ 675,822	\$ 533,396	\$ 1,674,370	\$ 166,209	\$ 108,875	\$ 207,235	\$ -	\$ 3,365,907
Additions	-	9,712	93,402	10,717	12,131	16,407	-	142,369
Disposals	-	(4,010)	(6,612)	(1,518)	(1,540)	(9,230)	-	(22,910)
Balance at December 31, 2021	\$ 675,822	\$ 539,098	\$ 1,761,160	\$ 175,408	\$ 119,466	\$ 214,412	\$ -	\$ 3,485,366
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	\$ -	\$ 304,728	\$ 922,336	\$ 88,107	\$ 82,513	\$ 174,788	\$ -	\$ 1,572,472
Depreciation expenses	-	19,940	102,278	11,575	9,694	17,361	-	160,848
Disposals	-	(4,010)	(6,612)	(1,518)	(1,540)	(9,230)	-	(22,910)
Impairment loss	-	-	760	-	-	-	-	760
Balance at December 31, 2021	\$ -	\$ 320,658	\$ 1,018,762	\$ 98,164	\$ 90,667	\$ 182,919	\$ -	\$ 1,711,170
Carrying amounts at December 31, 2021	\$ 675,822	\$ 218,440	\$ 742,398	\$ 77,244	\$ 28,799	\$ 31,493	\$ -	\$ 1,774,196

Certain machinery and electrical equipment in the production department were left unused for a long period. The Company expects that the future economic benefits of these equipment will decrease, resulting in a recoverable amount of \$0, which was less than the book value. Therefore, it has recognized impairment loss of \$760 thousand in 2021. The impairment loss has been included under the item of expenditure in the statements of comprehensive income.

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

Buildings	3-55 years
Machinery	3-20 years
Electric equipment	3-20 years
Tools	3-10 years
Miscellaneous equipment	3-10 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 March 14, 2023, the purchase contract approximately amounted to \$699,464 thousand was signed and the paid amount of the contract was \$98,367 thousand.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Buildings	\$ 174,777	\$ 154,078
Others	<u>23,730</u>	<u>23,340</u>
	<u>\$ 198,507</u>	<u>\$ 177,418</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 66,063</u>	<u>\$ 36,742</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 38,935	\$ 34,345
Others	<u>6,039</u>	<u>3,577</u>
	<u>\$ 44,974</u>	<u>\$ 37,922</u>

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Current	<u>\$ 46,837</u>	<u>\$ 41,384</u>
Non-current	<u>\$ 154,197</u>	<u>\$ 138,412</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings	0.86%-1.06%	0.98%-1.06%
Others	0.86%-1.06%	0.98%-1.06%

c. Material lease-in activities and terms

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

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	\$ 45,710	\$ 48,276
Total cash outflow for leases	<u>\$ 92,069</u>	<u>\$ 87,556</u>

12. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Bank credit loans	\$ 248,000	\$ -

As of December 31, 2022, the interest rate of bank credit loans was 1.65% per annum.

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper	\$ -	\$ 150,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>(10)</u>
	<u>\$ -</u>	<u>\$ 149,990</u>

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

c. Long-term borrowings

	December 31	
	2022	2021
Bank credit loans	\$ 198,620	\$ 57,900

As of December 31, 2022 and 2021, the interest rates of long-term borrowings were 1.68% per annum and 0.78% per annum, respectively.

13. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the Republic of China. Pension benefits are calculated on the basis of the length of service and average monthly salary of the six months before retirement. The Company contributes 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

