

2022

ANNUAL REPORT



 **YFYCPG**

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TWSE Website : mops.twse.com.tw
Company Website : www.yfycpg.com
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Stock Code 6790.TW

1. Spokesperson and Contacts:

- CFO, Daphne Chen | TEL : (02)2192-1022#623 | E-mail : ir.cpg@yfycpg.com

2. Headquarters, branch offices and plants:

- **Headquarter:** 16F, No. 51, Chongqing S. Road Sec. 2, Taipei | TEL: +886-2-2192-1022
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- **Kunshan plant:** No. 999, YFY Rd., Yu Shan Town, Kunshan, Jiangsu | TEL: +86-512-3660-5112
- **Taoyuan plant of Ever Growing Agriculture Bio-tech Co., Ltd.:**
No. 1078-1, Sec. 3, Fuguo Rd., Luzhu Dist., Taoyuan City | TEL: +886-3-321-0783

3. Stock Administration:

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

4. Auditor:

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

5. Overseas Securities Exchange: None

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

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Letter to Shareholders

Dear Shareholders,

Global political and economic environment, as well as human lifestyle, have undergone significant changes during the last 3 years. Although for the most part, the pandemic no longer affects our daily lives, challenges persist around the globe. Loose monetary policies during the pandemic inevitably led to inflation. In early 2022, the Ukraine-Russia conflict erupted, further affecting commodities and currencies. These impacts have prevented the global economy from making a substantial recovery post the pandemic, and the effects of these events on the world economy, politics, and society are still ongoing. Faced with these challenges, the global consumer goods industry has worked hard to show resilience and cope with the pressure of rising costs. Leading companies have strived to optimize product mix, control costs, and moderately reflect cost increases.

Facing these challenges, YFY Consumer Products has demonstrated resilience, focusing on innovation to cope with rising costs and market changes. Consolidated revenue for 2022 was \$1.012 billion NTD, with after-tax net profit of \$69 million NTD. The consolidated after-tax net income attributable to the shareholders of the company was \$68 million NTD, or \$2.55 NTD per share. The Board of Directors has approved a cash dividend of \$2.3 per share, a distribution rate of 90%.

Product innovation and R&D is at the heart of our commitment to provide better lives for consumers. In 2022, we continued to improve product quality to meet consumer needs, and use innovation to attract consumers toward premium products. New products had helped us to optimize our product portfolio and mitigate the impact of rising costs. Mayflower's "Comfort Thick" interfold toilet paper, a follow-on extension to the original "Thick" product line, secured our strong leading position in Taiwan's super premium toilet-paper segment. Mayflower "Supreme" interfold toilet paper, launched in Q4, employs the latest technology to provide consumers offers the same thick and soft experience comparable of competing 3-ply premium products in the 2-ply segment, the dominant segment in Taiwan's toilet paper market. Delight, Taiwan's long-term market leader in kitchen paper towels, introduced the "Easy Handy" interfold kitchen paper towels that combined the convenience of interfold product form with the oil and water absorbing capabilities of kitchen towels. "Easy Handy" significantly expanded consumer's usage scenarios, attracting many first-time kitchen paper towel buyers, and further bolstered Delight's leading position in kitchen towels.

New products and high product power allowed us to collaborate more closely with our channel partners, successfully creating a win-win-win situation for consumers, channels, and YFY Consumer Products. Similarly, in Mainland China, through product features and strategic cooperation with our channel partners, our performance still topped that of our peers in the household paper industry despite many ongoing challenges on top of significant disturbance in COVID related restrictions.

Pursing profits is not our only responsibility as a business, we also bear responsibility for the society and the environment. In 2022, we completed our first sustainability report ahead of TWSE requirements and obtained 3rd-party certification. We have actively adopted the use of alternative fuels, solar energy, recycled water, and other renewable energy sources to reduce greenhouse gas emissions and practice circular economy. YFY Consumer Products is also the largest user of sustainable forestry certified pulp in the Taiwanese household paper market.

In 2023, the global economic growth rate is expected to decrease to 2.9%. Facing continued challenges in global socioeconomic and geopolitical environment, YFY Consumer Products management team will endeavor to maintain our tradition of stable management and continuous innovation. Looking forward, we hope to drive momentum for growth through:

■ Enhance & Extend

1. Consumer's lifestyles have changed permanently after COVID. After completing our new paper machines and processing equipment, we will gain additional capabilities to upgrade and refine our product and further enhance our innovation capabilities.
2. Mayflower's "Thick" multi-ply and "Supreme" 2-ply products are core to our grow. We are working hard to make Mayflower synonymous with the best toilet paper experience in Taiwan.
3. We are also investing in Delight and Mayflower's pull-up kitchen paper towels to further attracting new consumers and expand Taiwan's kitchen towel market.
4. We are launching Orange House's natural liquid laundry capsule mid-year, entering the fast growing liquid laundry capsule market to providing a better choice for health-conscious liquid laundry capsule consumers. We expect this product to Orange House's new growth engine.
5. To fuel additional growth, a cross-function and cross-business "Innovation Team" has been formed to develop new markets and diversify our portfolio.

■ Be Sustainable

1. We are developing action plans and setting relevant goals to improve our resource utilization and minimize our environmental footprint.
2. Transparency help consumer make decisions. We are taking action to certify product carbon footprint.
3. We are investing in green product R&D. We believe product design must incorporate sustainable materials and concept, and the experience must be as easy and direct as possible for consumers. This will benefit consumers, the environment, and the company.

On behalf YFY Consumer Products, I would like to express our gratitude to all shareholders. We will continue to work hard to create a healthy and beautiful life for consumers, fulfill our social responsibilities with sustainability as our goal, enhance our ESG, and generate reasonable long-term value for shareholders.

Wishing you
all great health and prosperity,



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



Greenhouse Gas Emissions Deline Continuously

Greenhouse Gas (GHG) emissions
(tCO₂-e per year)

2020

117,153

GHG emissions intensity
(tCO₂-e/MT)

1.27

Reuse Water

Water in production process can be reused up to 20 times.

90%
重複利用率

Reduce Pollution Emissions

Fulfilling the responsibility of the source of production. In 2022, factories in Taiwan continuously achieve 100% zero-hazardous waste output.

100%
zero hazard

Protect the ecology

Reduce pollution

Reduce energy waste

Increase Green Procurement

Domestic household paper maker uses the largest amount of FSC pulp.

Consumption amount of FSCcertified pulp accounts for the total:

83.1%

Consumer Expect Companies to Protect Environment

2021

2022

115,646

1.22



GHG emissions intensity declined

3.3%

107,784



GHG emissions declined

6.8%

1.18

Consumer Behavior Change

Consumers have higher requirements for product use experience, not only paying attention to the ingredients and effects of products, but also paying attention to the use experience of products.

Pursue Quality of Life

Top-price pull-off toilet paper maintains a growth:

↑ **10%**

Focus on User Experience

YFYCPG Thick and Extreme Premium toilet paper sales growth:

↑ **9.4%**

Mayflower Extreme Premium toilet paper provide bulky, soft and wet wiping not easy to break to create a new experience for consumers using 2-ply toilet paper.



Pursue a Stable Life, but not Plan in Life. Fast Work and Slow Life Tempo under the Current Consumption

Focus on the heart-warming present and become a brand of life. Pay attention to the feelings of the moment. Willing to spend a lot of money on favorite things and experiences, Plan life but not too actively, Hope to have relaxing and heart-warming products.

The overall market is affected by the epidemic. Sight growth in sales.



Raise in Hhealth Awareness

Orange House antibacterial laundry detergent sales:

↑ 7.9%

■ Y2022 vs. Y2021 YFYCPG internal data

Innovative Function Product

Slow growth momentum, still growing in the overall market

↑ 1.9%

The new type spray of dishwashing liquid and natural product power are more in line with the consumer needs.

■ Source of data: Retailer electronic invoice of EOL iSurvey in 2022.

I. Date of Establishment: October 29, 1986

II. Company History

1986

Established YFYCPG with a paid-in capital of NT\$10 million.

1995

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

2007

Household Paper Division of YFY Paper Manufacturing Co., Ltd. (later renamed: YFY Inc.) was transferred to the Company.

2011

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

2015

Launched Fresh Sense cleaning products. Awarded Most Attractive Employer in the Consumer Manufacturing Industry.

2017

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

2014

Awarded Most Attractive Employer in the Consumer Manufacturing Industry.

2009

"Orange House" entered the natural cleaning products market.

2004

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

2018

"Delight" enters mid-range cleaning products market.

2020

- Fully supplied toilet paper in Taiwan market to prevent epidemic. Launched Orange House cleaning detergents able to wash out human coronavirus.
- Launched "5-in-1 Laundry Detergent Pod," a patent-pending laundry detergent capsule with zero water.
- Launched "Mayflower thick toilet tissue" production line extension to pocket facial and kitchen towel with idea of 1-pull replaced with 4-pull.
- Awarded the Medal of the National Disease Prevention Team by the Executive Yuan.
- Awarded by the Ministry of Finance as an outstanding business entity using electronic invoices.
- The Company received the Outstanding Green Procurement and Green Consumption Organization Award from the Environmental Protection Administration.
- The OTC Securities Trading Center approved the public offering of the company's stock.
- Yang Mei factory received the "Taiwan i Sport" Sports Enterprise Certification from the Sports Administration of the Ministry of Education.
- Chung Shui factory received the Outstanding Green Procurement Enterprise Award from Taichung City Government.
- Yang Mei factory received the bronze prize for the second National Enterprise Environmental Protection Award.
- The OTC Securities Trading Center approved the company's shares to be traded in the Emerging OTC Market.
- Sold 100% of the shares of YFY Family Paper (Beijing) Co., Ltd.

2022

- Actively create a happy and friendly working environment. Received "Best Companies to Work for in Asia 2022" from HR Asia in 2nd consecutive year. And also received "We Care- HR Asia Most Caring Companies Award" to affirm the Company's care for employees during the epidemic and the practice of enterprise sustainable development.
- Yang Mei factory received the Silver Award (One-Star Award) for Outstanding Enterprise in the Recycle Category for Resource Recycling in 2022 from EPA.
- Chung Shui factory received the 4th National Enterprise Environmental Protection Award from EPA.
- Launch Mayflower Extreme Premium toilet paper with patent of bulky, soft, and wet wiping not easy to break. It becomes top rank of 2-ply toilet paper.
- Launch Delight pull-up kitchen towel designed to be convenient for consumers to use with one hand for multiple purposes and promote the popularity of kitchen towel market.
- The leading natural brand "Orange House" upgraded the antibacterial and mite-removing laundry detergent to respond to the epidemic situation in Taiwan and the needs of many people with allergies and to allow consumers to protect the health of themselves and their families. We continue to lead the industry.
- Exceeding requirements in regulations by preparing and filing the Sustainability Report ahead of schedule, we proactively disclosed and reported the performance of sustainable management in 2021.

2021

Listed in TWSE and became the largest FMCG company in Taiwan (Code: 6790).

Awarded the 6th Taiwan Mittelstand.

HR Asia Best Companies to Work For in Asia 2021/ The 1st Taiwan FMCG industry awarded.

Launched Ultimate Comfort series of "Mayflower Thick toilet papers" added eucalyptus essential oil and lotion for health.

2019

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

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

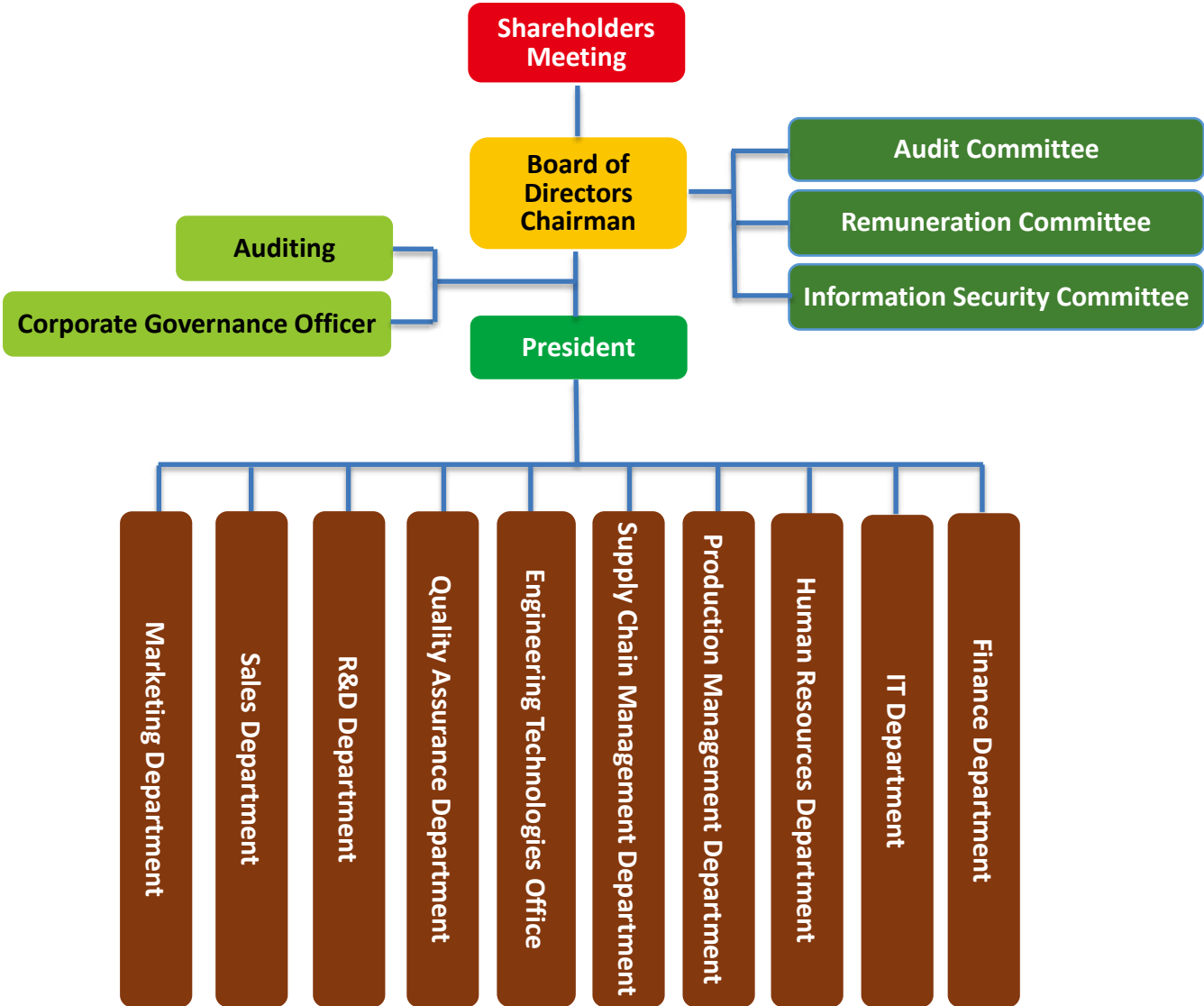


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Corporate Governance Report

I. Organizational Chart



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

(I) Profiles of Directors and Independent Directors

December 31, 2022; Unit: 1,000 shares; %

Title	Nationality	Name	Gender/Age		Date elected	Term (Year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes			
			4	5				6	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares			Shareholding percentage	Number of shares	Shareholding percentage		Title	Name	Relation
			0	1				1																
Chairman	Republic of China	YFY Inc. Representative Felix Ho	Male	45	60	2020/09/24	3	2006/03/15	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> MBA, MIT Sloan School of Management Chief Executive Officer, YFY Inc. General Manager, YFY Consumer Products Co., Ltd. Executive Deputy General Manager, Consumer Products Division, YFY MFG Co., Ltd. Assistant Manager, Strategy Integration Center, YFY MFG Co., Ltd. 	Note 1	-	-	-	-		
									-	-	-	-	-	-	-	-								
Director	Republic of China	YFY Inc. Representative Wei-Li Tsai (Note 10)	Male	45	67	2020/09/24	3	2020/07/10	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> Master of Finance, University of Iowa Chairman, YFY Packaging Inc. 	Note 2	-	-	-	-		
									100	0.04	100	0.04	-	-	-	-								
Director	Republic of China	YFY Inc. Representative David Lo	Male	45	67	2022/02/07	3	2022/02/07	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> 	Note 3	-	-	-	-		
									-	-	-	-	-	-	-	-								
Director	Republic of China	YFY Inc. Representative Ronald Lee	Male	45	67	2020/09/24	3	2016/05/13	178,906	73.05	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University Sales Director, YFY Consumer Products Co., Ltd. National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) Trade Marketing Manager, Bausch & Lomb Taiwan Ltd. Trade Marketing Manager, Procter & Gamble Taiwan Ltd., Marketing Manager, Bausch & Lomb Taiwan Ltd. Product Manager, Procter & Gamble Taiwan Ltd. 	Note 4	-	-	-	-		
									585	0.24	320	0.12	-	-	-	-								

Title	Nationality or place of registration	Name	Gender/Age			Date elected	Term (year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			4	5	6				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Director	Republic of China	Thomas Hsu (Note 11)	Male			2020/09/24	3	2018/11/09	483	0.20	503	0.19	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University General Manager, APP Paper Co., Ltd. Sales Director, Kimberly-Clark Taiwan, Taiwan Branch (B.C.I.) Director and General Manager, Enrich Marketing & Distribution Co., Ltd. Sales Director, Unilever Taiwan Ltd. 	Note 5	-	-	-	-
Director	Republic of China	YFY Development Corp. Representative Shien Xie	Male			2022/06/15	3	2022/06/15	5,136	1.92	5,136	1.92	-	-	-	-	<ul style="list-style-type: none"> BA, Department of Business Administration, Chinese Culture University Vice President, R&D Department, YFY Consumer Products Co., Ltd. 	Note 6	-	-	-	-
Independent Director	Republic of China	Chih-Chien Lin	Male			2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> PhD, Institute of Biotechnology, National Tsing Hua University 	Note 7	-	-	-	-
Independent Director	Republic of China	Sherry Hsieh	Female			2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> EMBA of Accounting and Management Strategy, National Taiwan University 	Note 8	-	-	-	-
Independent Director	Republic of China	Mei-Li Su	Female			2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> B.S. of Accounting, Tamkang University Director of Audit Department, Deloitte & Touche 	Note 9	-	-	-	-

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

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

Note 3: Director of the Company; General Manager, YFY Inc.; Director, YFY Packaging Inc.; Director, YFY Consumer Products Investment Ltd.; Chairman, YFY Corporate Advisory & Services Co., Ltd.; Chairman, YFY Paradigm Investment Co., Ltd.; Chairman, YFY Development Corp.; Director, Fidelis IT Solutions Co., Ltd.; Director, Taiwan Stock Exchange Corp.; Director, YFY International B.V.; Director, YFY Global Investment B.V.; Director, YFY Mauritius Corporation; Director, Arizon RFID Technology (Cayman) Co., Ltd.; Supervisor, Ensilience Co., Ltd.

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

Note 5: General Manager of the Company; Director, Yuen Foong Shop Co., Ltd.; Director, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, Livebricks Inc.; Director, YFY Consumer Products Co.

Note 6: District General Manager of the Company in Mainland China; Director and General Manager, YFY Investment Co., Ltd.; Director, YFY Family Care (Kunshan) Co., Ltd.; Director, YFY Consumer Products (Yangzhou) Co., Ltd.

Note 7: Dean of R&D and Professor, Providence University, 2nd-term Chairman of the Society of Cosmetic Scientists of Taiwan; Director, BlessCare International Co., Ltd.; Director, Yuben Co., Ltd.

Note 8: Deputy Director of the Liver Disease Prevention & Treatment Research Foundation, Deputy Director of the Taiwan Health Foundation, Deputy Director of the Good Liver Foundation, Director of the Yang Tang-Hai Social Welfare Charity Foundation.

Note 9: CPA at C&S Certified Public Accountant Firm, Independent Director of Young Qin International Co., Ltd.; Independent Director, Alar Pharmaceuticals Inc.

Note 10: Resigned on 2022/2/6.

Note 11: Resigned on 2022/3/10.