As a result of the division of employees transferred from YFY Inc. to the Company, their seniority is calculated by consolidation. Employee pensions are paid by each company's special employee retirement reserve account based on the proportion of their years of service in each company.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Present value of defined benefit obligation	\$ 102,023	\$ 110,375
Fair value of plan assets	<u>(101,083)</u>	<u>(93,696)</u>
Net defined benefit liabilities	<u>\$ 940</u>	<u>\$ 16,679</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 115,445</u>	<u>\$ (93,398)</u>	<u>\$ 22,047</u>
Service cost			
Current service cost	3,564	-	3,564
Net interest expense (income)	<u>556</u>	<u>(455)</u>	<u>101</u>
Recognized in profit or loss	<u>4,120</u>	<u>(455)</u>	<u>3,665</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,206)	(1,206)
Actuarial loss - actuarial assumptions adjustments	434	-	434
Actuarial loss - experience adjustments	<u>3,082</u>	-	<u>3,082</u>
Recognized in other comprehensive income	<u>3,516</u>	<u>(1,206)</u>	<u>2,310</u>
Benefits paid	<u>(12,706)</u>	<u>12,706</u>	-
Contributions from the employer	<u>-</u>	<u>(11,343)</u>	<u>(11,343)</u>
Balance at December 31, 2021	<u>\$ 110,375</u>	<u>\$ (93,696)</u>	<u>\$ 16,679</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 110,375</u>	<u>\$ (93,696)</u>	<u>\$ 16,679</u>
Service cost			
Current service cost	3,012	-	3,012
Net interest expense (income)	<u>782</u>	<u>(668)</u>	<u>114</u>
Recognized in profit or loss	<u>3,794</u>	<u>(668)</u>	<u>3,126</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,364)	(7,364)
Actuarial gain - actuarial assumptions adjustments	(5,356)	-	(5,356)
Actuarial loss - experience adjustments	<u>4,803</u>	<u>-</u>	<u>4,803</u>
Recognized in other comprehensive income	<u>(553)</u>	<u>(7,364)</u>	<u>(7,917)</u>
Benefits paid	<u>(11,593)</u>	<u>11,593</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(10,948)</u>	<u>(10,948)</u>
Balance at December 31, 2022	<u>\$ 102,023</u>	<u>\$ (101,083)</u>	<u>\$ 940</u> (Concluded)

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

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

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

	<u>December 31</u>	
	2022	2021
Discount rate	1.75%	0.75%
Expected rate of salary increase - less than 16 years	1.50%	1.50%
Expected rate of salary increase - more than 16 years	1.00%	1.00%

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

	December 31	
	2022	2021
Discount rate		
0.125% increase	\$ (634)	\$ (743)
0.125% decrease	\$ 642	\$ 752
Expected rate of salary increase		
0.125% increase	\$ 646	\$ 749
0.125% decrease	\$ (640)	\$ (743)

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

	December 31	
	2022	2021
Expected contributions to the plans for the next year	\$ 2,342	\$ 3,126
Average duration of the defined benefit obligation	5.1 years	5.5 years

14. EQUITY

a. Ordinary shares

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

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 19 for the details of the compensation of employees recognized on the 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, which was registered on October 22, 2021, was \$2,671,290 thousand.

b. Capital surplus

	Differences Between Equity Purchase Price and Carrying Amount from Actual Acquisition or Disposal of Equity in Subsidiary (1)	Share Premium (1)	Employee Share Options (2)	Others (1)	Total
Balance at January 1 and December 31, 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 December 31, 2021	\$ 156,481	\$ 1,054,448	\$ -	\$ 3,187	\$ 1,214,116

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus cannot be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

In consideration of the overall environment and the long-term financial planning to achieve sustainable and stable business development, the Company's dividend policy is mainly based on the future capital budget plan to measure the capital needs of the following year. Every year, no less than 30% of the available profit shall be distributed as shareholder dividends. The distribution of dividends may be in cash or in shares, of which the cash dividends should be no less than 20%. However, when the Company has capital expenditure needs, all the aforementioned dividends will be distributed in the form of share dividends. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 16(d).

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

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

The appropriations of earnings for 2021 and 2020, which were approved by the Shareholders Meetings on June 15, 2022 and July 26, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
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>

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 14, 2023, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 68,825</u>
Cash dividends	<u>\$ 614,397</u>
Cash dividends per share (NT\$)	<u>\$ 2.3</u>

The appropriations of earnings for 2022 will be approved by the Shareholders Meeting to be held in June 2023. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

15. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers - sale of goods	<u>\$ 6,513,546</u>	<u>\$ 6,155,049</u>

Contract Balances

	December 31	
	2022	2021
Notes receivable and accounts receivable (including related parties)	<u>\$ 1,028,900</u>	<u>\$ 971,480</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 14,156</u>	<u>\$ 13,673</u>

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

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers - sale of goods	<u>\$ 13,158</u>	<u>\$ 454</u>

For information about notes receivable and accounts receivable, refer to Note 7. The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