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

Requirement Name	Professional qualifications and experience	Fulfillment of independence criteria	Number of concurrent posts at other listed companies as independent director
YFY Inc. Representative: Felix Ho	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	1
YFY Inc. Representative: Wei-Li Tsai	<ul style="list-style-type: none"> More than 20 years of experience in business, finance, and work relevant to the Company's operations 	-	-
YFY Inc. Representative: David Lo	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	-
YFY Inc. Representative: Ronald Lee	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	-
Thomas Hsu	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	-
YFY Development Corp. Representative: Shien Xie	<ul style="list-style-type: none"> More than 20 years of experience in business and work relevant to the Company's operations 	-	-
Chih-Chien Lin	<ul style="list-style-type: none"> Lecturer or a higher post at a public/private university/college in subjects relevant to the Company's operations 	<ul style="list-style-type: none"> The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates The individual, spouse, or relative within the second degree of kinship do not hold shares (or have shares held in names of third parties) of the Company Not a director, supervisor, or employee of a company that has special relations with the Company Has not received compensation for business, legal, financial, or accounting services provided for the Company or its affiliates in the last two years 	-
Sherry Hsieh	<ul style="list-style-type: none"> More than 5 years of work experience in business 		-
Mei-Li Su	<ul style="list-style-type: none"> More than 20 years of work experience in accounting and audit Professional licenses as a certified public accountant and tax return filing agent 		2

II. Diversity and independence of the Board directors:

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

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

Title	Chairman	Director					Independent Director		
Name	Felix Ho	Wei-Li Tsai <small>(Resigned on 2022.02.06)</small>	David Lo	Ronald Lee	Thomas Hsu <small>(Resigned on 2022.03.10)</small>	Shien Xie	Chih-Chien Lin	Sherry Hsieh	Mei-Li Su
Gender	Male	Male	Male	Male	Male	Male	Male	Female	Female
Age	41-50	51-60	51-60	51-60	61-70	51-60	41-50	51-60	41-50
Also serves as manager				✓	✓	✓			
Independent director's term of office (less than 3 years)							✓	✓	✓
Professional Background									
Industry Knowledge	✓	✓	✓	✓	✓	✓	✓		
Business	✓	✓	✓	✓	✓	✓		✓	
Accounting		✓	✓						✓
Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Professional Competence									
Operational Judgments	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Crisis Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
International Market Insights	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leadership and Decision Making	✓	✓	✓	✓	✓	✓	✓	✓	✓

1. Major Direct and Indirect Institutional Shareholders

(1) Major Direct Institutional Shareholders

December 31, 2022

Name of Institutional Shareholder	Major Direct Institutional Shareholders	Shareholding percentage
YFY Inc.	S. C. Ho	9.77
	Shin-Yi Foundation	5.66
	Shin-Yi Enterprise Co., Ltd.	4.69
	Hsinex International Corp.	3.62
	Cheng-Ting Ho	2.80
	Supervisory Committee of Workers' Pension Reserve Funds, YFY Inc.	2.79
	Ru Yi Enterprise Co., Ltd.	2.68
	Mei-Yu Ho	2.65
	NEW TALENT LIMITED	2.16
	Felix Ho	2.14

(2) Major Indirect Institutional Shareholders

December 31, 2022

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

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

December 31, 2022; Unit: thousand shares; %

Title	Name	Gender	Nationality	Date of appointment	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
General Manager	Thomas Hsu (Note 10)	Male	Republic of China	2020/6/22	503	0.19	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University General Manager, APP Paper Co., Ltd. Sales Director, Kimberly-Clark Taiwan, Taiwan Branch (B.C.I.) Director and General Manager, Enrich Marketing & Distribution Co., Ltd. Sales Director, Unilever Taiwan Ltd. 	Note 1	-	-	-	-	-
General Manager	Ronald Lee	Male	Republic of China	2015/7/13	320	0.12	-	-	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University Sales Director, YFY Consumer Products Co., Ltd. National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) Marketing Manager, Bausch & Lomb Taiwan Ltd. Sales Manager, Procter & Gamble Taiwan Ltd. 	Note 2	-	-	-	-	-
CFO	Daphne Chen	Female	Republic of China	2018/1/1	258 (Note 8)	0.10	-	-	-	-	<ul style="list-style-type: none"> MBA, National Chengchi University CFO, Interchan Corporation Taxation and Project Director, Unilever Shanghai Accounting Manager, Unilever Taiwan Ltd. 	Note 3	-	-	-	-	-
District General Manager	Shien Xie	Male	Republic of China	2018/8/1	226 (Note 9)	0.8	-	-	-	-	<ul style="list-style-type: none"> BA, Department of Business Administration, Chinese Culture University Vice President, R&D Department, YFY Consumer Products Co., Ltd. 	Note 4	-	-	-	-	-
Deputy General Manager	Carl Chang	Male	Republic of China	2019/7/1	196 (Note 9)	0.07	-	-	-	-	<ul style="list-style-type: none"> PhD, Department of Environmental Engineering, Da-Yeh University Vice President, R&D Department, YFY Consumer Products Co., Ltd. Production Manager, Procter & Gamble Taiwan Ltd. Production Director, Long Chen Paper Co., Ltd. 	Note 5	-	-	-	-	-

Title	Name	Gender	Nationality	Date of appointment	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
Deputy General Manager	Ming-Fa Tang	Male	Republic Of China	2010/11/1	153 (Note 9)	0.06	-	-	-	-	<ul style="list-style-type: none"> • BS in Chemical Engineering, Tamkang University • Deputy General Manager, Engineering Technology Center, YFY Consumer Products Co., Ltd. 	Note 6	-	-	-	-	-
Deputy General Manager	Jason Hsieh (Note 11)	Male	Republic of China	2005/4/1	163 (Note 9)	0.06	-	-	-	-	<ul style="list-style-type: none"> • Department of Navigation, Affiliated Keelung Maritime Senior High School of National Taiwan Ocean University • Deputy General Manager, Professional Business Group, YFY Investment Co., Ltd. • Sales Director, China East Division, Yuen Foong Yu Paper Enterprise (Kunshan) Co., Ltd. 	-	-	-	-	-	-
Deputy General Manager	Myra Kuo (Note 12)	Female	Republic of China	2014/7/1	109 (Note 9)	0.04	-	-	-	-	<ul style="list-style-type: none"> • M.Sc., School of Packaging, University of Michigan • Deputy General Manager, R&D Development Center, YFY Consumer Products Co., Ltd. • Marketing Manager for the Asia Pacific Region, Avery Dennison Corporation (United States) • Northeast Asia Regional Supply Chain Manager, Unilever • Production Department Manager, Unilever Taiwan Ltd. • R&D Manager, Unilever Taiwan Ltd. • Packaging R&D Manager, Unilever Taiwan Ltd. 	Note 7	-	-	-	-	-

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

Note 2: Director, YFY Investment Co., Ltd.; Director, Yuen Foong Shop Co., Ltd.; Director, Ever Growing Agriculture Bio-tech Co., Ltd.; Chairman, Livebricks Inc.; Director, YFY Consumer Products, Co.

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

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

Note5: General Manager, Ever Growing Agriculture Bio-tech Co., Ltd.

Note 6: Director, YFY Family Care (Kunshan) Co., Ltd.; Director, YFY Consumer Products (Yangzhou) Co., Ltd.

Note 7: Director and General Manager, Ever Growing Agriculture Biotechnology Co., Ltd.

Note 8: 216 thousand shares are entrusted to the trust asset account at Bank SinoPac Co., Ltd.

Note 9: All shares entrusted to the trust asset account at Bank SinoPac Co., Ltd.

Note 10: Resigned on 2022/3/10..

Note 11: Retired on 2022/12/31.

Note 12: Resigned on 2022/4/15.

1. Please state the policy, system, standards and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors. Consider the company's operating scale and profitability, the time invested and functions performed by independent directors, as well as the responsibilities and risks they bear.

2. Except as disclosed above, remuneration received by directors in the last year for on-balance sheet services (e.g., acting as non-employee consultant) rendered to the Company: N/A

Note: Estimated amount of employee compensation approved by the board of directors on March 14, 2023.

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

(II) Remuneration to supervisors

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

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

December 31, 2022 Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employee's remuneration (D)				Amount and ratio of total compensation (A+B+C+D) to after-tax income		Compensation from invested enterprises that are not subsidiaries
		YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG		All companies in the financial statements		YFYCPG	All companies in the financial statements	
								Amount in cash	Amount in stocks	Amount in cash	Amount in stocks			
President	Thomas Hsu	15,984	23,601	523	2,633	5,690	7,269	41	-	54	-	22,238 3.26%	33,557 4.92%	-
District General Manager	Ronald Lee													
CFO	Daphne Chen													
District General Manager	Shien Xie													
Deputy General Manager	Carl Chang													
Deputy General Manager	Ming-Fa Tang													
Deputy General Manager	Jason Hsieh													
Deputy General Manager	Myra Kuo													

Note: Estimated amount of employee compensation approved by the board of directors on March 14, 2023.

Range of remuneration to general manager and deputy general manager	Name of general manager and deputy general manager	
	YFYCPG	All companies in the financial statements
Less than NT\$1,000,000	Thomas Hsu, Carl Chang, Myra Kuo	Thomas Hsu
NT\$1,000,000 (incl.) - NT\$2,000,000	Jason Hsieh	-
NT\$2,000,000 (incl.) - NT\$3,500,000	Shien Xie, Ming-Fa Tang	Ming-Fa Tang, Myra Kuo
NT\$3,500,000 (incl.) - NT\$5,000,000	Daphne Chen	Daphne Chen, Shien Xie, Carl Chang, Jason Hsieh
NT\$5,000,000 (incl.) - NT\$10,000,000	-	-
NT\$10,000,000 (incl.) - NT\$15,000,000	Ronald Lee	Ronald Lee
NT\$15,000,000 (incl.) - NT\$30,000,000	-	-
NT\$30,000,000 (incl.) - NT\$50,000,000	-	-
NT\$50,000,000 (incl.) - NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	8	8

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

December 31, 2022; Unit: NT\$1,000

	Title	Name	Amount in stocks	Amount in cash (Note)	Total	Ratio of total remuneration to net profit after tax (%)
Managerial Officers	General Manager	Thomas Hsu	-	41	41	0.00
	General Manager	Ronald Lee				
	CFO	Daphne Chen				
	District General Manager	Shien Xie				
	Deputy General Manager	Carl Chang				
	Deputy General Manager	Ming-Fa Tang				
	Deputy General Manager	Jason Hsieh				
	Deputy General Manager	Myra Kuo				

Note: Estimated amount of employee compensation approved by the board of directors on March 14, 2023.

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

Recipient	Ratio of total remuneration to after-tax profit					
	2022		2021		Difference	
	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements
General Director	0.86%	0.88%	0.87%	0.89%	-0.01%	-0.01%
Independent Director	0.49%	0.49%	0.46%	0.46%	0.03%	0.03%
General Manager and Deputy General Managers	3.26%	4.92%	3.43%	5.00%	-0.17%	-0.08%

1. The Company established the "Board of Directors Performance Evaluation Guidelines" to implement corporate governance and improve the functions of the Company's as well as to set performance targets and enhance the operational efficiency of the Board of Directors. According to the Guidelines, the Company's Board of Directors shall conduct at least one internal board performance evaluation each year. The scope of the evaluation covers the performance evaluation of the board as a whole, individual directors, and functional committees. The performance evaluation of the Company's managers shall include financial indicators as well as key management indicators necessary for the Company's long-term development such as sustainability and talent development. The Company evaluates the remuneration for Directors at regular intervals in accordance with the "Board of Directors Performance Evaluation Guidelines". The performance evaluation and the reasonableness of the remuneration is reviewed by the Remuneration Committee and the Board of Directors.
2. In terms of the remuneration policy for directors and managers, the Company has established the "Regulations on the Remuneration of Directors, Members of Functional Committees, and Managerial Officers". The remuneration of directors shall be processed in accordance with Article 26 of the Company's Articles of Incorporation. If the Company sustains profit every year, 2% or less shall be distributed as director remuneration. The distribution ratio of director remuneration shall be resolved by a majority vote at a Board meeting attended by more than two thirds of the directors, and shall be reported at the shareholders' meeting. The Company's remuneration for managers shall be based on a suitable salary structure established with reference to the prevailing salary standards of companies in the market with similar business operations or scale as the Company. The remuneration and compensation for managers shall be reported through each management level to the Chairman for approval, submitted to the Remuneration Committee for review, and implemented with the approval of the Board of Directors.
3. The performance evaluation and the reasonableness of salary and remuneration for directors and managers are reviewed by the Remuneration Committee and the Board of Directors each year. In addition to the personal performance achievement rate and contributions to the Company, the Company reviews the remuneration system in accordance with overall business performance, future

risks of the industry, and development trends, as well as actual business operations and related laws. The Company also evaluates the current corporate governance trends for providing reasonable remuneration to maintain a balance between sustainable management and risk management. The actual amounts distributed as remuneration for directors and managers in 2022 were reviewed by the Remuneration Committee and submitted to the Board of Directors for approval.

4. The remuneration of the managers and employees of the Company is determined based on an overall assessment of internal/external factors such as work duties, work experience, the Company's earnings, market growth, price fluctuations, and future risks to fully reflect the work performance and provide competitive remuneration in the market. The performance targets of the Company's managers are in line with the risk management requirements to ensure the management and prevention of risks within the scope of their duties. The Company also grades the results based on their actual performance and connects the results to the human resources as well as the salary and remuneration policies. The important decisions of the Company's management are made based on assessments of various risk factors. The performance of the relevant decisions reflects the profitability of the Company, and the remuneration of management personnel is connected to their risk management performance.

IV. Corporate Governance Practice

(I) Board of Directors operating status

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

The attendance in meetings of the Board of Directors in 2022 was good with a 100% attendance rate. Directors have continued to take courses in fields other than their professional backgrounds and they have attended related courses on corporate governance as well as environmental, social, and governance (ESG) courses. The results of the performance evaluation of Board of Directors in 2022 was excellent. They are explained as follows:

A total of 6 meetings (A) of the 15th Board of Directors were held in 2022. Directors' attendance information is shown in the table below.

Title	Name	Attendance in person(B)	Attendance by proxy	Attendance in person rate (B/A) (Note)	Notes
Chairman	YFY Inc. Representative: Felix Ho	6	0	100%	
Director	YFY Inc. Representative: David Lo	6	0	100%	
Director	YFY Inc. Representative: Ronald Lee	6	0	100%	
Director	Thomas Hsu	1	0	100%	Retired on March 10, 2022
Director	YFY Development Corp. Representative: Shien Xie	3	0	100%	Appointed on June 15, 2022
Independent Director	Mei-Li Su	6	0	100%	
Independent Director	Chih-Chien Lin	6	0	100%	
Independent Director	Sherry Hsieh	6	0	100%	

Note:

- (1) If a director resigns before the end of the year, the resignation date must be specified in the Remark column. The actual attendance rate (%) shall be calculated based on the number of the Board of Directors meetings held during the period and the number of the meetings that the director has actually attended.

(2) If an election of the directors is held before the end of the year, the names of the incoming and outgoing directors must be specified and the outgoing, incoming, or reappointment dates shall be specified in the Remark column. The actual attendance rate (%) is calculated based on the number of meetings held by the Board of Directors and the actual number of meetings attended by the director during his/her term of office.

Other statutory information:

I. If any of the following circumstances have occurred amid operations of the Board of Directors, the date, period, agenda content, the opinions of all independent directors, and the handling of the opinions of the independent directors by the Company shall be specified:

(I) Matters prescribed under Article 14-3 of the Securities and Exchange Act:

In 2022 and as of the publication date of the Annual Report, the Company convened 7 meetings of the Board of Directors and the resolutions are specified in page 38 to 39 of the Annual Report. All independent directors approved the items listed under Article 14-3 of the Securities and Exchange Act as proposed

(II) Aside from the above matters, other resolutions adopted by the Board of Directors with regard to which an independent director had a dissenting or qualified opinion that is on record or stated in a written statement: N/A.

II. Any directors who had to recuse from a proposal to prevent conflicts of interest:

(I) In the Board meeting held on March 10, 2022, the Board discussed the 2021 remuneration for general directors and the distribution method. A conflict of interest existed for directors Felix Ho, David Lo, Thomas Hsu, and Ronald Lee on this matter; therefore, they recused themselves from discussing and voting on this proposal.

(II) In the Board meeting held on March 10, 2022, the Board discussed the 2021 remuneration for independent directors and the distribution method. A conflict of interest existed for independent directors Mei-Li Su, Chih-Chien Lin, and Sherry Hsieh on this matter; therefore, they recused themselves from discussing and voting on this proposal.

(III) In the Board meeting held on March 10, 2022, the Board discussed the ratification of the 2021 year-end bonus and performance bonus for managers. A conflict of interest existed for directors Thomas Hsu and Ronald Lee on this matter; therefore, they recused themselves from discussing and voting on this proposal.

(IV) In the Board meeting held on March 10, 2022, the Board discussed the ratification of the salary adjustment for managers of the Company. A conflict of interest existed for directors Felix Ho and Ronald Lee on this matter; therefore, they recused themselves from discussing and voting on this proposal.

(V) In the Board meeting held on March 10, 2022, the Board discussed the proposal for the appointment of Ronald Lee as the General Manager. A conflict of interest existed for the director Ronald Lee on this matter; therefore, he recused himself from discussing and voting on this proposal.

III. Board of Directors evaluation status: The Company convened the 2nd meeting of the 15th Board of Directors on December 28, 2020 and approved the "Board of Directors Performance Evaluation Guidelines". It has been implemented each year since January 1, 2021. The implementation status of the performance evaluation of the Board of Directors in 2022 is explained below:

Evaluation cycle	Once a year
------------------	-------------

Evaluation period	From January 1, 2022 to December 31, 2022
Evaluation scope	The scope of the evaluation covers the performance evaluation of the board, individual directors, the Audit Committee, and Remuneration Committee
Evaluation method	Board member self-evaluation
Evaluation contents	<p>(1) Criteria for evaluating the performance of the Board of Directors:</p> <ol style="list-style-type: none"> 1. Understanding and recommendations for the operation of the company; 2. Improvement of the quality of the Board of Directors' decision making; 3. The composition and structure of the Board of Directors. 4. Election and continuing education of the directors; 5. Internal control. <p>(2) Criteria for evaluating the performance of the directors:</p> <ol style="list-style-type: none"> 1. Familiarity with the goals and missions of the Company; 2. Their recognition of Directors' duties. 3. Understanding and recommendations for the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; 6. Internal control. <p>(3) Criteria for evaluating the performance of the functional committees:</p> <ol style="list-style-type: none"> 1. Understanding and recommendations for the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of the quality of the functional committee's decision making; 4. Functional committee composition and election of members; 5. Internal control.
Evaluation results	<p>The meeting organization of the Board of Directors delivered the self-evaluation questionnaire for the performance evaluation to each Director and member of the Audit Committee and Remuneration Committee before January 05, 2023 and recovered the questionnaires before January 18, 2023. According to the evaluation results,</p> <ol style="list-style-type: none"> 1. the results of the self-evaluation of the Board of Directors and directors were "good". 2. The results of the self-evaluation of the Audit Committee and Remuneration Committee were "excellent". <p>The evaluation results were reported in the meetings of the Audit Committee and Board of Directors convened on March 14, 2023 as reference for review and improvement.</p>

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

- (I) Three independent directors form the Company's Audit Committee in substitution of supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act are submitted to the Audit Committee for discussion and resolution. The convener of the Audit Committee is responsible for reporting resolutions passed by the Audit Committee to the Board of Directors.
- (II) In addition to disclosing relevant information on the Market Observation Post System, the Company has also set up an investor section on its website to disclose information on corporate governance, financial information, and corporate social responsibility to enhance information transparency and ensure that all stakeholders can access information they care about in a timely manner.
- (III) Advancement of Sustainable development: The Company's approved the "Sustainability and Social Responsibility Guidelines" in the 4th meeting of the 14th Board of Directors (August 14, 2020) and the 2nd extraordinary shareholders meeting (September 24, 2020) to fulfill corporate social responsibility and promote the sustainable development of the economy, society, and environment. We also established the "Sustainability Office" in January 2022 and its main responsibility is the management of sustainability issues for environmental, social, and governance (ESG) issues. It reports directly to the Chairman and regularly reports the development of related issues and implementation plans to the Board of Directors. The reports made by the Sustainability Office to the Board of Directors were as follows:
 - 1. It reported the greenhouse gas inventory, certification schedule, allocation and planning of greenhouse gas personnel in each factory to the 10th meeting of the 15th Board of Directors on May 12, 2022.
 - 2. It reported the greenhouse gas inventory and certification schedule to the 12th meeting of the 15th Board of Directors on August 11, 2022.
 - 3. It reported the certified statistics of the 2021 greenhouse gas inventory, 2022 greenhouse gas inventory conditions, sustainable development goals, and ESG actions to be implemented in 2022; and respond to directors' inquiries about relevant details to the 13th meeting of the 15th Board of Directors on November 10, 2022.
- (IV) The Company convened the 2nd meeting of the 1st Information Security Committee on March 10, 2022 and the manager of the IT Department reported the information security environment improvement progress and the 2022 information security work plan. The manager of the IT Department also reported the results of the 2022 information security work and the 2023 information security work plan in the 3rd meeting of the 1st Information Security Committee on November 10, 2022.
- (V) The Company reported the "2022 Intellectual Property Management Plan and Progress in the Current Year" in the 13th meeting of the 15th Board of Directors on November 10, 2022.
- (VI) In consideration of legal risks faced by directors, the Company and its subsidiaries have purchased director liability insurance for all directors. The insurance amount is US\$5 million.