16. NET PROFIT

a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on lease liabilities	\$ 1,534	\$ 1,904
Interest on bank loans	4,791	8,843
Less: Capitalization amount of interest	<u>(504)</u>	<u>(89)</u>
	<u>\$ 5,821</u>	<u>\$ 10,658</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalization interest rates	0.8%-1.38%	0.77%-1.09%

b. Depreciation

	For the Year Ended December 31	
	2022	2021
Right-of-use assets	\$ 44,974	\$ 37,922
Property, plant and equipment	<u>164,119</u>	<u>160,848</u>
	<u>\$ 209,093</u>	<u>\$ 198,770</u>
An analysis of depreciation by function		
Operating costs	\$ 160,514	\$ 154,397
Operating expenses	<u>48,579</u>	<u>44,373</u>
	<u>\$ 209,093</u>	<u>\$ 198,770</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 24,953	\$ 24,882
Defined benefit plans	<u>3,126</u>	<u>3,665</u>
	28,079	28,547
Share-based payment		
Equity settled	-	6,622
Other employee benefits	<u>705,750</u>	<u>703,882</u>
Total employee benefit expense	<u>\$ 733,829</u>	<u>\$ 739,051</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 369,312	\$ 369,343
Operating expenses	<u>364,517</u>	<u>369,708</u>
	<u>\$ 733,829</u>	<u>\$ 739,051</u>

d. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 14, 2023 and March 10, 2022, respectively, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 8,805	\$ 12,771
Remuneration of directors	8,627	13,500

If there is a change in the amounts after the annual 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 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.

17. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 174,079	\$ 183,568
Income tax on unappropriated earnings	5,755	8,029
Adjustments for prior years	<u>(5,765)</u>	<u>(4,079)</u>
	<u>174,069</u>	<u>187,518</u>
Deferred tax		
In respect of the current year	<u>2,157</u>	<u>998</u>
Income tax expense recognized in profit or loss	<u>\$ 176,226</u>	<u>\$ 188,516</u>

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit before tax from continuing operations	\$ 858,146	\$ 1,250,782
Income tax expense calculated at the statutory rate (20%)	\$ 171,629	\$ 250,156
Permanent differences	4,607	(65,590)
Income tax on unappropriated earnings	5,755	8,029
Adjustments for prior years	<u>(5,765)</u>	<u>(4,079)</u>
Income tax expense recognized in profit or loss	<u>\$ 176,226</u>	<u>\$ 188,516</u>

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	\$ (1,583)	\$ 462

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 9,757	\$ (136)	\$ -	\$ 9,621
Defined benefit obligation	3,336	(1,564)	(1,583)	189
Others	<u>624</u>	<u>(470)</u>	<u>-</u>	<u>154</u>
	<u>\$ 13,717</u>	<u>\$ (2,170)</u>	<u>\$ (1,583)</u>	<u>\$ 9,964</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ 57,133
Others	<u>13</u>	<u>(13)</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,146</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 57,133</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on inventories	\$ 9,643	\$ 114	\$ -	\$ 9,757
Defined benefit obligation	4,409	(1,535)	462	3,336
Others	<u>188</u>	<u>436</u>	<u>-</u>	<u>624</u>
	<u>\$ 14,240</u>	<u>\$ (985)</u>	<u>\$ 462</u>	<u>\$ 13,717</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ 57,133
Others	<u>-</u>	<u>13</u>	<u>-</u>	<u>13</u>
	<u>\$ 57,133</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 57,146</u>

d. Income tax assessments

The tax filings of the Company through 2018 and 2020 have been approved by the tax authorities.

18. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share (NT\$)	<u>\$ 2.55</u>	<u>\$ 4.24</u>
Diluted earnings per share (NT\$)	<u>\$ 2.55</u>	<u>\$ 4.23</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 year:

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit for the year	<u>\$ 681,920</u>	<u>\$ 1,062,266</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	267,129	250,690
Effect of potentially dilutive ordinary shares:		
Employee share options	-	6
Compensation of employees	<u>300</u>	<u>411</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>267,429</u>	<u>251,107</u>

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

19. SHARE-BASED PAYMENT ARRANGEMENTS

- a. The board of directors resolved to issue 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 is as follows:

Employee Share Options	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	2,223	52
Options exercised	(1,506)	52
Options expired	<u>(717)</u>	52
Balance at December 31	<u>-</u>	
Weighted-average fair value of options granted in September 2021 (NT\$)	<u>\$ 3.46</u>	

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

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

The compensation of employees recognized on the statement of comprehensive income was \$6,622 thousand for the year ended December 31, 2021.

20. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns through consideration of the 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 Company may pay dividends, issue new shares, etc.

21. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

b. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,336,577	\$ 1,315,476
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,831,357	1,557,448

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

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

c. Financial risk management objectives and policies

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

The Company's significant financial activity is reviewed and approved by the board of directors 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 Company did not enter into or trade financial instruments for speculative purposes.

1) Market risk

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

Sensitivity analysis

The Company is mainly exposed to the USD and RMB.

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

	For the Year Ended December 31	
	2022	2021
Profit or loss at 5% variance		
USD	\$ <u>1,717</u>	\$ <u>(490)</u>
RMB	\$ <u>-</u>	\$ <u>(145)</u>

b) Interest rate risk

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ <u>60,499</u>	\$ <u>-</u>
Financial liabilities	\$ <u>647,654</u>	\$ <u>387,686</u>
Cash flow interest rate risk		
Financial assets	\$ <u>173,163</u>	\$ <u>291,681</u>

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

Sensitivity analysis

For the Company's floating interest rate financial assets and liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Increase/decrease	\$ 173	\$ 292

2) Credit risk

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

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

To maintain the quality of the accounts receivable, the Company has developed a credit risk management procedure to reduce the credit risk from specific customer. The credit evaluation of individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Company's 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 Company has sufficient financial flexibility.

As of December 31, 2022 and 2021, the Company's unused financing facilities were \$5,505,000 thousand and \$6,053,000 thousand, respectively.

22. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
Ever Growing Agriculture Bio-tech Co., Ltd.	Subsidiary
Yuen Foong Shop Co., Ltd.	Subsidiary
YFY Investment Co., Ltd.	Subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co, Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong)	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
Hsin Yuan Investment Co., Ltd.	Substantive related party
Beautone Co., Ltd.	Substantive related party
Hsin -Yi Enterprise Co., Ltd	Substantive related party
Hsin -Yi Foundation	Substantive related party
SinoPac Securities Corporation	Substantive related party
Taiwan Stock Exchange	Substantive related party
Chen Yu Co., Ltd.	Substantive related party
Hoi Toy & Play Corporation	Substantive related party
Synmax Biochemical Co., Ltd.	Substantive related party

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2022	2021
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 885,362	\$ 1,022,295
Others	<u>506</u>	<u>2,591</u>
	885,868	1,024,886
Substantive related parties	9,763	9,038
Fellow subsidiaries	4,694	4,763
Parent company	<u>271</u>	<u>2,524</u>
	<u>\$ 900,596</u>	<u>\$ 1,041,211</u>

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

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 753,927	\$ 685,243
Others	<u>33,910</u>	<u>110,137</u>
	787,837	795,380
Subsidiaries		
Ever Growing Agriculture Bio-tech Co., Ltd.	331,217	370,041
Others	<u>458</u>	<u>28,817</u>
	<u>331,675</u>	<u>398,858</u>
Substantive related parties	<u>195</u>	<u>154</u>
	<u>\$ 1,119,707</u>	<u>\$ 1,194,392</u>

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

d. Accounts receivable from related parties

Related Party Category	December 31	
	2022	2021
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 151,214	\$ 188,285
Others	<u>3</u>	<u>14</u>
	151,217	188,299
Substantive related parties	2,439	2,173
Fellow subsidiaries	1,033	741
Parent company	<u>14</u>	<u>-</u>
	<u>\$ 154,703</u>	<u>\$ 191,213</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

Related Party Category	December 31	
	2022	2021
Subsidiaries		
Ever Growing Agriculture Bio-tech Co., Ltd.	\$ 133,987	\$ 145,357
Others	<u>-</u>	<u>2,898</u>
	<u>133,987</u>	<u>148,255</u>
Fellow subsidiaries		
Chung Hwa Pulp Corporation	225,434	134,722
Others	<u>9,121</u>	<u>25,405</u>
	<u>234,555</u>	<u>160,127</u>
	<u>\$ 368,542</u>	<u>\$ 308,382</u>

The outstanding accounts payable to related parties are unsecured.

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

Related Party Category	December 31	
	2022	2021
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 27,470	\$ 8,545
Others	<u>7</u>	<u>6</u>
	<u>\$ 27,477</u>	<u>\$ 8,551</u>

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

Related Party Category	December 31	
	2022	2021
Fellow subsidiaries		
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	\$ 1,667	\$ 118
YFY Corporate Advisory & Services Co., Ltd.	794	1,022
YFY Jupiter US, Inc.	-	401
Others	<u>207</u>	<u>333</u>
	<u>2,668</u>	<u>1,874</u>
Substantive related parties		
Hsin-Yi Enterprise Co., Ltd.	1,022	839
Others	<u>335</u>	<u>294</u>
	<u>1,357</u>	<u>1,133</u>
Subsidiaries		
Ever Growing Agriculture Bio-tech Co., Ltd.	<u>720</u>	<u>226</u>
	<u>\$ 4,745</u>	<u>\$ 3,233</u>

h. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 971</u>	<u>\$ -</u>

i. Lease arrangements

Related Party Category	For the Year Ended December 31	
	2022	2021
Lease paid		
Substantive related parties		
Hsin-Yi Enterprise Co., Ltd.	\$ 8,249	\$ 7,946
Others	<u>1,371</u>	<u>1,413</u>
	9,620	9,359
Fellow subsidiaries	<u>1,314</u>	<u>1,320</u>
	<u>\$ 10,934</u>	<u>\$ 10,679</u>

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

j. Other transactions with related parties

Related Party Category	Miscellaneous Expenses (Accounted for as Operating Costs and Expenses)	
	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 15,119	\$ 14,755
Substantive related parties	3,962	3,500
Subsidiaries	<u>3,621</u>	<u>2,976</u>
	<u>\$ 22,702</u>	<u>\$ 21,231</u>

Related Party Category	Other Income (Accounted for as Non-operating Income)	
	For the Year Ended December 31	
	2022	2021
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 1,369	\$ 1,369
Others	<u>43</u>	<u>369</u>
	<u>\$ 1,412</u>	<u>\$ 1,738</u>

Related Party Category	Prepayment (Accounted as Other Current Assets)	
	For the Year Ended December 31	
	2022	2021
Substantive related parties	<u>\$ 44</u>	<u>\$ 45</u>

1. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 47,827	\$ 50,282
Others	<u>959</u>	<u>1,128</u>
	<u>\$ 48,786</u>	<u>\$ 51,410</u>

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

23. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the Company's subsidiaries, clients and suppliers in certain locations are subject to quarantine and travel restriction policies. The Company considered that there was no significant impact on its overall operations and financial condition. There is no doubt on the Company's ability to continue as a going concern, and no impairment of assets or financing risk recognized.

24. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,033	30.71	\$ 62,433
<u>Financial liabilities</u>			
Monetary items			
USD	915	30.71	28,100
	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 649	27.68	\$ 17,964
<u>Financial liabilities</u>			
Monetary items			
USD	1,003	27.68	27,763
RMB	668	4.341	2,900

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

Foreign Currency	For the Year Ended 2022		For the Year Ended 2021	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	30.71 (USD:NTD)	\$ 254	27.68 (USD:NTD)	\$ (78)
RMB	4.409 (RMB:NTD)	<u>(39)</u>	4.341 (RMB:NTD)	<u>15</u>
		<u>\$ 215</u>		<u>\$ (63)</u>

25. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 1)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 9) Trading in derivative instruments (None)
- 10) Information on investees (Table 3)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Yuen Foong Shop Co., Ltd.	a.	Sale	\$ (885,362)	(14)	In agreed terms	\$ -	-	\$ 151,214	15	\$ -
	Ever Growing Agriculture Bio-tech Co., Ltd.	a.	Purchase	331,217	8	In agreed terms	-	-	(133,987)	(20)	-
	Chung Hwa Pulp Corporation	b.	Purchase	753,927	19	In agreed terms	-	-	(225,434)	(33)	-

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 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	\$ 151,214	5.22	\$ -	-	\$ 151,214	\$ -

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	Yuen Foong Yu Consumer Products Investment Limited	Samoa	Investment holding	\$ 3,845,458	\$ 3,845,458	150,013,000	100.0	\$ 3,207,155	\$ (110,636)	\$ (110,636)	a.
	Ever Growing Agriculture Bio-tech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	262,273	50,713	41,030	a.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	99,540	45,898	46,578	a.
	YFY Consumer Products, Co.	United States	E-commerce for intellectual property management and sales of consumer products	-	-	-	100.0	-	-	-	a.