(II) Operating status of the Audit Committee

The Company's Audit Committee is composed of three independent directors. The Committee's purpose is to verify the fair presentation of the Company's financial statements; hiring or dismissal of CPAs, their independence and performance; effectiveness regarding implementation of the Company's internal

control system; compliance with relevant regulations and rules; the Company's control of existing or latent risks; and exercise its powers in accordance with Article 14-5 of the Securities Exchange Act.

5 meetings of the 1st Audit Committee were held in 2022 as of the publication date of the Report. Key focuses for the year are described below:

1. Review financial reports

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

2. Assess internal control system effectiveness

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

3. Evaluate the independence and competence of CPAs

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

4. Amendment of Company's "Asset Acquisition and Disposal Procedure".

Amendments of certain articles pursuant to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies amended by the Financial Supervisory Commission on January 28, 2022.

5. Amendment of the Company's "Management Regulations for Preventing Insider Trading".

Amendments implemented pursuant to Article 10 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies amended by Taiwan Stock Exchange on December 8, 2021, which states that a TWSE/TPEX listed company shall place high importance on the shareholder right to know and prevent insider trading. It includes stock trading control measures from the date insiders become aware of the contents of the company's financial reports or relevant results. The Company prohibits insiders from trading their shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.

6. Amendment of certain articles of the Company's "Board of Directors Meeting Procedures".

Amendments of certain articles of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" amended by the Financial Supervisory Commission on August 5, 2022.

7. Establishment of the Company's "Procedures for Handling Material Inside Information" and amendment of the "Management Regulations for Preventing Insider Trading".

Amendment implemented in accordance with Article 3, Article 4, and Article 6 of the "Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" amended by Taiwan Stock Exchange on July 7, 2022.

Independent directors' attendance to the Audit Committee meetings in 2022 as of the publication date of the Report is described below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate	Notes
Independent Director	Mei-Li Su	5	0	100%	1st term
Independent Director	Chih-Chien Lin	5	0	100%	1st term
Independent Director	Sherry Hsieh	5	0	100%	1st term

Other statutory information:

- I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of independent directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee.
- (I) Matters prescribed under Article 14-5 of the Securities and Exchange Act. In 2022 and as of the publication date of the Annual Report, the Company convened 6 meetings of the Audit Committee and the resolutions are specified in the table below. All members of the Audit Committee approved the items listed under Article 14-5 of the Securities and Exchange Act as proposed without objection.

Date	Sessions	Agenda item	Results of resolution	Actions taken by the Company in response to the opinion of the Audit Committee
2022/3/10	1st term 9th meeting	<ul style="list-style-type: none"> (1) The Company's individual and consolidated financial statements and business report for 2021. (2) The Company's 2021 earnings distribution proposal with NT\$3 cash dividend of per share. (3) The Company's 2021 Statement of Internal Control System. (4) The Company's replacement of the CPAs with Shu-Chuan Yeh and Hsiu-Ming Hsu of Deloitte Taiwan for the certification of the financial statements in the 2022 fiscal year and approval of the remuneration for the services of the CPAs for the 2022 fiscal year. (5) Amendment of Company's "Asset Acquisition and Disposal Procedure". (6) Amendment of the Company's "Procedures for Transactions with Related Parties". 	The proposal was approved unanimously by all independent directors in attendance following an inquiry by the chair.	Submitted to the Board of Directors for approval
2022/5/12	1st term 10th meeting	<ul style="list-style-type: none"> (1) The Company's 2022 Q1 consolidated financial statements. (2) Amendment of the Company's "Management Regulations for Preventing Insider Trading". 	The proposal was approved unanimously by all independent directors in attendance following an inquiry by the chair.	Submitted to the Board of Directors for approval
2022/6/27	1st term 11th meeting	The Company's installation of paper machines and processing production lines	The proposal was approved unanimously by all independent directors in attendance following an	Submitted to the Board of Directors for approval

			inquiry by the chair.	
2022/8/11	1st term 12th meeting	The Company's 2022 Q2 consolidated financial statements.	The proposal was approved unanimously by all independent directors in attendance following an inquiry by the chair.	Submitted to the Board of Directors for approval
2022/11/10	1st term 13th meeting	<ul style="list-style-type: none"> (1) The Company's 2022 Q3 consolidated financial statements. (2) The Company's 2023 annual audit plan. (3) Amendment of the "Rules of Procedure for the Board of Directors' Meetings", and submitted it to the Board of Directors for approval. (4) Establishment of the Company's "Procedures for Handling Material Inside Information" and amendment of the "Management Regulations for Preventing Insider Trading". 	The proposal was approved unanimously by all independent directors in attendance following an inquiry by the chair.	Submitted to the Board of Directors for approval
2023/3/14	1st term 14th meeting	<ul style="list-style-type: none"> (1) The Company's individual and consolidated financial statements and business report for 2022. (2) The Company's 2022 earnings distribution proposal with NT\$2/3 cash dividend of per share. (3) The Company's 2022 Statement of Internal Control System. (4) The proposal for remuneration for the Company's CPAs for the 2023 fiscal year. (5) Established the policy of advance approval for non-assurance services provided by the CPA. (6) Establishment of the "Sustainability Report Preparation and Certification Procedures". 	The proposal was approved unanimously by all independent directors in attendance following an inquiry by the chair.	Submitted to the Board of Directors for approval

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

- II. Any independent directors who had to recuse themselves to avoid conflicts of interest: N/A.
- III. Communication Between Independent Directors and Internal Auditing Officer and Accountants

1. On a regular basis

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

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

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

2. On a non-regular basis

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

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

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

Date	Communication Method	Key Points of Communication	Communication Results
2022/3/10	Audit Committee	<ol style="list-style-type: none"> 1. The Chief Auditor reported the audit implementation status for 2021 Q4. 2. The Chief Auditor explained the 2021 Statement on the Internal Control System. 	<ol style="list-style-type: none"> 1. Approved and acknowledged. 2. Approved as proposed.
2022/3/10	Private meeting of Independent Directors and CPAs	<ol style="list-style-type: none"> 1. The CPA explained related audits in the 2021 financial statements, and discussed and communicated on the financial conditions and business results. 2. The CPA explains changes in important regulations and communicated. 	The Independent Directors did not have objections after reviewing related conditions and discussions.
2022/5/12	Private meeting of Independent Directors and CPAs	The CPA explained related review status of the 2022 Q1 financial statements, and discussed the financial conditions and business results.	The Independent Directors did not have objections after inquiring and reviewing related conditions.
2022/5/12	Audit Committee	The Chief Auditor reported the audit implementation status for 2022 Q1.	Approved and acknowledged.
2022/8/11	Private meeting of Independent Directors and CPAs	The CPA explained related review status of the 2022 Q2 financial statements, and discussed the financial conditions and business results.	The Independent Directors did not have objections after inquiring and reviewing related conditions.

2022/8/11	Private meeting of Independent Directors and Chief Auditor	<ol style="list-style-type: none"> 1. Reported to the Audit Office for the due diligence report and follow-up of reported cases. 2. Communication regarding the establishment of the 2023 audit plan. 	No Objection.
2022/8/11	Audit Committee	The Chief Auditor reported the audit implementation status for 2022 Q2.	Approved and acknowledged.
2022/11/10	Private meeting of Independent Directors and CPAs	The CPA explained related review status of the 2022 Q3 financial statements, and discussed and communicated on the financial conditions and business results.	The Independent Directors did not have objections after inquiring and reviewing related conditions.
2022/11/10	Audit Committee	<ol style="list-style-type: none"> 1. The Chief Auditor reported the implementation status of the audit operations and follow-up of internal control discrepancies and anomalies in 2021 Q3. 2. Review of the audit plan for 2023. 	<ol style="list-style-type: none"> 1. Approved and acknowledged. 2. Approved as proposed.
2023/03/14	Private meeting of Independent Directors and CPAs	<ol style="list-style-type: none"> 1. The CPA explained related audits in the 2022 financial statements, and discussed and communicated on the financial conditions and business results. 2. The CPA explained changes in important regulations and communications. 	The Independent Directors did not have objections after reviewing related conditions and discussions.
2023/03/14	Audit Committee	<ol style="list-style-type: none"> 1. The Chief Auditor reported the audit implementation status for 2022 Q4. 2. The Chief Auditor explained the 2022 Statement on the Internal Control System. 	<ol style="list-style-type: none"> 1. Approved and acknowledged. 2. Approved as proposed.

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

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in establishing and disclosing its corporate governance best practice principles?	V		On September 24, 2020, the Company of the 14th Board of Directors established the "Corporate Governance Principles" and rigorously complied with related regulations in the implementation of information disclosure in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".	Compliant
II. The Company's shareholding structure and shareholders' rights and interests				
(I) Does the Company have in place an internal operating procedure for handling shareholders' suggestions, questions, disputes, or litigation and abide by it?	V		The Company has established the "Rules of Procedure for Shareholders' Meeting" and a spokesperson system in accordance with the "Corporate Governance Principles" and has appointed stockholders' affairs personnel to process shareholders' recommendations, questions, or disputes. However, the Company maintains harmonious relation with shareholders and no disputes have occurred.	Compliant
(II) Does the Company possess a list of major shareholders and a list of ultimate owners of those major shareholders?	V		The Company closely monitors the shareholdings of major shareholders, directors, and managers based on the shareholder register provided by the shareholder services agent as of the book closure date. Changes in the shareholding of insiders (directors, managers, and shareholders holding more than 10% of the shares) are reported monthly to the Market Observation Post System designated by the competent authority.	Compliant

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

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees?	V		industry, business management, and accounting. According to the list of members of the 15th Board of Directors, those with the ability of leadership management administration, and crisis management, as well as industry knowledge, and an international market perspective include directors Felix Ho, David Lo, Ronald Lee, and Shien Xie. The Company's independent directors include Chih-Chien Lin who is a university professor, Sherry Hsieh who is the Deputy Director of the Taiwan Health Foundation, and Mei-Li Su who is a CPA and an independent director of other public listed companies. The Company's Board of Directors comprises 2 directors who are employees of the Company as well as 3 independent directors. The Company has 2 female independent directors. The Company has established the Remuneration Committee and Audit Committee and has established the Information Security Committee based on its business requirements. This Company shall establish other types of functional committees based on its needs.	Changes are made gradually
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance	V		The Company's Board of Directors established the "Board of Directors Performance Evaluation Guidelines" in the board meeting on December 28, 2020. The Company completed the performance evaluation of the board as a whole, individual directors, and functional committees in 2022 and reported the results to the 14th meeting of the 15th Board of Directors (March 14, 2023) before January 31, 2023.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies																												
	Yes	No	Summary																													
evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?																																
(IV) Does the Company periodically evaluate the independence of the CPA?	V		<p>The Company's CPA has recused himself/herself from cases where his/her service or him/herself has a direct or indirect conflict of interest. The Company also periodically evaluates the independence of the CPA.</p> <table border="1"> <thead> <tr> <th colspan="4">Evaluation indicator 1: Independence</th> </tr> <tr> <th>Item No.</th> <th>Evaluation item</th> <th>Evaluation results</th> <th>Fulfillment of independence criteria</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Has the CPA submitted an independence declaration?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>2</td> <td>Does the CPA firm have a system for rotating CPAs?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>3</td> <td>Has YFY replaced CPAs so that no CPA has certified the Company's financial reports for more than 7 consecutive years?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>4</td> <td>Has YFY ensured that there are no direct or indirect material financial interests between the CPA and the Company?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>5</td> <td>Has YFY ensured that there are no financing or endorsements between the CPA and the Company or directors?</td> <td>Yes</td> <td>V</td> </tr> </tbody> </table>	Evaluation indicator 1: Independence				Item No.	Evaluation item	Evaluation results	Fulfillment of independence criteria	1	Has the CPA submitted an independence declaration?	Yes	V	2	Does the CPA firm have a system for rotating CPAs?	Yes	V	3	Has YFY replaced CPAs so that no CPA has certified the Company's financial reports for more than 7 consecutive years?	Yes	V	4	Has YFY ensured that there are no direct or indirect material financial interests between the CPA and the Company?	Yes	V	5	Has YFY ensured that there are no financing or endorsements between the CPA and the Company or directors?	Yes	V	Compliant
Evaluation indicator 1: Independence																																
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Evaluation item	Practice					Compliance with Best Practice Principles and reasons for any discrepancies	
	Yes	No	Summary				
			6	Has YFY ensured that the CPA is not a relative of the Company's directors, managerial officers, or other individuals in positions that may have significant impact on the audit? (Evaluate at least the relations such as the spouse, underage children, and close relatives)	Yes	V	
			7	Has YFY ensured that the CPA and the Company do not have close business relations? (e.g., joint investments in businesses, strategic alliances for profit, or product co-marketing or promotion)	Yes	V	
			8	Has YFY ensured that no members of the audit service team currently serve or had served as the Company's director, supervisor, managerial officer, or positions that may have significant impact on the audit in the most recent two years?	Yes	V	
			9	Has YFY ensured that the CPA has not accepted valuable (with value beyond regular social norms) gifts or presents from the Company, directors, or managerial officers?	Yes	V	
			10	Has YFY ensured that the CPA is not appointed by the Company to perform routine tasks, receive fixed salary, or serve as a director?	Yes	V	
			11	Has YFY ensured that the CPA is not involved in the decision-making process of the Company?	Yes	V	
			12	Has YFY ensured that the CPA does not provide the Company with appraisal services with material impact on the financial statements or highly subjective appraisals?	Yes	V	

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies																												
	Yes	No	Summary																													
			<table border="1"> <thead> <tr> <th colspan="4">Evaluation indicator 2: Competence</th> </tr> <tr> <th>Item No.</th> <th>Evaluation item</th> <th>Evaluation results</th> <th>Fulfillment of competence criteria</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Has the CPA been disciplined or received any other disciplinary action in the past 2 years that would impair his/her professionalism or independence?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>2</td> <td>Has the CPA actively provided YFY with the latest information on taxation, and securities supervisory regulations, and updates of IFRS accounting standards.?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>3</td> <td>Has the CPA assisted YFY in coordinating communication and coordination with competent authorities?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>4</td> <td>Have all financial statements been completed within the deadline?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>5</td> <td>Has the CPA maintained adequate communication channels with the Company's management, Audit Committee, and Directors?</td> <td>Yes</td> <td>V</td> </tr> </tbody> </table>	Evaluation indicator 2: Competence				Item No.	Evaluation item	Evaluation results	Fulfillment of competence criteria	1	Has the CPA been disciplined or received any other disciplinary action in the past 2 years that would impair his/her professionalism or independence?	Yes	V	2	Has the CPA actively provided YFY with the latest information on taxation, and securities supervisory regulations, and updates of IFRS accounting standards.?	Yes	V	3	Has the CPA assisted YFY in coordinating communication and coordination with competent authorities?	Yes	V	4	Have all financial statements been completed within the deadline?	Yes	V	5	Has the CPA maintained adequate communication channels with the Company's management, Audit Committee, and Directors?	Yes	V	
Evaluation indicator 2: Competence																																
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IV. Has the TWSE or TPEX listed company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors,	V		The Company Board of Directors passed a resolution on April 15, 2021 and appointed the Manager Edward Hung to oversee corporate governance affairs. Legal affairs personnel also assist in providing the information needed by the Board of Directors and its members. Their duties include: Handling matters relating to Board meetings and shareholders' meetings according to law, and assisting the Company in complying with laws and regulations governing such meetings; Producing minutes of Board meetings and shareholders' meetings; and Furnishing information required for business execution by directors and independent directors and, updating them on	Compliant																												

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

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
<p>information regarding the Company's financial, business and corporate governance status?</p> <p>(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing dedicated personnel to collect and disclose corporate information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?</p> <p>(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month ahead of</p>	V		<p>The Company has appointed dedicated personnel to take charge of the collection and disclosure of Company information, and we have implemented a spokesperson and acting spokesperson system in accordance with regulations. The information for investor conferences in all periods is immediately disclosed on the company website as reference for investors.</p> <p>The Company publishes and reports its annual financial report within three months after the end of a fiscal year, and publishes and reports its financial reports for 1st, 2nd, and 3rd quarter as well as its operating status for each month before the specified deadline. The requirements for companies listed on TWSE/TPEX have been met.</p>	<p>Compliant</p> <p>Processed in accordance with regulations</p>

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
schedule before the specified deadline?				
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)?	V		<ol style="list-style-type: none"> 1. Employees' rights and interests: The Company protects employees' legal rights and interests in accordance with the Labor Standards Act and HR regulations. We also convene regular employer-employee meetings to communicate with employees. 2. Employee care: The Company upholds the ideals of a friendly work environment for talent recruitment and retention to create a good work environment. In addition to setting up an Employee Welfare Committee and allocating employee welfare funds in accordance with laws, we also make contributions to employees' pension, provide group accident insurance for employees, and arrange health examination for employees to maximize employee benefits. 3. Investor relations: The Company has appointed a Spokesperson and Acting Spokesperson and to take charge of the Company's communication with external entities. We regularly update the results of the Company's operations and organize investor conferences. We also assign dedicated personnel to take disclose the Company's information on the Market Observation Post System in accordance with regulations. 4. Supplier relations: The Company maintains good relations with suppliers to optimize overall production costs. 5. Stakeholder interests: The Company maintains good channels of communication 	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
			<p>with employees, customers, and suppliers, and respect and uphold their legal rights and interests. Stakeholders can provide opinions and communicate with the Company at any time. The Company values their opinions and uses them as the basis for future operations.</p> <p>6. Continuing education and training received by directors and supervisors: The Company has set up an Audit Committee which replaced the functions of the supervisors. All Directors of the Company have professional backgrounds. They have all attended continuing education courses as required by law and obtained certification documents.</p> <p>7. Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with regulations.</p> <p>8. Implementation status of the customer policy: The Company maintains stable and good relations with customers in order to generate profits.</p> <p>9. Status of purchase of liability insurance by the Company for Directors: The Company has purchased liability insurance for its Directors to reduce and spread the risk of material damages to the Company and shareholders caused by any error or negligence of its Directors.</p>	
<p>IX. Please mention any priority matters and measures that require improvement and improvements that have been made according to the Corporate Governance Evaluation results released by TWSE's Governance Center.</p> <p>The company is committed to strengthening the protection of shareholders' rights and treating shareholders equally, strengthening the structure and operation of the board of directors, improving information transparency and promoting sustainable development, and plans to gradually improve the</p>				