Note: a. Subsidiaries.

b. Refer to Table 4 for information on investments in mainland China.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Notes 1 and 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,531,650 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 2,904,398 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,904,398 (US\$ 94,575 thousand)	\$ (135,182) (Note 2. b.)	100.0	\$ (135,182) (Note 2. b.)	\$ 2,143,475	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,300 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	11,818 (Note 2. b.)	100.0	12,471 (Note 2. b.)	289,708	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,300 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	73,435 (Note 2. b.)	100.0	73,435 (Note 2. b.)	1,245,992	-

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$3,211,498 (Notes 1 and 4)	\$3,211,498 (Notes 1 and 4)	Note 3

Note 1: The exchange rates were US\$1=NT\$30.71 and RMB\$1=NT\$4.409442 as of December 31, 2022.

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

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

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

TABLE 5**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of notes and accounts receivable	1
Statement of inventories	2
Statement of changes in investments accounted for using the equity method	3
Statement of changes in property, plant, and equipment	Note 10
Statement of accounts payable to related parties	Note 22
Statement of other payables	4
Major Accounting Items in Profit or Loss	
Statement of operating revenue	5
Statement of operating costs	6
Statement of operating expenses	7
Statement of employee benefit and depreciation expense by function	8

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Costco President Taiwan Inc.	\$ 297,132
Chuan Lian Enterprise Co., Ltd.	121,850
Presicarre Corporation	89,277
Others (Note)	365,938
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 874,197</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods and purchased goods	\$ 326,780	\$ 282,154
Work in process	123,671	122,588
Materials	<u>87,081</u>	<u>84,685</u>
	537,532	<u>\$ 489,427</u>
Less: Write-downs of inventories (Note)	<u>(48,105)</u>	
	<u>\$ 489,427</u>	

Note: Including finished goods and purchased goods of \$44,626 thousand, work in process of \$1,083 thousand and materials of \$2,396 thousand.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investee	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Share of Profit of Subsidiaries (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2022			Market Value or Net Asset Value
	Shares	Amount	Shares	Amount (Note 4)	Shares	Amount (Note 3)			Shares	%	Amount	
Yuen Foong Yu Consumer Products Investment Limited	150,013,000	\$ 3,178,718	-	\$ -	-	\$ -	\$ (110,636)	\$ 139,073	150,013,000	100	\$ 3,207,155	\$ 3,207,155
Ever Growing Agriculture Bio-tech Co., Ltd.	18,245,944	264,919	-	-	-	43,676	41,030	-	18,245,944	85	262,273	275,077
Yuen Foong Shop Co., Ltd.	5,000,000	93,093	-	133	-	40,264	46,578	-	5,000,000	100	99,540	105,962
		<u>\$ 3,536,730</u>		<u>\$ 133</u>		<u>\$ 83,940</u>	<u>\$ (23,028)</u>	<u>\$ 139,073</u>			<u>\$ 3,568,968</u>	<u>\$ 3,588,194</u>

Note 1: The recognition basis for investment gain are the financial statements audited by ROC CPA firm.

Note 2: Including exchange differences arising on translating the financial statements of foreign operations of \$139,073 thousand.

Note 3: Including cash dividends collected of \$83,689 thousand and employee compensation paid by subsidiaries to the Company's employees of \$251 thousand.