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
<p>unscored indicators of corporate governance evaluation. Some project descriptions are listed below:</p> <p>2.17 : Does the board of directors of the company regularly (at least once a year) evaluate the independence of the certified accountant, and disclose the evaluation process in detail in the annual report?</p> <p>The Company has thoroughly performed periodic evaluations of the independence of the CPA. The results were submitted for review and approved at the 8th meeting of the 1st Audit Committee and the 8th meeting of the 15th Board of Directors. However, as the Company did not disclose the specific standards for evaluating the independence of the CPAs in the Annual Report (the key items must be specified), the Company did not meet the scoring standards. The Company shall disclose the evaluations that are implemented at least once a year and specify the evaluation items in the 2022 Annual Report.</p> <p>2.23 : Has the board of directors' performance evaluation method stipulated by the company been approved by the board of directors, and it is stipulated that an external evaluation should be performed at least once every three years, and the evaluation has been carried out in the evaluation year or the past two years, and the implementation status and evaluation results are disclosed on the company's website or annual report?</p> <p>As the Company was listed on TWSE on September 29, 2021, it was first included in the Corporate Governance Evaluation in 2022. The Company will implement an external evaluation in 2023 and summarize the results for external disclosure.</p>				

● Status of continuing education of Directors and Independent Directors

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Institutional Director Representative	Felix Ho	2022/5/12	2022/5/12	Taiwan Corporate Governance Association	Last Mile for Sustainability — Opportunities and Tools for Impact Investing	3 hours
		2022/8/11	2022/8/11	Taiwan Corporate Governance Association	How Companies Effectively Maintain Brand Value in Recent Notable Trademark Cases	3 hours
Institutional Director Representative	David Lo	2022/2/17	2022/2/17	Taiwan Academy of Banking and Finance	Information Security Governance Lecture (21th Edition) — Information Security Strategic Approach and Practical Operations	3 hours
		2022/3/11	2022/3/11	Taiwan Corporate Governance Association	Shareholder's Meeting and Equity Management	3 hours
		2022/5/12	2022/5/12	Taiwan Corporate Governance Association	Last Mile for Sustainability — Opportunities and Tools for Impact Investing	3 hours
		2022/6/28	2022/6/28	Taiwan Academy of Banking and Finance	Corporate Governance Lecture — Responsibilities of Directors and Supervisors: Starting with Trade Secrets	3 hours
		2022/12/6	2022/12/6	Taiwan Corporate Governance Association	Net Zero Pathway and Development with Carbon Capture and Hydrogen Energy	3 hours
Institutional Director Representative	Ronald Lee	2022/5/12	2022/5/12	Taiwan Corporate Governance Association	Last Mile for Sustainability — Opportunities and Tools for Impact Investing	3 hours
		2022/7/7	2022/7/7	Taiwan Stock Exchange Corporation	Sustainable Development Guidemap Industry Seminar	2 hours
		2022/8/11	2022/8/11	Taiwan Corporate Governance Association	How Companies Effectively Maintain Brand Value in Recent Notable Trademark Cases	3 hours
		2022/12/6	2022/12/6	Taiwan Corporate Governance Association	Net Zero Pathway and Development with Carbon Capture and Hydrogen Energy	3 hours
		2022/12/12	2022/12/12	Taiwan Corporate Governance Association	Sustainable Energy Development with Integrated Agricultural Waste Gasification Power Generation and	3 hours

					Microgrid System	
Institutional Director Representative	Shien Xie	2022/8/11	2022/8/11	Taiwan Corporate Governance Association	How Companies Effectively Maintain Brand Value in Recent Notable Trademark Cases	3 hours
		2022/10/4	2022/10/4	Talent Development Center, Securities and Futures Institute	Challenges and Opportunities on the Path to Sustainable Development and Greenhouse Gas Inventory	3 hours
		2022/10/5	2022/10/5	Talent Development Center, Securities and Futures Institute	Global Response to Net Zero Emissions and Corporate ESG Actions	3 hours
		2022/10/5	2022/10/5	Talent Development Center, Securities and Futures Institute	Future Development of the Metaverse, Crypto, and Blockchain	3 hours
		2022/12/6	2022/12/6	Taiwan Corporate Governance Association	Net Zero Pathway and Development with Carbon Capture and Hydrogen Energy	3 hours
		2022/12/12	2022/12/12	Taiwan Corporate Governance Association	Sustainable Energy Development with Integrated Agricultural Waste Gasification Power Generation and Microgrid System	3 hours
Independent Director	Mei-Li Su	2022/5/12	2022/5/12	Taiwan Corporate Governance Association	Last Mile for Sustainability — Opportunities and Tools for Impact Investing	3 hours
		2022/8/11	2022/8/11	Taiwan Corporate Governance Association	How Companies Effectively Maintain Brand Value in Recent Notable Trademark Cases	3 hours
		2022/9/16	2022/9/16	Taiwan Corporate Governance Association	Misrepresentation in Financial Reports and Director Responsibility Seminar	3 hours
Independent Director	Sherry Hsieh	2022/5/12	2022/5/12	Taiwan Corporate Governance Association	Last Mile for Sustainability — Opportunities and Tools for Impact Investing	3 hours
		2022/8/11	2022/8/11	Taiwan Corporate Governance Association	How Companies Effectively Maintain Brand Value in Recent Notable Trademark Cases	3 hours
Independent Director	Chih-Chien Lin	2022/5/12	2022/5/12	Taiwan Corporate Governance Association	Last Mile for Sustainability — Opportunities and Tools for Impact Investing	3 hours
		2022/8/11	2022/8/11	Taiwan Corporate Governance Association	How Companies Effectively Maintain Brand Value in	3 hours

				Association	Recent Notable Trademark Cases	
		2022/12/6	2022/12/6	Taiwan Corporate Governance Association	Net Zero Pathway and Development with Carbon Capture and Hydrogen Energy	3 hours

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

(1) Information on members of the Remuneration Committee

Position Name		Requirement	Professional qualifications and experience	Fulfillment of independence criteria	Number of other public companies in which the committee member also serves as a remuneration committee member
Independent Director	Chih-Chien Lin		<ul style="list-style-type: none"> More than 10 years of lecturer or a higher post at a public/private university/college in subjects relevant to the Company's operations 	<ul style="list-style-type: none"> The individual, spouse, or relative within the second degree of kinship is not a director, supervisor, or employee of the Company or any of its affiliates The individual, spouse, or relative within the second degree of kinship do not hold shares (or have shares held in names of third parties) of the Company Not a director, supervisor, or employee of a company that has special relations with the Company Has not received compensation for business, legal, financial, or accounting services provided for the Company or its affiliates in the last two years 	N/A
Independent Director	Sherry Hsieh		<ul style="list-style-type: none"> More than 5 years of work experience in business 		N/A
Independent Director	Mei-Li Su		<ul style="list-style-type: none"> More than 20 years of work experience in accounting and audit Professional licenses as a certified public accountant and tax return filing agent 		2

(2) Operation of Remuneration Committee

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

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

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate	Notes
Convener	Mei-Li Su	2	0	100%	-
Committee member	Chih-Chien Lin	2	0	100%	-
Committee member	Sherry Hsieh	2	0	100%	-

Remuneration Committee	Agenda item and follow-up	Results of resolution	Actions taken by the Company in response to the opinion of the Remuneration Committee
2nd Committee 7th meeting 2023/1/5	<ul style="list-style-type: none"> Proposal for the offering of the capital cash increase and manager cash capital increase subscription plan the Company's initial public offering. 	Approved by all committee members as proposed.	The proposal was approved by the Remuneration Committee and filed to the Board of Directors for approval.
2nd Committee 8th meeting 2023/3/14	<ul style="list-style-type: none"> Review of the Company's 2022 employee remuneration proposal. Review of the Company's 2022 director remuneration proposal. 	Approved by all committee members as proposed.	The proposal was approved by the Remuneration Committee and filed to the Board of Directors for approval.

Other statutory information:

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

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

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

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

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

Title	Name	Professional qualifications and experience	Attendance in person (B)	Attendance by proxy	Attendance in person rate (B/A) (Note)	Notes
Convener	Mei-Li Su	Independent Director More than 20 years of work experience in accounting and audit Professional licenses as a certified public accountant and tax return filing agent	2	0	100%	
Committee member	Felix Ho	Chairman Chairman, YFY Consumer Products Co., Ltd. MBA, MIT Sloan School of Management Experience Chairman, YFY Inc. General Manager, YEON Technologies Co., Ltd. General Manager, YFY Consumer Products Co., Ltd.	2	0	100%	
Committee member	Sherry Hsieh	Independent Director More than 5 years of work experience in business	2	0	100%	

Other statutory information:

2nd meeting of the 1st Information Security Committee on March 10, 2022. Reported items:

1. Report on the improvement process of the information security environment and the 2022 information security work plan.
2. Proposed revision of some provisions of the "Information Security Committee's Discussion and Operation Management Measures".

3rd meeting of the 1st Information Security Committee on November 10, 2022

Reported items: 2022 Information Security Work Report and 2023 Information Security Work Plan.

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

Implementation item	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Does the Company set up a governance structure for sustainable development, establish an exclusively (or concurrently) dedicated unit to implement sustainable development, and have management appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?	V		The Company's Board of Directors passed the "Sustainability and Social Responsibility Guidelines" and established a dedicated unit for corporate social responsibility in 2021. It was renamed the "Sustainability Office" in January 2022 and its main responsibility is the management of sustainability issues for environmental, social, and governance (ESG) issues. It reports directly to the Chairman and regularly reports the development of related issues, implementation plans, and results to the Board of Directors to facilitate the supervision and improvement of overall development strategies. We incorporate ESG into company policies, strategies, plans, and actions through continuous improvement and management measures to achieve sustainable operations. To intensify the development of ESG issues, the Sustainability Office completed the first Sustainability Report and third-party verification in September 2022 ahead of schedule after its listing on TWSE. It also reported the performance results and responded to questions from directors in the board meeting in November 2022. The Sustainability Office has set management objectives, which are disclosed in the "Sustainable Development Goals" of the	Compliant

		<p>Sustainability Report. The risk management policy is disclosed in "Financial Position, Financial Performance and Risk Analysis" of the Annual Report and "Risk Assessment and Management" and "TCFD Climate Change Financial Impact" of the Sustainability Report.</p> <p>Dates of Reports to the Board of Directors and Key Supervisory Items of the Board of Directors in 2022:</p> <p>May 12, 2022</p> <p>I. Greenhouse gas inventory and certification plan.</p> <p>II. Assignment and plans for dedicated greenhouse gas personnel for each plant.</p> <p>August 11, 2022</p> <p>I. Implementation status of the greenhouse gas inventory and verification schedule.</p> <p>November 10, 2022</p> <p>I. Implementation status of third-party greenhouse gas certification.</p> <p>II. Implementation status of greenhouse gas emissions and other environmental management in 2022.</p> <p>IV. Results of the 2022 Sustainability Report.</p> <p>Refer to the "Board of Directors operating status" for details in the Corporate Governance Practice of this report.</p>	
<p>II. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality? (Note 2)</p>	V	<p>The Company's Board of Directors passed the establishment of the "Sustainability and Social Responsibility Guidelines". The Guidelines specified that the dedicated unit shall perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality. The Company shall establish policies and management systems for sustainability and social responsibility, and implement concrete action plans with regard to employees, communities, and the environment. The operating</p>	Compliant

			procedures and related persons in charge shall be specific and clear, and the results shall be regularly reported to the Board of Directors and disclosed on the Company's website.	
III. Environmental issues				
(I) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		<p>All plants of the Company have established an environmental management system in accordance with ISO 14001 and continue to pass third-party verification. All paper production plants have obtained the Forest Stewardship Council (FSC) certification and we are committed to continue green production and implementation of a circular economy.</p> <p>All paper production plants in Taiwan have established an energy management system in accordance with ISO 50001 and continue to pass third-party verification. They also process greenhouse gas inventories in accordance with ISO 14064-1 regulations each year. In addition, the Company also received assistance from the Industrial Development Bureau, Ministry of Economic Affairs in 2021 for the implementation of targets and pathways for carbon emissions reduction based on the characteristics of the industry. The effectiveness of the reduction in emissions has been disclosed on the National Greenhouse Gas (GHG) Registry of the Environmental Protection Administration, Executive Yuan as well as the Company's Sustainability Report and website.</p>	Compliant
(II) Is the Company committed to improving the efficiency of energy usage and using recycled materials which have a low impact on the environment?	V		<p>The Company actively promotes energy conservation measures. All paper production plants in Taiwan have established an energy management system in accordance with ISO 50001 and continue to pass third-party verification. We saved 5,862 thousand kWh of electricity in 2022 which was an increase of 251% compared to 1,669 thousand kWh in 2021.</p> <p>To ensure the sustainability of our production model, we uphold the concept of a circular economy and sustainable reuse of resources, and strengthen waste management to ensure reuse of resources. For instance, we turn remaining</p>	Compliant

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

<p>weight of waste in the last two years, and draw up policies on greenhouse gas reduction, water reduction, or waste management?</p>		<p>5001 energy management system certification and implemented scope 1 and scope 2 greenhouse gas inventories and third-party certification in accordance with ISO 14064-1.</p> <p>The Company's paper production plants in Taiwan conduct greenhouse gas inventories in accordance with laws each year and report results to the competent authority at regular intervals in accordance with laws. The data from the past two years are as follows:</p> <table border="1" data-bbox="783 573 1725 1328"> <thead> <tr> <th>Item</th> <th>Category</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Reduction of GHG emissions (Unit: ton-CO2e)</td> <td>Scope 1</td> <td>67,459</td> <td>60,062</td> </tr> <tr> <td>Scope 2</td> <td>48,187</td> <td>47,721</td> </tr> <tr> <td>Total</td> <td>115,646</td> <td>107,784</td> </tr> <tr> <td>GHG emissions intensity (Unit: ton-CO2e/ton-product)</td> <td>Total</td> <td>1.22</td> <td>1.18</td> </tr> <tr> <td rowspan="4">Water consumption (unit: cubic meters)</td> <td>Groundwater</td> <td>1,409,685</td> <td>1,365,998</td> </tr> <tr> <td>Tap water</td> <td>725</td> <td>710</td> </tr> <tr> <td>Recycled water</td> <td>670,175</td> <td>883,204</td> </tr> <tr> <td>Total water consumption</td> <td>1,410,410</td> <td>1,366,708</td> </tr> <tr> <td rowspan="3">Residual material from the production process of solids (unit: ton)</td> <td>General materials</td> <td>380</td> <td>899</td> </tr> <tr> <td>Materials that require recycling or reuse</td> <td>3,102</td> <td>2,688</td> </tr> <tr> <td>Total</td> <td>3,482</td> <td>3,587</td> </tr> </tbody> </table> <p>*The latest annual information is based on estimates of different plants due to the different timing of third-party verification of emissions in each plant. If the emissions are updated after</p>	Item	Category	2021	2022	Reduction of GHG emissions (Unit: ton-CO2e)	Scope 1	67,459	60,062	Scope 2	48,187	47,721	Total	115,646	107,784	GHG emissions intensity (Unit: ton-CO2e/ton-product)	Total	1.22	1.18	Water consumption (unit: cubic meters)	Groundwater	1,409,685	1,365,998	Tap water	725	710	Recycled water	670,175	883,204	Total water consumption	1,410,410	1,366,708	Residual material from the production process of solids (unit: ton)	General materials	380	899	Materials that require recycling or reuse	3,102	2,688	Total	3,482	3,587	
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		<p>the verification, it will be updated next year.</p> <p>(1) Greenhouse gas (GHG) emission:</p> <p>Inventory: In response to climate change and global greenhouse gas management trends, and to fully grasp relevant issues associated with the Company's business risks and opportunities, the Company continues to pay attention to international trends on the disclosure of carbon emissions as well as domestic regulations and requirements. At the same time, we request all corresponding units to complete GHG inventories voluntarily and register their results on the national greenhouse gas tracking platform.</p> <p>Reduction policy: The Company actively promotes energy conservation plans and participates in the demand response load management measures of Taiwan Power Company to actively reduce electricity consumption. We use the ISO 50001 Energy Management System and the YFY Excellence System (YES) to continue to explore opportunities for energy conservation including shifting to LED lights and high-efficiency motors, implementing process improvements, and allocating budget to replace old pumps and low-efficiency motors. We also introduce advanced imported high-performance pumps and new milling equipment to reduce electricity and fuel consumption in production. In 2015, the Company set a five-year energy conservation target for reducing energy consumption by 1% each year with the aim of attaining energy conservation and carbon emissions reduction.</p> <p>(2) Water consumption:</p> <p>Management policy: Each plant conducts water resource management based on the ISO 14001 environmental management system, assesses the risk of production and process constraints due to water outages and shortages, and uses the World Resources Institute tool to assess water consumption stress at each plant. Through daily management and monitoring, the optimal control of water consumption can be achieved, and water leakage and expenditure waste</p>	
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		<p>caused by aging water pipes or other reasons can be effectively controlled. At the same time, by adding recycled water sterilization equipment and increasing the concentration of biological pools in the sewage treatment plant, the utilization rate of recycled water has been increased to achieve the goal of reducing water consumption. The discharge water of paper production in Taiwan plants meets or exceeds the discharge water standards of the regulation</p> <p>Indicator: The company sets the annual water consumption reduction target and paper production in Taiwan plants sets the unit drainage reduction per ton of paper to less than 10 tons of water. At the same time, we are committed to maximizing the number of times of water use, minimizing the number of tons of water used, and the recycling rate of process water.</p> <p>(3) Waste: We implements the principle of circular economy, continuously strengthens the technology of waste recycling and reuse, and strives to reduce the amount at the source to reduce the impact on the environment. In 2022, the Taiwan plants achieved zero hazardous waste output.</p>	
<p>IV. Social issues</p> <p>(I) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place?</p>	V	<p>The Company supports the principles of the United Nations Global Compact and the targets enshrined in the United Nations Universal Declaration of Human Rights and the Conventions of the International Labor Organization. We respect human rights and comply with all related regulations of the countries of operations. Article 12 of the Company's "Sustainability and Social Responsibility Guidelines" also states that the Company and subsidiaries shall comply with relevant laws and regulations on human rights and establishes management policies that meet human rights standards by referencing internationally recognized covenants on labor rights. The specific methods of implementation are as follows:</p> <ol style="list-style-type: none"> 1. Comply with relevant laws and regulations and provide a healthy and safe 	Compliant

		<p>work environment</p> <ol style="list-style-type: none"> 2. Ban on child labor and forced labor 3. Diversity and inclusion to prevent illegal discrimination 4. The personnel recruitment policy attaches great importance to multiple values, and does not give unequal treatment to applicants based on factors such as race, religion, skin color, nationality, disability, age, gender, or sexual orientation, and eliminates illegal discrimination (human structure statistics can refer to the employees employed in the operating profile material). 5. Guarantee the labor rights of vulnerable or marginalized groups such as indigenous peoples, women, migrant workers, indentured persons and persons with disabilities. 6. Promote gender equality policy: specify the prevention and control measures for sexual harassment in the workplace and the complaint measures for sexual harassment prevention and control, and strengthen the education and training of employees; encourage the reinstatement of employees who have stayed in childcare, and the successful reinstatement rate will be 100% in 2022. 7. Ethical management, integrity, and anti-corruption. 8. Create smooth communication channel and provide complaint mechanisms. 		
(II)	Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?	V	<p>The Company provides a comprehensive remuneration system, welfare measures, and performance management system while meeting requirements in the external business environment and building a fair and reasonable internal system. We uphold the ideal of sharing profits with employees by attracting, retaining, developing, and encouraging talents.</p> <ul style="list-style-type: none"> ● Provide competitive salary <ol style="list-style-type: none"> 1. The Company participates in compensation surveys in the industry or on the market and determine the salaries of employees based on their 	Compliant

		<p>academic records, work experience, skills, and position.</p> <ol style="list-style-type: none"> 2. Salary is not determined by gender or age. 3. When employees are promoted, their salaries are adjusted immediately to prepare, incentivize, and retain outstanding talents. <ul style="list-style-type: none"> ● Bonus and compensation <ol style="list-style-type: none"> 1. Year-end bonus and performance bonuses: The Company has established regulations on the year-end bonus to include at least one month's salary. The Company also established related standards for the issuance of additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company. 2. Employee stock subscription: We provide employees with employee stock options to share profits with employees. 3. Employee's remuneration: The Company's Articles of Incorporation specifies that if the Company sustains profit every year, 1% or more of the income shall be set aside as remunerations to employees, and 2% or less shall be distributed as director remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any. <ul style="list-style-type: none"> ● Comprehensive welfare system <ol style="list-style-type: none"> 1. The Company provides employees with a diverse range of benefits including economic benefits, facilities, education, and entertainment to take care of employees' needs in all stages. 2. We set up the Employee Welfare Committee and clubs to organize a diverse range of cultural and healthy activities and plan high-quality benefits for employees such as employee travel subsidies, national holiday benefits, birthday gift, transportation and gift packs for pregnant employees, marriage subsidies, and on-the-job training incentives. We also 	
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			provide benefits such as maternity subsidies for employees and pre-school books for children.	
(III)	Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V	The Company has dedicated occupational safety and health management personnel responsible for the development of occupational safety and health management plans for hazard identification, risk assessment, and risk management of operation areas and personnel operations as well as other safety and health management measures. The head office and plants also established the Occupational Safety and Health Committee which convenes regular meetings to approve, report, and review occupational safety and health promotion plans. Employees can participate in operation consultation and communication for occupational safety and health through labor representatives to ensure that the occupational safety and health policies meet the needs of employees and protect the safety and health of all employees. All plants have passed ISO 45001 certification and all employees take at least three hours of safety and health training every three years. We continue to improve safety and health facilities and actively create a safe, healthy, comfortable, and friendly work environment to achieve our goal of "zero accidents".	Compliant
(IV)	Does the Company offer its employees effective occupational empowerment training programs?	V	The Company established employee learning and development plans in accordance with the corporate development strategies and objectives each year. We plan comprehensive competency training for all supervisors and employees including orientation training, professional training, and management training to help employees continue to learn and grow through a diverse range of learning methods. We also develop core competencies and values to create a learning-based corporate culture, create a training blueprint for competencies, implement successor plans, and provide digital learning programs. We use systematic education and training procedures to improve employees' professional skills and knowledge, identify talents with high potential, and create a talent pool. In 2022, the total training hours totaled	Compliant

		32,721 hours with an average of 25 hours per employee. During the annual performance interview, supervisors and employees discuss and formulate the Individual Development Plan (IDP) to help employees create their own development plans through regular reviews and feedback.	
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures?	V	<p>All specifications on the labels of the Company's products meet national regulations and international standards (e.g., FSC™ certification, HACCP Food Safety Control System, and ISO 22000 Food Safety Management System) so that customers fully understand product information and can choose safe and high-quality products.</p> <p>The Company also set up a consumer service hotline and established the "Operating Procedures for Customer Complaints and Consultation Services" to provide real-time consultation services and comprehensive complaint procedures to ensure that consumer interests are protected and continue to provide customers with better products and experience.</p> <p>The Company also strictly complies with the relevant provisions of the Personal Data Protection Act regarding the collection, processing, and use of consumers' personal data. We have established a "Personal Data Protection Management Organization" to protect the privacy of consumers' personal information with rigorous organization, management systems, and control mechanisms. (Please refer to the Company's Sustainability Report for related achievements)</p>	Compliant
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V	<ul style="list-style-type: none"> ● The Company engages in business operations and implements corporate social responsibility based on the values of integrity, trust, and innovation. We seek to establish a long-term stable supply chain and established clear supplier management regulations that specify requirements for suppliers for environmental protection, occupational health and safety, or labor rights, and inspections of their implementation status. ● To manage the quality, technology, delivery, and service of the material suppliers required for production and ensure that they meet the Company's needs to facilitate smooth production and control, new 	Compliant

		<p>suppliers are required to undergo supplier selection in accordance with the Enforcement Rules for Supplier Management Regulations. We conduct supplier evaluation, and only suppliers recognized as qualified suppliers can proceed to procurement and partnership.</p> <ul style="list-style-type: none"> ● The services, products, or manufacturing processes provided by suppliers and contractors in the process of their negotiations and transactions with the Company must comply with the environmental and labor laws of the country in which they are registered or located. These regulations include but are not limited to the restrictions on toxic substances or banned substances, restrictions on strategic materials, or the prohibition of the use of child labor. They must also sign of the Honesty and Integrity Declaration and the procurement contract to ensure the fulfillment of their corporate social responsibility. We are committed to implementing supply chain honesty and integrity policies and requirements to ensure transparency and fairness in the transaction process and to maintain a good corporate image. We do not use inappropriate means to directly or indirectly accept or receive benefits or property. ● The Company provides R&D and manufacturing of household paper products, and our main suppliers provide materials such as pulp, film packaging materials, and cardboard boxes. To support environmental protection and green procurement strategies, we source materials from suppliers in Taiwan as well as forest-friendly pulp suppliers in Northern Europe, North America, South America, and Australia. ● Qualified suppliers are audited for "management capabilities", "production and technical capabilities", and "quality system capabilities" in the supplier evaluation process. The Company considers the technical capabilities, quality, delivery schedule, and price competitiveness of suppliers. In response to the growing global focus on environmental and social 	
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		<p>sustainability, we have implemented and requested suppliers to uphold environmental protection, safety and health, and human rights to fulfill corporate social responsibility together.</p> <ul style="list-style-type: none"> ● Supplier management activities must comply with national laws and regulations and they are processed in accordance with the standards established and recognized by R&D units. We thus regulate the consistency and stability of our suppliers' output quality and the Company's inspections for incoming materials. We also monitor and review the quality of each batch of incoming materials from the suppliers and their usage. The Company also conducts regular performance evaluation of suppliers' performance in terms of quality, cost, delivery schedule, and services. We convene quality and business review (QBR) meetings with key suppliers each quarter and the Quality Assurance Department and Procurement Department communicate with suppliers regarding quality, cost, delivery schedule, and services and implement continuous improvement activities. We also organize training programs from time to time. ● In terms of regular supplier audits and evaluations, we seek to implement effective supplier management and we have established standards for new supplier selection. After a supplier becomes a qualified supplier, the Quality Assurance Department and Procurement Department perform annual audits or reviews of raw materials, packaging materials, and general spare parts and hardware. Audits are conducted either by document review or onsite inspections. Suppliers with significant non-compliance items in audits and evaluations are classified as Level C suppliers. If it is unable to meet the Company's requirements after continuous assistance, we may cancel the partnership to ensure that the products provided by the supplier meet the Company's requirements. 	
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<p>V. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Have the aforementioned reports obtained assurance from a third-party verification unit?</p>	<p>V</p>	<p>The Company became a listed company in 2021 and exceeded requirements in regulations by preparing and filing the Sustainability Report ahead of schedule. The Company prepared the "2021 YFY Consumer Products Co., Ltd. Sustainability Report" in accordance with the Global Reporting Initiative (GRI) Standards. It will receive Type 1 moderate-level assurance from a third party certification institution in accordance with AA1000 Assurance Standard v3 and will be published on the Company's website.</p>	<p>Compliant</p>
<p>VI. If the Company has established its own sustainable development best-practice principles by following the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and any discrepancies with regard to the Best Practice Principles: The Company's Board of Directors has approved and implemented the YFY Consumer Products Co., Ltd. Sustainability and Social Responsibility Guidelines in 2020.</p>			
<p>VII. Other key information useful for explaining status of the Company's sustainable development practices:</p> <p>(I) Awards, recognitions, and community engagement</p> <p>1. Environmental protection achievements:</p> <p>(1) Chung Shui mill received the Fourth National Enterprise Environmental Protection Award from the Environmental Protection Administration, Executive Yuan</p> <p>(2) Chung Shui mill received commendations for green procurement practices from Taichung City Government in 2021 (3rd consecutive year)</p> <p>(3) Yang Mei mill received commendations for green procurement practices from Taoyuan City Government (4th consecutive year)</p> <p>(4) Yang Mei mill received the Silver Award (One-Star Award) for Outstanding Enterprise in the Recycle Category for Resource Recycling in 2022 from the Environmental Protection Administration</p> <p>(5) The head office received the environmental protection label and promotion of green consumption in 20 consecutive years with commendations from the Environmental Protection Administration</p> <p>(6) Chung Shui mill and Yang Mei mill received the 2021 Private Enterprise and Organization Green Procurement Award from the Environmental Protection Administration</p> <p>In addition to the above affirmations, the head office participated in KGI Silver Green Deposit to jointly promote low-carbon transformation, promote environmental sustainable development, and fulfill corporate social responsibilities.</p>			

2. Social engagement achievements:
 - (1) Chung Shui mill, Yang Mei mill, and Ever Growing actively participated in the "winter donations" organized by local village chiefs and police precincts. We provided sponsorship for those in need in the society at the end of the year and donated household paper products of our brands and cleaning products to local disadvantaged families in hopes of providing them with cleanliness and comfort through high-quality products.
 - (2) In 2022, the head office, Yang Mei mill, Chung Shui mill, Ever Growing, Yang Zhou mill, and Kun Shan mill donated more than 2,000 cartons of household paper products and various cleaning products to support social welfare organizations for the disadvantaged and local disadvantaged families.
 - (3) YFYCPG began sponsoring the "Taiwan Champion Trees" team in 2021 in their search for the tallest tree in Taiwan. We also started to promote youth science and civic and environmental education. We also organized the "Natural Science Camp" in 2022 to help the Net Generation get in touch with nature and learn about the attitude and methods for energy conservation and carbon reduction and protecting the Earth in their daily life.
3. Corporate governance achievements:
 - (1) The head office received "Best Companies to Work for in Asia 2022" from HR Asia (2nd consecutive year)
 - (2) The head office, Yang Mei mill, and Chung Shui mill received the "2022 CHR Healthy Corporate Citizen" commitment label from Common Health Magazine
 - (3) Chung Shui mill and Yang Mei mill received the "Sports Enterprise Certification" from the Sports Administration of the Ministry of Education
 - (4) Chung Shui mill received the Happy Creativity Award in the Happy Workplace Awards from Taichung City Government
 - (5) The head office, Yang Mei mill, and Chung Shui mill received the "Health Promotion Label" certification from the Health Promotion Administration of the Ministry of Health and Welfare
 - (6) The head office, Yang Mei mill, and Chung Shui mill received the "AED Safe Workplace" certification from the Ministry of Health and Welfare and the Department of Health of local governments
- (II) Environmental protection and circular economy
 1. Yang Mei mill and Chung Shui mill used solid recovered fuel (SRF) boiler and mixed incineration of sludge to reduce coal consumption by 11,327 tons.
 2. Production sites in Taiwan and Mainland China reduced energy consumption by 5,862 thousand kWh in 2022, which was a 2.5-fold increase compared to the previous year.
- (III) Public welfare

1. The Company organized blood donation drives and invited nearby residents and family members of employees to participate. We also provided free toilet paper for blood donors.
 2. To build good relationships with local communities, we helped Haifeng Village organize seminars and blood pressure measurements, and provided free toilet paper.
 3. Cooperate with the Environmental Protection Agency of the Executive Yuan to promote the corporate road adoption policy, and fulfill corporate social responsibilities. Chung Shui mill and Yang Mei mill assist in the cleaning of surrounding roads.
- (IV) Industry-academia cooperation: The Company worked with the master program of the Department of Forestry, National Chung Hsing University in setting up an industry-academia cooperation project.
- (V) Occupational safety and health
1. The Company regularly organizes on-the-job safety and health training, fire escape drills, and regular CPR and AED first aid training.
 2. Organize occupational safety week activities, enhance safety awareness through activities, and optimize or strengthen safety and health matters through interactive information sharing.
 3. We implement preventive measures based on the development of the COVID-19 epidemic and conducted seasonal flu vaccination and prevention campaigns.
 4. We organized health promotion activities:
 - (1) Healthy exercise: Blood donation drives, flash mob hiking activities, weight loss contests, muscle growth and fat burning exercise courses, fitness activities, healthy walk challenge, and badminton club activities.
 - (2) Mental relaxation: stress relief Zen-tangle, archery courses and EAP for psychological assistance.
 - (3) Healthy diet: Plants provide healthy diet menus and provide a sous vide healthy meal every week.
 - (4) Healthcare: Special health examinations, cancer screenings, blood drives, healthy skin seminars, quit smoking seminars and activities, office stress relief and body stretch class, shoulder, neck and back pain release, and neck and shoulder muscle relief seminar

The company regards environmental sustainability as an important consideration in operation and investment, and regards energy conservation as a necessary item in new equipment investment; it also carries out transformation of existing energy equipment to improve process efficiency, and simultaneously considers compliance with various emission standards.

In 2022, the amount of environmental sustainability-related management expenditures was about NTD 61 million, mainly for investment in energy conservation, green energy, and environmental protection and sustainable equipment.

Item	Energy conservation	Green energy	Environmental protection and sustainable equipment
Investment Amount (Unite: NTD 1,000)	22,111	17,907	21,192
Investment Percentage	36.1%	29.3%	34.6%

Data scope: Main paper factories in Taiwan

For more details on investment status and specific benefits, please refer to the Sustainability Report.

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

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

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

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
unethical conduct, or engage CPAs to perform the audits?			application for listing on the TWSE.	
(V) Does the Company periodically provide internal and external training on ethical corporate management?	V		To ensure the smooth operations of the Company and help all employees actively implement corporate social responsibility and moral ethics, the Company requires all employees to sign the "Professional Ethics and Integrity Statement" and issue employee handbooks to provide one-on-one explanation and ensure that all employees understand the Company's Code of Conduct. In 2022, 122 new employees attended training program to propagate Code of Operation Integrity and formal grievance procedure and total man-hours amounted to 40.26 hours. We organized 2 rounds of value experience camp in 2022 and used the courses to help employees understand the importance of integrity, trust, and innovation. 49 people participated and total man-hours amounted to 147 hours. The Company has planned to provide related ethical management courses in digital format and use the LMS learning and management system to provide all employees with online learning in 2022. We organize training for Directors, Corporate Governance Officer, managerial officers, and employees in specific positions to provide more comprehensive training courses. We continue to implement specific measures and prevent unethical conduct (including anti-corruption). 799 people participated in online and in-person courses and total man-hours amounted to 806 hours.	Compliant
III. Implementation of the Company's whistleblowing system				
(I) Does the Company have in place a substantial whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on?	V		The Company's <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i> established a whistleblowing and reward system as well as open and diversified reporting channels with the Human Resources Department as the responsible department.	Compliant
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be	V		The Company has prescribed the standard operating procedures for investigating report, follow-up measures to be taken after the completion of investigations, and related confidentiality	Compliant

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

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

<https://www.yfycpg.com>

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

1. Please refer to (III) Corporate governance practice and compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
2. Continuing education and training for key managers who participate in corporate governance:
Corporate governance training for key managers in 2022

Course	Organizer	Date	Hours	Participating Members
The Last Piece of the Sustainability Puzzle – Opportunities and Tools for Impact on Investing.	Human Resources Department	2022/5/12	3	24 individuals including Felix Ho, David Lo, Ronald Lee, Sherry Hsieh, Mei-Li Su, Chih-Chien Lin, Edward Hung, Daphne Chen, Sky Liu, Shien Xie and main managers of each unit.
How enterprises can effectively maintain brand value from recent cases of famous trademarks?	Human Resources Department	2022/8/11	3	29 individuals including Felix Ho, David Lo, Ronald Lee, Sherry Hsieh, Mei-Li Su, Chih-Chien Lin, Edward Hung, Daphne Chen, Sky Liu, Shien Xie and main managers of each unit.
The net-zero path and development direction of carbon capture (CCUS) and hydrogen energy.	Yuen Foong Yu Investment Holding	2022/12/6	3	5 individuals including Felix Ho, Shien Xie, Chih-Chien Lin, Hands Ben, and Edward Hung.
Sustainable energy practice of gasification power generation from agricultural and forestry residue combined with microgrid system.	Yuen Foong Yu Investment Holding	2022/12/12	3	5 individuals including Felix Ho, Shien Xie, Ming-Fa Tang, Hands Ben, and Edward Hung.

Supplementary explanation: The Company's Corporate Governance Officer is the manager Edward Hung. In addition to participation in 12 hours of training programs organized by the Company, he also attended two corporate governance courses organized by external training institutions totaling 6 hours including Discussion on Mergers and Acquisitions (M&A) Integration Issues in the Process of Enterprise M&A and Conference of Prevention from Insider Trading in 2022 hold by the Securities & Futures Institute (SFI).

(IX) Status of implementation of internal control system:

1. Statement on the Internal Control System

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

Date: March 14, 2023

In 2022, the Company conducted a self-assessment on its internal control system, and based on its outcomes, hereby declares as follows:

- I. The Company is clearly aware that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and the executives. YFYCPG has established this system accordingly. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, and information transparency of reports and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. In addition, due to changes in market environment and conditions, the effectiveness of the internal control system may change along with them. Nonetheless, YFYCPG's internal control system has a built-in self-supervision mechanism and once a flaw is detected, the Company is able to make immediate corrections.
- III. In compliance with the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (the "Regulations"), YFYCPG has adopted a checklist of items for the internal control system in judging the effectiveness of system design and implementation. The checklist items covered in the Regulations are based upon five elements according to the management control process: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element comprises several items as detailed in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the aforementioned evaluation results, the Company holds that it has reasonably assured the achievement of the aforementioned with the internal control system as of December 31, 2022 (including the monitoring over the subsidiaries), including understanding the effectiveness and efficiency in operation, reliability and transparency in timely reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
- VI. This Statement shall become a main part of the annual report and prospectus and be disclosed to the public. If there are any deceptive or concealed statements herein, the Company shall be liable for violations of Articles 20, 32, 171 and 174 of the Securities Exchange Act.
- VII. This Statement was approved by the Board of Directors on Tuesday, March 14, 2023; all 7 directors present concurred unanimously.

Yuen Foong Yu Consumer Products Co., Ltd.



Chairman: Felix Ho



General Manager: Ronald Lee



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

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

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

1. Important resolutions of the 2022 shareholders' meeting (June 15, 2022) (summary)

- (1) Ratification of the Company's 2021 individual financial report and consolidated financial report.
- (2) Ratification of the Company's 2021 earnings distribution proposal.
- (3) Approved the amendment of Company's "Asset Acquisition and Disposal Procedure".
- (4) Approved the amendment of the Company's "Procedures for Transactions with Related Parties".
- (5) By-election of one director.
- (6) Removal of the non-compete clause for new directors.

Implementation of resolutions of the 2022 shareholders' meeting:

- (1) The Board of Directors followed Article 230 of the Company Act and prepared and submitted the financial statements to the shareholders' meeting for ratification. Once acknowledged by the shareholders' meeting, the Board of Directors distributed the financial statements and earnings distribution proposals to the shareholders through announcements.
- (2) In 2021, the Company's cash dividends of ordinary stock were NT\$3 per share; the ex-dividend date was July 10, 2022, and the distribution date for dividends was August 2, 2022.
- (3) Upon receiving approval from the shareholders' meeting for the amendment of the Procedures for the Acquisition or Disposal of Assets, relevant departments implemented the amendments accordingly and all subsequent derivative transactions were conducted in accordance with the Procedure.
- (4) Upon receiving approval from the shareholders' meeting for the amendment of the Procedures for Transactions with Related Parties, relevant departments implemented the amendments accordingly and all subsequent derivative transactions were conducted in accordance with the Procedure.
- (5) Following the resolution of the shareholders' meeting, the Company completed the registration of the change for the representative of the corporate shareholder YFY Development Corp. Shien Xie to serve as the Company's Director.
- (6) Following the resolution of the shareholders' meeting, the Company removed the non-compete clause for YFY Development Corp. and its representative Shien Xie.

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

2. Important resolutions of the 9th meeting of the 15th Board of Directors (March 10, 2022) (summary)

- (1) Approved the Company's 2021 financial statements and submitted them to the shareholders' meeting for ratification.
- (2) Approved the Company's 2021 earnings distribution proposal and submitted it to the shareholders' meeting for ratification.