Note 4: Including paying employee of subsidiaries compensation of \$133 thousand.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Payables on wages and employee benefits	\$ 125,734
Payables on channel marketing expense	93,544
Payables on equipment	44,484
Others (Note)	<u>408,559</u>
	<u>\$ 672,321</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Tons)	Amount
Paper	83,235	\$ 5,435,381
Others (Note)	-	<u>1,078,165</u>
		<u>\$ 6,513,546</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	\$ 3,009,967
Direct labor	241,605
Manufacturing expenses	<u>645,813</u>
Manufacturing cost	3,897,385
Add (less):	
Work in process, beginning of year	83,116
Transferred to other accounts	(641)
Work in process, end of year	<u>(123,671)</u>
Cost of finished goods	3,856,189
Add (less):	
Finished goods, beginning of year	192,416
Finished goods, end of year	(237,207)
Transferred to other accounts	(14,683)
Reversal of write-down of inventories	<u>(7,156)</u>
Cost of homemade products sold	3,789,559
Purchased goods, beginning of year	89,298
Finished goods purchased	945,324
Add (less):	
Transferred to other accounts	(12,694)
Write-down of inventories	6,478
Purchased goods, end of year	<u>(89,573)</u>
	<u>\$ 4,728,392</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefit expense	\$ 162,571	\$ 181,395	\$ 20,551	\$ 364,517
Freight expense	336,483	-	-	336,483
Advertising and marketing expense	76,552	-	-	76,552
Remuneration expense	3,735	18,436	-	22,171
Depreciation	40,671	5,005	2,903	48,579
Others (Note)	<u>50,268</u>	<u>16,851</u>	<u>6,339</u>	<u>73,458</u>
	<u>\$ 670,280</u>	<u>\$ 221,687</u>	<u>\$ 29,793</u>	<u>\$ 921,760</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF EMPLOYMENT BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment benefit expense						
Salary expense	\$ 301,964	\$ 291,569	\$ 593,533	\$ 300,825	\$ 298,202	\$ 599,027
Insurance expense	31,331	26,390	57,721	31,929	25,467	57,396
Pension expense	14,333	13,746	28,079	14,867	13,680	28,547
Remuneration of directors	-	8,627	8,627	-	13,500	13,500
Other expense	<u>21,684</u>	<u>24,185</u>	<u>45,869</u>	<u>21,722</u>	<u>18,859</u>	<u>40,581</u>
	<u>\$ 369,312</u>	<u>\$ 364,517</u>	<u>\$ 733,829</u>	<u>\$ 369,343</u>	<u>\$ 369,708</u>	<u>\$ 739,051</u>
Depreciation expense	<u>\$ 160,514</u>	<u>\$ 48,579</u>	<u>\$ 209,093</u>	<u>\$ 154,397</u>	<u>\$ 44,373</u>	<u>\$ 198,770</u>

1. As of December 31, 2022 and 2021, the Company had 729 and 717 employees, respectively. There were both 4 non-employee directors.
2. A company whose shares are listed on the stock exchange or traded in the over-the-counter market shall disclose the following:
 - a. For the years ended December 31, 2022 and 2021, the average employment benefit expense was \$1,000 thousand and \$1,018 thousand, respectively. (“Total Employment Benefit Expense” - “Total Compensation for Directors and Supervisors”/“Number of Employees” - “Number of Directors Not Classified as Employees”).
 - b. For the years ended December 31, 2022 and 2021, the average salary expense was \$819 thousand and \$840 thousand, respectively. (“Total Salary Expense”/“Number of Employees” - “Number of Directors Not Classified as Employees”).
 - c. Average salary adjustment was (2.50%) (“Current Year Average Salary Expense” - “Prior Year Average Salary Expense”/“Prior Year Average Salary Expense”).
 - d. The Company has no supervisors.
3. Salary and remuneration policy (including directors, managers and employees):
 - a. According to the Articles of Incorporation, if the Company made a profit based on operating results in the current year, 1% or more of the income shall be set aside as compensation of employees and 2% or less shall be distributed as remuneration of directors.
 - b. The total compensation paid to the executive officers which included salary, bonus, and compensation of employees is based on the salary structures of other companies operating similar businesses or with similar business scales, in order to attract outstanding executive officers with a competitive compensation package. Such compensation and remuneration are submitted to the compensation committee and the Company’s board of directors for review and approval.
 - c. The Company participates in compensation surveys to measure pay levels in the labor market. Besides, the Company also takes into account industry pay levels in order to make adequate adjustments to the overall compensation policies. In addition to annual salary adjustment and comprehensive promotional practices, various award systems are established to attract, retain, develop, and encourage talent.