The Company's 2021 after-tax earnings were reported at NT\$1,062,266,011; accumulated surplus in terms of undistributed earnings from the previous year was reported at NT\$160,579,392; remeasurement of defined benefit plans was reported at NT\$1,848,000. The total of NT\$1,220,997,403 was available for distribution. Excluding NT\$106,041.801 which must be allocated as legal reserve and NT\$37,892,920 as special earnings reserve as required by law, the distribution of ordinary stock cash dividend was NT\$3 per share, amounting to NT\$801,387,063. The remaining NT\$275,675,619 was reserved for distribution in the following year.

- (3) Approved the Company's 2021 employee and director remuneration proposals and submitted them to the shareholders' meeting.
In 2021, the Company set aside NT\$12,770,522 as remuneration for employees and NT\$13,500,000 as remuneration for directors.
 - (4) Approved the ratification of the Company's 2021 year-end bonus proposal for managerial officers
 - (5) Approved the proposal for the by-election of one director during the 2022 general shareholders' meeting and the proposal was filed to the shareholders' meeting.
 - (6) Approved the time, location, agenda, and other relevant matters regarding the 2022 shareholders' meeting.
 - (7) Approved the Company's 2021 Statement of Internal Control System.
 - (8) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
 - (9) Approved the replacement of the Company's former CPAs with CPAs Shu-Chuan Yeh and Hsiu-Ming Hsu.
 - (10) Approved the amendment of the Company's "Asset Acquisition and Disposal Procedure" and submitted it to the shareholders' meeting for approval.
 - (11) Approved the amendment of the Company's "Procedure for Transactions with Related Parties" and submitted it to the shareholders' meeting for approval.
3. Important resolutions of the 10th meeting of the 15th Board of Directors (April 28, 2022) (summary)
 - (1) Approved the nomination for the by-election of one director of the 15th Board of Directors during the 2022 general shareholders' meeting.
 - (2) Approved the removal of the non-compete clause for the Company's new directors and the institutional entities they represented, and submitted it to the shareholders' meeting for approval.
 4. Important resolutions of the 11th meeting of the 15th Board of Directors (May 12, 2022) (summary)
 - (1) Approved the Company's 2022 Q1 financial statements.
 - (2) Approved the Company's interbank lending credit line application.
 - (3) Approved the amendment of the Company's "Management Regulations for Preventing Insider Trading".
 - (4) Approved the removal of the non-compete clause for the Company's director Ronald Lee, and submitted it to the shareholders' meeting for approval.
 5. Important resolutions of the 12th meeting (extraordinary) of the 15th Board of Directors (June 27,

2022) (summary)

- (1) Approved the Company's installation of paper machines and processing production lines.
6. Important resolutions of the 13th meeting of the 15th Board of Directors (August 11, 2022) (summary)
- (1) Approved the Company's 2022 Q2 financial statements.
 - (2) Approved the Company's interbank lending credit line application.
7. Important resolutions of the 14th meeting of the 15th Board of Directors (November 10, 2022) (summary)
- (1) Approved the Company's 2022 Q3 financial statements.
 - (2) Approved the Company's 2023 budget and 2023 Business Plan.
 - (3) Approved the Company's 2023 annual audit plan.
 - (4) Approved the Company's interbank lending credit line application.
 - (5) Approved the amendment of the Rules of Procedure for the Board of Directors' Meetings and reported it to the shareholders' meeting.
 - (6) Approved Establishment of the Company's "Procedures for Handling Material Inside Information" and amendment of the "Management Regulations for Preventing Insider Trading".
8. Important resolutions of the 15th meeting of the 15th Board of Directors (March 14, 2023) (summary)
- (1) Approved the Company's 2022 financial statements and submitted them to the shareholders' meeting for ratification.
 - (2) Approved the Company's 2022 earnings distribution proposal and submitted it to the shareholders' meeting for ratification.

The Company's 2022 after-tax earnings were reported at NT\$681,919,660; accumulated surplus in terms of undistributed earnings from the previous year was reported at NT\$275,675,619; remeasurement of defined benefit plans (after tax) was reported at NT\$6,333,600; and reversal of special reserve was reported at NT\$139,073,211. The total of NT\$1,103,002,090 was available for distribution. Excluding NT\$68,825,326 which must be allocated as legal reserve as required by law, the distribution of ordinary stock cash dividend was NT\$2.3 per share, amounting to NT\$614,396,748. The remaining NT\$419,780,016 was reserved for distribution in the following year.
 - (3) Approved the Company's 2022 employee and director remuneration proposals and submitted them to the shareholders' meeting.

In 2022, the Company set aside NT\$8,804,502 as remuneration for employees and NT\$8,627,356 as remuneration for directors.
 - (4) Approved the ratification of the Company's 2022 year-end bonus proposal for managerial officers
 - (5) Approved the proposal for the election of seven directors (4 directors and 3 independent directors) for the 16th Board of Directors during the 2023 general shareholders' meeting and the proposal was filed to the shareholders' meeting.

- (6) Approved the proposal to the shareholders' meeting to remove the non-competition restriction for the new Directors and the institutional entities they represent and submitted it to the shareholders' meeting for approval.
 - (7) Approved the time, location, agenda, and other relevant matters regarding the 2023 shareholders' meeting.
 - (8) Approved the Company's 2022 Statement of Internal Control System.
 - (9) Approved the proposal for remuneration for the Company's CPAs for the 2023 fiscal year.
 - (10) Approved the policy of advance approval for non-assurance services provided by the CPA firm.
 - (11) Approved the Company's interbank lending credit line application.
 - (12) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
 - (13) Approved the establishment of the "Sustainability Report Preparation and Certification Procedures".
9. Important resolutions of the 9th meeting of the 1st Audit Committee (March 10, 2022) (summary)
- (1) Approved the Company's 2021 financial statements and submitted them to the Board of Directors for approval.
 - (2) Approved the Company's 2021 earnings distribution proposal with NT\$3 cash dividend of per share, and submitted it to the Board of Directors for approval.
 - (3) Approved the Company's 2021 Statement on the Internal Control System, and submitted it to the board meeting for approval.
 - (4) Approved the replacement of the Company's former CPAs with CPAs Shu-Chuan Yeh and Hsiu-Ming Hsu, and submitted it to the board meeting for approval.
 - (5) Approved the amendment of the Company's "Asset Acquisition and Disposal Procedure" and submitted it to the Board of Directors for approval.
 - (6) Approved the amendment of the Company's "Procedure for Transactions with Related Parties" and submitted it to the Board of Directors for approval.
10. Important resolutions of the 10th meeting of the 1st Audit Committee (May 12, 2022) (summary)
- (1) Approved the Company's 2022 Q1 financial statements and submitted it to the board meeting for approval.
 - (2) Approved the amendment of the Company's "Management Regulations for Preventing Insider Trading" and submitted it to the board meeting for approval.
11. Important resolutions of the 11th meeting (extraordinary) of the 1st Audit Committee (June 27, 2022) (summary)
- (1) Approved the Company's installation of paper machines and processing production lines and submitted it to the board meeting for approval.
12. Important resolutions of the 12th meeting of the 1st Audit Committee (August 11, 2022) (summary)
- (1) Approved the Company's 2022 Q2 financial statements and submitted it to the board meeting for approval.

13. Important resolutions of the 13th meeting of the 1st Audit Committee (November 10, 2022) (summary)
- (1) Approved the Company's 2022 Q3 financial statements and submitted it to the board meeting for approval.
 - (2) Approved the Company's 2023 annual audit plan and submitted it to the Board of Directors for approval.
 - (3) Approved the amendment of the Board of Directors Meeting Procedures, and submitted it to the board meeting for approval.
 - (4) Approved Establishment of the Company's "Procedures for Handling Material Inside Information" and amendment of the "Management Regulations for Preventing Insider Trading" and submitted it to the board meeting for approval.

14. Important resolutions of the 14th meeting of the 1st Audit Committee (March 14, 2023) (summary)
- (1) Approved the Company's 2022 financial statements and submitted them to the Board of Directors for approval.
 - (2) Approved the Company's 2022 earnings distribution proposal with NT\$3 cash dividend of per share, and submitted it to the Board of Directors for approval.
 - (3) Approved the Company's 2022 Statement on the Internal Control System, and submitted it to the board meeting for approval.
 - (4) Approved the proposal for remuneration for the Company's CPAs for the 2023 fiscal year and submitted it to the board meeting for approval.
 - (5) Approved the policy of advance approval for non-assurance services provided by the CPA firm and submitted it to the board meeting for approval.
 - (6) Approved the establishment of the "Sustainability Report Preparation and Certification Procedures" and submitted it to the Board of Directors.

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

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

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

V. Information on Fees to CPA

Unit: NT\$ 1,000

Name of accounting firm	Name of CPAs	Audit period	Audit fee	Non-audit fee	Total	Notes
Deloitte and Touche Taiwan	Shu-Chuan Yeh	2022/01/01~2022/12/31	4,570	525	5,097	
	Hsiu-Ming Hsu					

VI. Information on Change/Replacement of CPA

(I) Regarding previous CPA:

Date of change	Starting from 2022 Q1		
Reasons for change and remark	Because of the firm's internal rotation and arrangement, CPA Shu Wan Lin was replaced by CPA Shu-Chuan Yeh.		
Termination initiated by client or accountant declined to accept the appointment	Parties Involved	CPA	Client
	Scenario		
	Termination initiated by client	N/A	N/A
	CPA declined to accept (continue) the appointment	N/A	N/A
Audit opinions other than unqualified opinions issued in the past two years and reasons	N/A		
Opinions different from those of issuer	Yes		Accounting principles or practice
			Disclosure of financial reports
			Scope or stages of auditing
			Others
	No	V	
Description			
Other disclosures (Disclosures specified in Item 1.4-1.7, Subparagraph 6, Article 10 of the Standards)	N/A		

(II) Regarding succeeding CPA:

Name of firm	Deloitte and Touche Taiwan
Name of CPAs:	Shu-Chuan Yeh, CPA
Date of appointment	Starting from 2022 Q1

Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

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

N/A.

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

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

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

Unit: shares

Title	Name	2022		2023 as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	YFY Inc.	-	-	-	-
	Representative: Felix Ho	-	-	-	-
Director	YFY Inc.	-	-	-	-
	Representative: Wei-Li Tsai (Note 1)	-	-	-	-
Director	YFY Inc.	-	-	-	-
	Representative: David Lo (Note 1)	-	-	-	-
Director and General Manager	Thomas Hsu (Note 2)	-	-	-	-
Director and General Manager	YFY Inc.	-	-	-	-
	Representative: Ronald Lee (Note 3)	(265,000)	-	(20,000)	-
Director and	YFY Development Corp.(Note 4)	-	-	-	-

Title	Name	2022		2023 as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
District General Manager	Representative: Shien Xie (Note 4)	-	-	-	-
Independent Director	Chih-Chien Lin	-	-	-	-
Independent Director	Sherry Hsieh	-	-	-	-
Independent Director	Mei-Li Su	-	-	-	-
CFO	Daphne Chen	(20,000)	-	(7,000)	-
Deputy General Manager	Carl Chang	-	-	-	-
Deputy General Manager	Ming-Fa Tang	-	-	-	-
Deputy General Manager	Jason Hsieh (Note 5)	-	-	-	-
Deputy General Manager	Myra Kuo (Note 6)	-	-	-	-
Head of Governance Affairs	Edward Hung	-	-	-	-

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

Note 2: Resigned on March 10, 2022.

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

Note 4: Appointed as mainland China district general manager on January 1, 2022. And on June 15, 2022, the general meeting of shareholders passed the by-election of directors to serve as a new director representing YFY Development Corp.

Note 5: Retired on December 31, 2022.

Note 6: Resigned on April 15, 2022.

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

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

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

April 30, 2023; Unit: shares; %

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN NAMES OF THIRD PARTIES		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		NOTES
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relation	
YFY Inc.	158,004,565	59.15	-	-	-	-	YFY Paradigm Investment Co., Ltd.	Parent company and subsidiary	-
							YFY Development Corp.	Parent company and subsidiary	-
Representative of YFY Inc.: Jean Liu	-	-	-	-	-	-	-	-	-
YFY Paradigm Investment Co., Ltd.	17,386,815	6.51	-	-	-	-	YFY Inc.	Parent company and subsidiary	-
							YFY Development Corp.	Sister companies	-
YFY Paradigm Investment Co., Ltd. Representative: David Lo	-	-	-	-	-	-	-	-	-
CTBC Venture Capital Co., Ltd.	12,000,000	4.49	-	-	-	-	-	-	-
CTBC Venture Capital Co., Ltd. Representative: Chih-Kang Wang	-	-	-	-	-	-	-	-	-
YFY Development Corp.	5,136,400	1.92	-	-	-	-	YFY Inc.	Parent company and subsidiary	-
							YFY Paradigm Investment Co., Ltd.	Sister companies	-
YFY Development Corp. Representative: David Lo	-	-	-	-	-	-	-	-	-
Supreme Target International Corp.	2,916,000	1.09	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee	2,593,800	0.97	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee Representative: Chris Lo	14,000	0.01	-	-	-	-	-	-	-
Mei-Yu Ho	1,899,596	0.71	-	-	-	-	-	-	-
Chi Lin Investment Co., Ltd.	1,820,376	0.68	-	-	-	-	-	-	-
Chi Lin Investment Co., Ltd. Representative: Hsu-Ming Lu	-	-	-	-	-	-	-	-	-

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHARES HELD IN NAMES OF THIRD PARTIES		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		NOTES
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Title (or name)	Relation	
Jucheng Investment & Management Co., Ltd.	1,625,663	0.61	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd. Representative: Cheng-Hsiung Lien	-	-	-	-	-	-	-	-	-
Xiang Ding Investment Co., LTD.	1,447,000	0.55	-	-	-	-	-	-	-
Xiang Ding Investment Co., LTD. Representative: Hong-Bin Lin	-	-	-	-	-	-	-	-	-

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

December 31, 2022 Unit: thousand shares; %

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



Chapter 4. Fundraising

- | | | |
|-----|--|----|
| I. | IThe Company’s Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, Restricted Shares and Mergers (including Mergers, Acquisitions, and Demergers) | 90 |
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Fundraising

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

(I) Source of share capital

Unit: thousand shares; NT\$1,000

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

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

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

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

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

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

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

Unit: Share

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

(II) Shareholder structure

April 30, 2023; Unit: Person; share; %

Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	-	3	90	15,531	41	15,665
Number of shares	-	87,000	211,476,602	50,597,649	4,967,770	267,129,021
Shareholding ratio	-	0.03	79.17	18.94	1.86	100

(III) Shareholding distribution status

April 30, 2023; Unit: Person; share; %

Shareholding range (share)	Number of shareholders	Number of shares	Shareholding ratio
1 to 999	5724	845,423	0.32
1,000 to 5,000	8,219	15,076,073	5.65
5,001 to 10,000	939	7,377,420	2.76
10,001 to 15,000	243	3,076,207	1.15
15,001 to 20,000	165	3,037,101	1.14
20,001 to 30,000	137	3,508,195	1.31
30,001 to 40,000	62	2,180,177	0.82
40,001 to 50,000	50	2,310,493	0.86
50,001 to 100,000	56	3,990,592	1.49
100,001 to 200,000	27	3,828,546	1.43
200,001 to 400,000	19	5,327,659	1.99
400,001 to 600,000	3	1,538,800	0.58
600,001 to 800,000	5	3,674,189	1.38
800,001 to 1,000,000	3	2,785,931	1.04
1,000,001 and above	13	208,572,215	78.08
Total	15,665	267,129,021	100

Preferred stock

April 30, 2023

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

(IV) List of major shareholders

April 30, 2023; Unit: share; %

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

Name	Shares	Number of shares	Shareholding ratio
CTBC Venture Capital Co., Ltd.		12,000,000	4.49
YFY Development Corp.		5,136,400	1.92
Supreme Target International Corp		2,916,000	1.09
YFYCPG Employee Stock Trust Management Committee		2,593,800	0.97
Mei-Yu Ho		1,899,596	0.71
Chi Lin Investment Co., Ltd.		1,820,376	0.68
Jucheng Investment & Management Co., Ltd.		1,625,663	0.61
Xiang Ding Investment Co., Ltd.		1,470,000	0.55

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

April 30, 2023; Unit: NT\$; thousand shares; %

Item	Year		2021	2022	Current year up to the print date of this annual report
	Market price per share	Highest		78.70	50.00
	Lowest		46.05	34.25	34.95
	Average		60.51	41.49	37.38
Net asset value per share	Before distribution		19.82	19.92	-
	After distribution		16.82	17.62 (Note 1)	-
Earnings per share	Weighted average number of shares (thousand shares)		250,690	267,129	267,129
	Earnings per share		4.24	2.55	-
Dividend per share	Cash dividends per share		3.0	2.3	-
	Stock dividends	Earnings	-	-	-
		Capital surplus	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	PE ratio (Note 2)		14.27	16.27	-
	Price dividend ratio (Note 3)		20.17	18.04	-
	Cash dividend yield (Note 4)		4.96%	5.54%	-

Note 1: The 2022 earnings distribution proposal has yet been approved by the 2023 annual general meeting of shareholders.

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

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

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

(VI) Dividend policy and implementation:

1. Dividend policy:

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

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

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

With respect to the earnings distribution for 2022, the company's board of directors resolved on March 14, 2023 to distribute NT\$614,369,748 in cash dividends, the equivalent of NT\$2.3 per share.

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

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

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

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

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

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

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

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

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

3. Remuneration proposals approved by the Board of Directors:

(1) In 2022, the remuneration distributed to employees was NT\$8,804,502 in cash. Directors' remuneration was NT\$8,627,356. There is no difference between the above amount and the estimated expenses for 2022.

(2) Amount in stock distributed as employee remuneration as a percentage with respect to the after-tax profit in current period's individual financial statement and total employee remuneration: None.

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

In 2021, the actual remuneration distributed to employees was NT\$12,770,522 in cash. Directors' and supervisors' remuneration was NT\$13,500,000. The aforementioned amount did not differ from the amount approved by the Board of Directors.

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

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

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

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

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

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

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

II. Implementation of Capital Allocation Plans

(I) Plan content: The Company has no special plans for utilization of funds.

(II) Implementation status: N/A.



Chapter 5. Business Overview

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Business overview

I. Business Scope

(I) Business scope

1. Key areas of business:

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

2. Revenue breakdown:

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

3. New products in development:

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

(II) Industry Overview

Overall Economic Environment

The overall economy remained challenging in 2022 as the Russo-Ukrainian War triggered a global energy crisis and inflation while supply chain challenges remained unabated. Major economies in the United States and Europe adopted rapid interest rate hikes and tightened monetary policies in response to the crises. As a result, currencies other than USD depreciated quickly and it devastated the exports and investments in Taiwan as well as the consumer market. Taiwan's export growth slowed and prices soared, which affected people's buying power and led to selective and conservative consumption. On the other hand, the normalization of the epidemic and the frequent occurrence of abnormal fires or floods caused by global climate change have increased consumers' concern regarding their health and safety at home and increased their aware of the importance of protecting the Earth's environment.

In 2023, the global economic outlook faces many risks of decline and uncertainties due to the persistence of global inflation, geopolitical conflicts and tension, energy crisis in Europe, and the developments following drastic changes in China's epidemic prevention policies. The epidemic has subsided in Taiwan but the recent rise in prices has been felt and the intensification of geopolitical risks in East Asia caused consumers to be more cautious, which may reduce the growth in consumption. In the face of the challenges to development such as the uneven economic recovery in

different parts of the world, unstable material and energy supply, and fluctuations in pulp prices, the management team must respond with greater caution and flexibility. We will continue to refine the production processes and harness the momentum for growth in consumer goods to continue to stabilize our main operations and achieve business development.

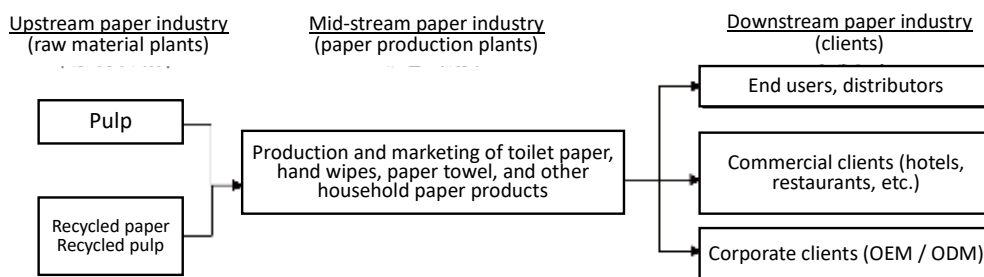
1. Current trends of the industry

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

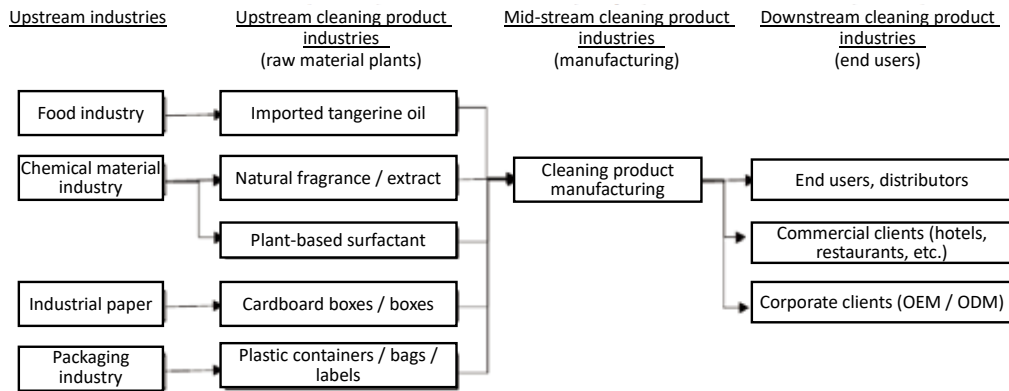
2. Relationships with upstream, mid-stream, and downstream companies

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

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



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



3. Product development and competitive landscape

A. Product development

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

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

B. Competitive landscape

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

In terms of cleaning products, we continue to launch high-quality products that put consumers' minds at ease. In response to the epidemic situation in Taiwan and the needs of many people with allergies, we upgraded laundry detergent with

anti-mite formula able to wash out virus. "Orange House" has become a leading brand for natural cleaning products in Taiwan. In addition, we promoted "Fresh Sense" with fashionable office workers as the target consumers. We also adopted a broad marketing strategy for "Delight detergent" and succeeded in positioning the brand in the mid-range cleaning products market.

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

(III) Overview of Technology and R&D

1. Technological level of businesses

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

2. Research and development

The Company owns various patents and has obtained FSC, HACCP, GMP, ISO 22000, the Green Mark and EEWH green building certifications. Currently the majority of household paper is pull-up toilet tissue. The Company launched a revolutionary product: thick pull-up tissues, which has gained a customer satisfaction of 98%. Regarding cleaning products, we continuously modified pod products with multi-national invention patents of special coating technology. The R&D team also developed a unique natural formula to wash out A/B influenza virus and coronavirus and also obtained an experimental report on effectively cleaning the virus with domestic and foreign research institutes. Our cleaning products allow consumers to deal with all sorts of stains in their lives and the R&D team actively develops multi-functional detergents and condensed laundry detergents to help busy modern

people finish the cleaning tasks more efficiently. Our laundry detergents not only have effective cleaning power but also passed the US PCR hypoallergenic test and were certificated USDA Biobased Product to provide low stimulation and environmentally friendly experience in order to maintain the sustainable development of the ecological environment. At the same time, in 2023, we are the first cleaning products company to cooperate with the Industrial Technology Research Institute to conduct an inventory of the environmental footprint of LCA products, and also award the demonstration manufacturer by the Industrial Bureau of the Ministry of Economic Affairs. In addition, in order to ease the environmental burden caused by plastic packaging and containers that do not degrade easily in earth and to meet the trends of environmental protection and recycling resources, the Company has currently succeeded in developing toilet paper packaging made of corn starch and environment-friendly materials. The corn starch packaging can automatically degrade in earth after use, which can significantly reduce the burden on Earth caused by plastic pollutants.

3. R&D investments during the recent year

Up to the print date of this annual report, direct R&D expenditure in 2023 was approximately NT\$ 10,686 thousand.

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

1. Short-term business development plans

- (1) Expand the growth of cleaning products, and continuously develop high-end products with the commitment of nature, green and health.
- (2) Strengthen the differentiation of paper products, expand the growth of the high-end market, and develop long-term consumer groups.
- (3) Develop diversified cross-category to provide consumer safe and healthy products with the idea of caring for family and bringing experience of a better life.
- (4) Deepen the growth of core products of EC channels, and combine new microbusiness and general EC to develop multi sales type of Online Merge Offline (OMO) channel.
- (5) Effectively operate YFYCPG membership program to ensure personalized and efficient communication and maintain the brand loyalty.
- (6) Actively carry out the product life cycle combined with the carbon footprint concept from green packaging materials, SRF usage and green energy usage.
- (7) Strengthen the automation of converting lines, AOI and other systems, and improve production efficiency and quality.

2. Mid-term and long-term business development plans

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

II. Market outlook

(I) Market analysis

1. Market conditions:

Based on statistics by the Taiwan Paper Industry Association, the total production of household paper in Taiwan in 2022 was 283 thousand tons, decreasing by 5.3% compared to 2021. The import was 125 thousand tons, increasing by 11.8%. In terms of sales volume, the domestic consumption was 388 thousand tons, increasing by 0.8% compared to 2021; Exports were 20 thousand tons, decreasing by 30%.

2. Business overview:

In 2022, the Company was 143 thousand tons, increased by 3.4% compared to 2021. In 2022, the household product domestic sales were 83 thousand tons which was a 3.0% decrease from 2021. It was mainly caused by changes in consumer habits as a result of the epidemic in Taiwan and sales increase in high-end products favored by consumer preferences. However, exports were 81 thousand tons, declining by 11% from the previous year. The main reason was the impact of increase in cost of raw material and the extreme lockdown policy of the epidemic in the mainland China resulting in weak demand and conservative consumption.

Competition in the household paper product market in Taiwan is intense. The management team has positioned the Company as a leading brand and followed successfully to seize market share of high end tissue market by Mayflower Thick pull-up tissue, and we launched patented and innovative Mayflower Extreme Premium pull-up toilet tissue by 2-ply hand feeling outperforming 3-ply one. Consumer's need of fluffy and soft but not easy to break when wiping is satisfied. We continue to increase market share in high end market. In terms of cleaning products, we continue to launch high-quality products that make consumers safe and healthy. We launched Orange House anti-virus laundry detergent to upgrade the function of

moving out mites. Not only did it achieve high consumer satisfaction during the epidemic, but it also expanded to meet the consumer needs with allergies and achieved excellent sales performance. The management team upholds the commitment to consumers: to provide better life experiences, to develop more products that meet the consumer needs with innovative technologies, and to continue to expand market share.

3. Market share:

According to the data of EOL iSurvey (from January to December, 2022), the Company's domestic market share in toilet tissues and kitchen towel (including brand and OEM sales volumes) was 35% with double digital growth in high quality innovation products. Orange House was the representative brand which satisfied the needs of consumers who pursue high quality with its natural and non-toxic ingredients. In the future, the Company will continue to launch high-quality and innovative products to become one of the leading brands in consumer goods in Taiwan.

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

A. Paper products:

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

B. Cleaning products:

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

5. Competitive niche and countermeasures:

Looking ahead to the market in 2023, the company is continuously committed to develop sustainably and implement ESG policy. We pay attention to our positive brand image and corporate vision in order to help cultivate talents, breed diverse innovation momentum, and provide consumers safe, healthy, and beautiful life. The team continues to innovate and upgrade products, successfully achieve breakthroughs in channel operations, optimize the production and sales structure,

improve various investment benefits, reduce supply chain cost, expand sales in domestic and foreign markets, and improve adaptability to changes and elevate business performance. From the post-epidemic economy, stay-at-home economy and green economy, we will continue to expand new business opportunities and achieve record sales and profitability.

(II) Application and production of key products

1. Household paper

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

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

2. Cleaning products

A. Liquids

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

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

B. Solids

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

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

(III) Supply status of primary raw materials

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

1. Household products

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

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

2. Cleaning products

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

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

1. Major suppliers in last two years:

Unit: NT\$1,000; %

Item	2021				2022			
	Name	Amount	% of net annual purchase	Relationship with issuer	Name	Amount	% of net annual purchase	Relationship with issuer
1	Company A	863,387	14.67	-	Company A	1,139,398	17.95	-
2	Chung Hwa Pulp Corp.	700,357	11.90	Fellow subsidiary	Chung Hwa Pulp Corp.	753,927	11.88	Fellow subsidiary
3	Guangdong Ding Fung Pulp & Paper Co., Ltd.	615,145	10.45	Fellow subsidiary	Company B	527,278	8.31	Fellow subsidiary

2. Major sales clients in last two years:

Unit: NT\$1,000; %

Item	2021				2022			
	Name	Amount	Percentage of net total annual sales	Relationship with issuer	Name	Amount	Percentage of net total annual sales	Relationship with issuer
1	Company E	2,198,981	22.23	-	Company E	2,619,714	25.87	-

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

Unit: ton; NT\$1,000

Output volume Key product(s)	Year	2021		2022	
		Production	Value	Production	Value
Paper products		138,723	6,851,092	143,425	7,609,013
Cleaning products		6,285	289,303	5,853	259,944
Total		-	7,140,395	-	7,868,957

(VI) Sales in last two years

Unit: ton; NT\$1,000

Sales volume and value Key product(s)	Year	2021				2022			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Paper products		85,335	5,129,820	91,911	3,432,099	83,250	5,526,444	81,367	3,250,744
Cleaning products		5,967	564,141	299	30,571	5,803	562,875	375	30,971
Others		-	733,053	-	669	-	713,427	-	40,129
Total		-	6,427,014	-	3,463,339	-	6,802,746	-	3,321,843

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

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

Year		2021	2022	Current year up to the print date of this annual report
Number of employees	General personnel	747	724	722
	Technical personnel	571	569	566
	Total	1,318	1,293	1,288
Average age (year old)		38.0	40.8	40.5
Average years of service		7.3	8.6	8.6
Gender ratio	Male	67.7%	69.1%	69.3%
	Female	32.3%	30.9%	30.7%
Academic qualification	Master's degree or higher	7.0%	6.4%	6.4%
	University/College	52.7%	52.1%	52.0%
	Senior high school and below	40.4%	41.5%	41.6%

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

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

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

IV. Environmental protection expenditure information

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

Contents of violation	Contents of penalties	Penalty date	Penalty number	Response measures
<p>Article: Article 18 of the Water Pollution Control Act and Article 108 of the Water Pollution Control Measures and Test Reporting Management Regulations</p> <p>Content: Enterprises shall adopt water pollution control measures; the central competent authority in consultation with the relevant industry competent authorities shall determine management regulations for the applicable targets, scope, conditions, necessary facilities, specifications, installation, operation, monitoring, recordkeeping, time limit in years for the preservation of monitoring data, preventive management, emergency response, the collection, treatment and discharge of wastewater and sewage, and other binding matters for water pollution control measures.</p>	NT\$10,000	2022/01/21	30-111-010020	The Company has completed improvements, enhanced self-inspection measures, and updated the confirmation procedures with the equipment supplier.
<p>Article: Article 7, Paragraph 1 of the Water Pollution Control Act</p> <p>Content: Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.</p>	NT\$195,000	2022/06/13	30-111-060010	Improvements were completed and improvement reports have been approved by the competent authority.

<p>Article: Article 31, Paragraph 1, Subparagraph 1 of the Waste Disposal Act</p> <p>Content: Enterprises of a certain scale that are designated and officially announced by the central competent authority shall submit an industrial waste disposal plan to the special municipality, county or city competent authority, or the organization commissioned by the central competent authority for review and approval before beginning operations. This regulation shall also apply to the modification of matters related to the production and disposal of industrial waste.</p>	NT\$6,000	2022/05/05	40-111-050014	Improvements were completed and improvement reports have been approved by the competent authority.
<p>Article: Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act</p> <p>Content: In accordance with the format, items, content and frequency stipulated by the central competent authority, report to the special municipality, county or city competent authority via the Internet the circumstances regarding the production, storage, clearance, disposal, reuse, export, import, transit and transshipment of the waste at issue. However, those circumstances in which the central competent authority allows the submission of written reports shall not be subject to this restriction.</p>	NT\$6,000	2022/05/05	40-111-050015	Improvements have been made in accordance with the requirements of the environmental protection department.
<p>Article: Article 36, Paragraph 1 of the Waste Disposal Act</p> <p>Content: Storage, clearing, or disposal methods and facilities shall be established for industrial waste according to the regulations of the central competent authority.</p>	NT\$6,000	2022/07/04	40-111-070003	Improvements have been made in accordance with the requirements of the environmental protection department.
<p>Article: Article 9, Paragraph 2 of the Toxic and Concerned Chemical Substances Control Act</p> <p>Content: The handler shall complete the reporting of the records concerning the handling of toxic chemical substances before the tenth day of each month.</p>	NT\$60,000	2022/03/22	34-111-030006	Improvements have been made in accordance with the requirements of the environmental protection department.

<p>Article: Article 7, Paragraph 1 of the Water Pollution Control Act</p> <p>Content: Those enterprises, sewage systems or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.</p>	<p>NT\$180,000</p>	<p>202/08/25</p>	<p>30-111-080035</p>	<p>Improvements have been made in accordance with the requirements of the environmental protection department.</p>
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Key environmental protection work for the future:

1. Increase inspections to ensure the accuracy of equipment data.
2. Set up a dedicated SRF warehouse and strengthen the cleanliness and greening of the environment.
3. Strengthen equipment maintenance and management, personnel training, inspection and maintenance tasks to ensure the normal operations of all environmental protection equipment.

(II) Environmental sustainability

1. Greenhouse gas emissions in the past two years

Inventory shows that the Company emitted 108,233 tons-CO₂e in 2022. Emission data for the year are provided below:

Year	2021			2022		
	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions
Total	73,944	49,336	123,280	60,075	48,158	108,233

The data covers factories in Taiwan including YM, CS, and Ever Growing Agri.

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

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

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

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

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

Yang Zhou plant:

- The plant implemented energy conservation and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption, or other solid production residue policies in accordance with the following regulations:
 1. Directory of National Hazardous Wastes
 2. Interim Measures of Jiangsu Province on the Administration of Hazardous Wastes
 3. Measures for the Administration of Hazardous Waste Transfer Forms
 4. Implementation of the residual material control program for the production process of solids
 5. Implementation of the Measures of Jiangsu Province on Administration of Energy Conservation
 6. Implementation of the Measures of Jiangsu Province on Administration of Water Resources
- Passed ISO 14001, ISO 45001, CNS 9001, and FSC certification, and assigned dedicated personnel to maintain the environmental management systems to ensure their proper operation.

Kun Shan plant:

- Replaced all lighting equipment in the mill with LED lighting equipment and reduced annual electricity consumption.

The effectiveness of each energy measure is as below:

Energy conservation item	2022
Energy conservation effectiveness (thousand kWh)	5,862
GHG reduction effect (t-CO ₂ e)	32,629

GHG emission reduction associated with reduction in energy consumption was estimated at 2,986 ton-CO₂e.

Taipower carbon emission coefficient used in 2021: 0.509 kgCO₂/kwhr

3. Acquisition of environmental management certification by the Company

The Company's main production units are equipped with ISO 14001-certified environmental management systems. The systems are regularly verified by external verification units such as DNV. Internal and external auditing are conducted regularly to maintain system validity and continue to improve the effectiveness of environmental protection. Valid system certificates are kept in each production unit. In addition to ISO 14001 environmental management systems, product and material environmental protection certifications are also obtained in an effort to work with our upstream suppliers and downstream consumers to protect the environment. These certifications include the Forest Stewardship Council- Chain of Custody (FSC-CoC) and ISO 50001.

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

V. Employer-employee relationship

(I) Present status of employer-employee relationship

1. Employee benefits measures

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

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

ii. Retirement program

YFY enacted the "Labor Retirement Regulations" and established the

Supervisory Committee of Workers' Pension Reserve Funds to take care of employees' life after retirement. We allocate reserve funds for the old pension system to a special account in the Bank of Taiwan based on actuary calculation results each year to protect labor rights.

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

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

- **Criteria for voluntary retirement:**

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

- **Criteria for compulsory retirement:**

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

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

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

- **Calculation of the years of service and pension:**

- (1) Employees' years of service shall be calculated starting from the date of employment and the years of service before and after the implementation

of the Labor Standards Act and the years of service after the implementation of the Labor Pension Act shall be combined for calculation. The duration shall be based on the years of actual continuous service in this Company.

- (2) The years of service of employees assigned to affiliated enterprises to provide services or transferred from affiliated enterprises to the Company to provide services shall be combined for calculation.
- (3) Where an employee is employed by the Company and an affiliated enterprise and applies for retirement in accordance with regulations, the total pension payment amount shall be calculated based on the ratio of the number of months served in each company and paid by the companies.

- **Status of YFY's appropriation of labor pension reserve in 2021**

- (1) Year-round appropriation: NT\$10,948 thousand.
- (2) Balance of assets at the end of the year: NT\$101,083 thousand.

3. Labor-management communications

YFY regularly convenes employer-employee meetings and employee communication meetings to communicate and coordinate with employees, and subsequently adjusts measures according to the consensus of both parties.

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

(III) Employee learning and development

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

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

- (1) Orientation training: The aim is to assist new employees to adapt to the corporate culture and work environment rapidly and understand various businesses and the operations of the relevant departments.
- (2) New supervisor training: The aim is to enhance the new supervisors' team leading and strategic thinking abilities to improve the effectiveness of

organizational management.

- (3) Talent cultivation training: In order to cultivate talents within the Company, training courses were planned based on the reserve management cultivation plan, the High Potential Talent Program (HIPO) and the Succession Plan to improve organizational strength and develop competitive edges in talents.
- (4) Core competency training: This is the Company's seven core competency training, including precise implementation, problem solving, communication and coordination, team work, strategic thinking, leadership and innovation. Every employee shall receive the core competency training courses and be familiarized with the important spirits and behavioral indicators of the core competencies. In addition, the training contents shall be designed based on the key conducts corresponding to general employees, mid- and base-level supervisors and high-level supervisors.
- (5) General training: This is the common course aimed at developing employees' knowledge and skills related to work management in independent operations to improve performance.
- (6) Professional training: This is the professional course aimed at enhancing work-related skills of departmental professionals.

The focus of education and training outcomes in 2022 is as below:

Course type	No. of classes	Total number of people	Total hours	Total costs (thousand NT\$)
Professional competency	511	6,244	16,050	1,571
Management and general knowledge	266	9,145	11,421	735
New employee training	121	901	5,250	37

(IV) Employee code of conduct or ethics

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

YFY subsequently promulgated the *YFY Employee Code of Conduct* in May 2016. Employees' behavior must comply this Code of Conduct when performing daily tasks and operations: Employees must take the initiative to avoid improper benefits,

perform their duties properly, and effectively utilize Company resources and public properties during work. The *Employee Code of Conduct* prescribes reporting channels and investigation procedures. Regular education and training programs are provided to raise employees' awareness towards ethical conduct.

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

(V) Employee safety and health

Employees are the Company's important assets. Therefore, the Company has the responsibility and the obligation to protect the health and safety of every member of this big family. YFY plants have obtained ISO 45001:2018 occupational health and safety management systems certification. Every year, an impartial third-party institution is commissioned to conduct audit to ensure the continuously effective operation of the safety and health management systems. The implementation is adjusted and realized every month response to legal requirements and on-site conditions. We establish a friendly workplace with "safety, zero accidents, and sustainable circulation".

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

1. Responsibilities of different levels of dedicated units: The Company has established a dedicated unit and personnel to ensure implantation status of occupational safety and health in each mill, adjust existing management system then optimize safety and health management systems, and give advice, supervise, and audit safety and health measures. The occupational safety teams are directly responsible for the promotion, execution, and on-site management of occupational safety related works.
2. Promotion of safety culture through total participation: Through safety education and labor safety systems, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.
3. Standardization of risk prevention in operation: Through danger identification, risk assessment and determination operation environment, we understand the physical or chemical hazards in the mill, reduce operational risk by standardization, and make standard operation procedures and work safety analysis.

4. Complete communication and continuous improvement: The monthly inter-factory safety meeting discusses safety issues and invites safety seeds from all units of mills to participate in the meeting for discussion and message delivery. The head office and each mill set up occupational safety and health committees to conduct regular quarterly meetings on occupational safety and health promotion plans to review, implement reports and reviews. Employees participate in occupational safety and health business consultation and communication through labor representatives, so that the implementation of occupational safety and health policies is close to employees' needs.
5. Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. Health promotion programs for employees are developed according to health checkup results.
6. Health care and service: Employ labor health service nurses to actively care about the health status of employees and provide appropriate assistance, and the labor health service nurses regularly track the health status of employees. Organize various health promotion activities to promote the determination of employee safety and health and the vision of establishing a corporate safety culture.
7. Employee safety training of total participation: Employees and contractors must receive safety training upon entering the Company and during reassignments. Departments hold ad hoc work safety training and JSA evaluation to increase collective safety awareness. Implement behavioral observation activities to identify hidden dangers and establish a safety culture for all employees.
8. Accident reporting and investigation: The Company create accident reporting group. Any work accident at any of the mills must be reported to the dedicated and relative officer immediately. The occupational safety and health unit will conduct investigations with relevant units and propose corrective measures; at the same time, the safety preparation situation of related operations will be checked in parallel to improve, and the cases of occupational accidents will be publicized to avoid recurrence.
9. Communication and reviews of work safety: Inter-factory safety exchanges are held every month, and the safety seeds of each unit participate in the meeting to communicate and share safety and health matters in parallel. Occupational safety and health meetings are held every quarter and employee representatives are invited to be on the safety and health committee to participate in the discussion of safety and health operations. Communication channels and participation on safety and health matters are increased for employees in all departments via the employee representatives and safety and health policies are realized as well. The goal is to achieve zero work accident for all employees.
10. Training and drill of disaster prevention and rescue: All mills of the company are equipped with the automated external defibrillator (AED), and 70% or more of the employees have received the CPG+AED training and obtained certification.

First aid training has been listed a mandatory training course for all employees. Emergency response drills regularly were conducted according to the needs of each mill including fire self-defense formation drills, hazardous material disaster drills, public dangerous goods disaster relief drills and earthquake safety promotion.

11. COVID-19 epidemic prevention management: The Company uses online or printed questionnaires to monitor the health conditions, correlation with the contact tracing of confirmed cases, and vaccination status of all employees and external personnel. We have used health codes of different colors and advanced deployment of rapid screening tests and access control to ensure adequate control over safety in the workplace. We also use epidemic prevention light signal information, emails, and discussions during meetings to implement the corresponding management measures in every workplace and successfully prevented disruptions of operations due to the epidemic. The company promoted vaccination by lottery activities to encourage all employees of the company to get vaccinated. Diagnosed colleagues will also receive regular health care from nurses and have company-specific epidemic prevention kits.

VI Information security management

(I) Information security risk management framework

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

Each year, the Auditing and Compliance Office conducts an information security review of the organization based on the cyclic internal control system for computers to evaluate the effectiveness of internal controls for information operations.

(II) Information security policy

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

1. Implementation of the information security management system.
2. Effectively manage information assets, perform continuous risk assessments, and take appropriate protective measures.
3. Protect the information and information system from unauthorized

access and maintain the confidentiality of the information and information system.

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

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

1. **Quantitative objectives:**

Item	Location	Percentage/Frequency	Notes
Availability of the information system	All	99.9%/year	Disruption hours/total operation hours \leq 0.1%
Rate of completion of reporting, response, and recovery within the required time after the information security incident is known	All	100%	
Click rate of emails in social engineering exercises	All	Less than 4%	
Attachment opening rate of emails in social engineering exercises	All	Less than 2%	

Planning and operating social engineering exercises	All	1 time	
Organization of information security and social engineering training	All	1 time	
Information security incident involving tampered data on the worldwide web	All	≤ 2 times/year	
Unauthorized access in account access privilege management	All	≤ 1 time/year	
Penetration test and vulnerability scanning	All	1 time/3 years	
Information security audit	All	1 time	
System recovery exercise	All	1 time	Oracle, Production barcode system, Hyper-V

2. Qualitative objectives:

- (1) The Company adjusts the contents of information security updates in response to changes in laws and technologies to prevent unauthorized access, use, control, leakage, damage, tampering, destruction, or other infringement of information systems and information, and to ensure their confidentiality, integrity, and availability.
- (2) Meet the requirements of information and communication security on each level and reduce the threat of information and communication security risks.
- (3) Strengthen the selection, supervision, and management of outsourced service providers, rigorously review outsourcing contracts, and construct secure service channels to ensure information and communication security in the supply chain.
- (4) Enhance employees' information security awareness and effective detection and prevention of external attacks.

(III) Specific Management Plans

Network Information Security Control

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

Data Access Control

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

Change Recovery Mechanism

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

Communication and Verification

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

(IV) Resources used for information security management

We dedicated resources including a security framework for comprehensive governance and technical requirements as well as enhanced information security defense equipment and training to continuously improve information security management:

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

(V) Losses due to major information security incidents

The Company did not have significant information security incidents resulting in

business losses.

VII. Material contracts

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



Chapter 6. Financial Overview

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Financial Overview

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

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

1. Condensed consolidated balance sheet

Unit: NT\$1,000

Item	Year	Financial data of the past five years(Note)				
		2018	2019	2020	2021	2022
Current assets		4,190,690	3,373,870	3,787,354	4,347,000	4,833,399
Property, plant and equipment		4,385,605	4,024,234	3,298,154	3,114,280	3,040,224
Intangible assets		-	-	-	-	-
Right-of-use asset		-	389,841	306,207	318,635	326,666
Other assets		359,335	218,644	149,832	163,752	72,783
Total assets		8,935,630	8,006,589	7,541,547	7,943,667	8,273,072
Current liabilities	Before distribution	5,061,012	2,996,767	2,239,749	2,243,830	2,432,040
	After distribution	5,061,012	3,408,887	3,219,373	3,045,217	(Note)
Non-current liabilities		1,296,780	2,046,751	1,220,178	357,250	472,601
Total liabilities	Before distribution	6,357,792	5,043,518	3,459,927	2,601,080	2,904,641
	After distribution	6,357,792	5,455,638	4,439,551	3,402,467	(Note)
Equity attributable to owners of parent		2,514,260	2,888,149	4,033,908	5,294,100	5,320,040
Share capital		2,272,994	2,416,360	2,449,060	2,671,290	2,671,290
Capital surplus		151,622	151,622	219,055	1,214,116	1,214,116
Retained earnings (cumulative losses)	Before distribution	173,146	488,368	1,569,656	1,650,450	1,537,317
	After distribution	29,780	76,248	590,032	849,063	(Note)
Other equity		(83,502)	(168,201)	(203,863)	(241,756)	(102,683)
Treasury stock		-	-	-	-	-
Non-controlling interest		63,578	74,922	47,712	48,487	48,391
Total equity	Before distribution	2,577,838	2,963,071	4,081,620	5,342,587	5,368,431
	After distribution	2,577,838	2,550,951	3,101,996	4,541,200	(Note)

Data source: CPA-audited financial statements

Note: The 2022 earnings distribution proposal has yet to be approved by the shareholders' meeting.

2. Condensed consolidated statement of comprehensive income

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

Item	Year	Financial data of the past five years				
		2018	2019	2020	2021	2022
Operating revenue		11,729,027	10,548,751	10,147,738	9,890,353	10,124,589
Gross profit		1,816,158	2,360,637	3,236,116	2,680,493	2,211,326
Operating profit		295,862	778,478	1,545,970	1,237,265	896,192
Non-operating income and expenditure		(58,216)	(112,271)	205,153	50,007	16,218
Pre-tax profit (loss)		237,646	666,207	1,751,123	1,287,272	912,410
Net income (loss) from continuing operations		179,900	481,153	1,500,693	1,070,697	689,507
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for the current period		179,900	481,153	1,500,693	1,070,697	689,507
Other comprehensive income for the current period (after-tax profit)		(45,080)	(90,752)	(29,603)	(39,741)	145,407
Total comprehensive income for the current period		134,820	390,401	1,471,090	1,030,956	834,914
Net income attributable to owners of the parent		160,339	464,682	1,487,228	1,062,266	681,920
Net income attributable to non-controlling interest		19,561	16,471	13,465	8,431	7,587
Total comprehensive income attributable to owner of the parent		115,241	373,889	1,457,746	1,022,525	827,327
Total comprehensive income attributable to non-controlling interest		19,579	16,512	13,344	8,431	7,587
Earnings per share		0.66	1.92	6.12	4.24	2.55

Data source: CPA-audited financial statements

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

1. Condensed individual balance sheet

Unit: NT\$1,000

Item	Year	Financial data of the past five years				
		2018	2019	2020	2021	2022
Current assets		2,556,320	2,161,872	1,478,151	1,723,776	1,894,685
Equity method-accounted investments		2,745,756	2,707,628	3,324,844	3,536,730	3,568,968
Property, plant and equipment		1,917,552	1,885,506	1,793,435	1,774,196	1,862,522
Intangible assets		-	-	-	-	-
Right-of-use asset		-	227,102	180,236	177,418	198,507
Other assets		58,734	55,187	36,823	61,956	52,493
Total assets		7,278,362	7,037,295	6,813,489	7,274,076	7,577,175
Current liabilities	Before distribution	3,481,242	2,154,405	1,592,598	1,673,677	1,822,068
	After distribution	3,481,242	2,566,525	2,572,222	2,475,064	(Note)
Non-current liabilities		1,282,860	1,994,741	1,186,983	306,299	435,067
Total liabilities	Before distribution	4,764,102	4,149,146	2,779,581	1,979,976	2,257,135
	After distribution	4,764,102	4,561,266	3,759,205	2,781,363	(Note)
Equity attributable to owners of parent		2,514,260	2,888,149	4,033,908	5,294,100	5,320,040
Share capital		2,272,994	2,416,360	2,449,060	2,671,290	2,671,290
Capital surplus		151,622	151,622	219,055	1,214,116	1,214,116
Retained earnings (cumulative losses)	Before distribution	173,146	488,368	1,569,656	1,650,450	1,537,317
	After distribution	29,780	76,248	590,032	849,063	(Note)
Other equity		(83,502)	(168,201)	(203,863)	(241,756)	(102,683)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,514,260	2,888,149	4,033,908	5,294,100	5,320,040
	After distribution	2,514,260	2,476,029	3,054,284	4,492,713	(Note)

Data source: CPA-audited financial statements

Note: The 2022 earnings distribution proposal has yet to be approved by the shareholders' meeting.

2. Condensed individual statement of comprehensive income

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

Item	Year	Financial data of the past five years (Note)				
		2018	2019	2020	2021	2022
Operating revenue		5,781,118	5,708,029	5,900,941	6,155,049	6,513,546
Gross profit		1,133,317	1,468,743	2,077,923	1,881,424	1,785,154
Operating profit		250,917	523,472	1,073,316	925,231	863,394
Non-operating income and expenditure		(44,349)	47,674	626,892	325,551	(5,248)
Pre-tax profit (loss)		206,568	571,146	1,700,208	1,250,782	858,146
Net income (loss) from continuing operations		160,339	464,682	1,487,228	1,062,266	681,920
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for the current period		160,339	464,682	1,487,228	1,062,266	681,920
Other comprehensive income for the current period (after-tax profit)		(45,098)	(90,793)	(29,482)	(39,741)	145,407
Total comprehensive income for the current period		115,241	373,889	1,457,746	1,022,525	827,327
Earnings per share		0.66	1.92	6.12	4.24	2.55

Note: CPA-audited financial statements

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

1. Names of auditing CPAs

Since 2018 till 2019, CPAs were Shu Wan Lin and Benjamin Shih of Deloitte and Touche Taiwan.

Since 2020 till 2021, CPAs were Shu Wan Lin and Hsiu-Ming Hsu of Deloitte and Touche Taiwan.

In 2022, CPAs were Hsiu-Ming Hsu and Shu-Chuan Yeh of Deloitte and Touche Taiwan.

2. CPAs audit opinions

Since 2018 till 2022, CPAs had no qualified opinion.

II. Financial analysis for the last five years

Financial analysis - consolidated

Item	Year	Financial analysis for the last five years (note 1,2)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt-to-asset ratio	71.15	62.99	45.88	32.74	35.11
	Long-term capital to property, plant and equipment	88.35	124.49	160.75	183.02	192.13
Liquidity (%)	Current ratio	82.80	112.58	169.10	193.73	198.74
	Quick ratio	47.00	70.46	116.73	138.67	137.37
	Times interest earned ratio	608.20	1,596.32	5,731.89	8,897.65	10,612.85
Operating ability	Receivables turnover (times)	8.00	7.69	8.30	7.95	7.84
	Average days receivable	45.62	47.46	43.97	45.91	46.55
	Inventory turnover (times)	6.38	5.95	6.60	6.72	6.17
	Payables turnover (times)	5.34	6.22	9.45	9.81	9.56
	Average inventory turnover (days)	57.21	61.34	55.30	54.31	59.15
	Property, plant and equipment turnover (times)	2.57	2.51	2.77	3.08	3.29
	Total assets turnover (times)	1.30	1.25	1.31	1.28	1.25
Profitability	Return on assets (%)	2.40	6.10	19.62	13.98	8.59
	Return on equity (%)	7.17	17.37	42.60	22.72	12.87
	Pre-tax profit to paid-in capital ratio (%)	10.46	27.57	71.50	48.19	34.16
	Net margin (%)	1.53	4.56	14.79	10.83	6.81
	Earnings per share (NT\$)	0.66	1.92	6.12	4.24	2.55
Cash flows	Operating cash flow ratio (%)	8.07	29.28	94.13	54.73	38.60
	Cash flow adequacy ratio (%)	(Note 2)	(Note 2)	(Note 2)	149.97	146.65
	Cash flow reinvestment ratio (%)	5.20	10.20	20.52	2.78	1.46
Leverage	Operating leverage	2.56	1.65	1.29	1.34	1.48
	Financial leverage	1.19	1.06	1.02	1.01	1.01
<p>Explanations for any financial ratio increase or decrease that reaches 20% in the last two years:</p> <p>1. Decrease in return on assets, return on equity, pre-tax profit to paid-in capital ratio, net margin, earnings per share, and cash flow reinvestment ratio: Mainly resulted from that in 2022, the increase in cost of raw material and the extreme lockdown policy of the epidemic in the mainland China resulting in decrease in profit.</p>						

Note 1: All financial statements were CPA-audited.

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

Therefore, no calculation was conducted.

(II) Financial analysis - Individual

Item	Year	Financial analysis for the last five years (note 1, 2)				
	2018	2019	2020	2021	2022	
Financial structure (%)	Debt-to-asset ratio	65.46	58.96	40.80	27.22	29.79
	Long-term capital to property, plant and equipment	198.02	258.97	291.11	315.66	309
Liquidity (%)	Current ratio	73.43	100.35	92.81	102.99	103.99
	Quick ratio	58.53	81.67	60.44	78.06	72.94
	Times interest earned ratio	659.90	1,715.83	7,580.02	11,835.62	14,842.24
Operating ability	Receivables turnover (times)	6.17	6.53	7.48	6.78	6.51
	Average days receivable	59.15	55.89	48.79	53.83	56.06
	Inventory turnover (times)	9.55	9.40	9.51	10.2	9.75
	Payables turnover (times)	6.57	7.44	7.78	7.44	7.39
	Average inventory turnover (days)	38.21	38.82	38.38	35.78	37.43
	Property, plant and equipment turnover (times)	2.96	3.00	3.21	3.45	3.58
	Total assets turnover (times)	0.79	0.80	0.85	0.87	0.88
Profitability	Return on assets (%)	2.60	6.89	21.74	15.2	9.25
	Return on equity (%)	6.53	17.20	42.97	22.78	12.85
	Pre-tax profit to paid-in capital ratio (%)	9.09	23.64	69.42	46.82	32.12
	Net margin (%)	2.77	8.14	25.20	17.26	10.47
	Earnings per share (NT\$)	0.66	1.92	6.12	4.24	2.55
Cash flows	Operating cash flow ratio (%)	6.72	41.64	73.34	53.91	44.90
	Cash flow adequacy ratio (%)	109.17	141.08	196.73	151.31	128.54
	Cash flow reinvestment ratio (%)	4.54	14.71	11.46	-1.09	0.23
Leverage	Operating leverage	1.62	1.40	1.19	1.21	1.24
	Financial leverage	1.17	1.07	1.02	1.01	1.01
<p>Explanations for any financial ratio increase or decrease that reaches 20% in the last two years:</p> <ol style="list-style-type: none"> Increase in times interest earned ratio: This resulted from decreased interest expense. Decrease in return on assets, return on equity, pre-tax profit to paid-in capital ratio, net margin, earnings per share, operating cash flow ratio, and cash flow reinvestment ratio: Mainly resulted from that in 2022, the increase in cost of raw material and the extreme lockdown policy of the epidemic in the mainland China resulting in decrease in profit 						

Note 1: All financial statements were CPA-audited.

Note 2: The calculation formulas in this table are the same with consolidated financial analysis.

The calculation formulas for the above are as follows:

1. Financial structure:

(1) Debt-to-asset ratio = Total liabilities / total assets.

(2) Ratio of long-term capital to real estate properties, factories and equipment = (Total

equity + Non-current liabilities)/net amount of real estate properties, factories and equipment.

2. Liquidity:

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

3. Operating ability:

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

4. Profitability:

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

5. Cash flows:

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

6. Leverage:

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

III. Audit Committee's Review Report

Yuen Foong Yu Consumer Products Co., Ltd

Audit Committee's Review Report

March 14, 2023

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to audit CPG's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Yuen Foong Yu Consumer Products Co., Ltd. According to relevant requirements of the Securities and Exchange Act and the Company Act, we hereby submit this report.

2023 Annual General Shareholders' Meeting

Chairman of the Audit Committee: Mei-Li Su



IV. Consolidated financial statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

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

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

Valuation of Receivables

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

For the disclosures related to receivables, refer to Notes 4, 5 and 8 to the consolidated financial statements.

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

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

Other Matter

We have also audited the parent company only financial statements of Yuen Foong Yu Consumer Products Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 Shiow-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

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

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,932,163	23	\$ 1,645,437	21
Financial assets at amortized cost - current (Notes 4 and 7)	4,771	-	103,499	1
Notes and accounts receivable (Notes 4, 5, 8 and 16)	1,301,510	16	1,269,329	16
Accounts receivable from related parties (Notes 4, 16 and 24)	6,103	-	3,332	-
Other receivables from related parties (Note 24)	-	-	2,223	-
Inventories (Notes 4 and 9)	1,313,054	16	1,099,668	14
Other current assets (Note 24)	275,798	3	223,512	3
Total current assets	4,833,399	58	4,347,000	55
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 17 and 24)	3,040,224	37	3,114,280	39
Right-of-use assets (Notes 4, 12 and 17)	326,666	4	318,635	4
Deferred tax assets (Notes 4 and 18)	17,293	-	23,013	-
Other non-current assets	55,490	1	140,739	2
Total non-current assets	3,439,673	42	3,596,667	45
TOTAL ASSETS	\$ 8,273,072	100	\$ 7,943,667	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 268,000	3	\$ 37,000	-
Short-term bills payable (Note 13)	-	-	149,990	2
Notes and accounts payable	659,405	8	492,114	6
Accounts payable to related parties (Note 24)	267,732	3	236,683	3
Other payables	898,974	11	982,708	12
Other payables to related parties (Note 24)	44,379	-	47,114	1
Current tax liabilities (Notes 4 and 18)	150,355	2	148,399	2
Lease liabilities - current (Notes 4, 12 and 24)	58,672	1	51,296	1
Other current liabilities (Note 16)	84,523	1	98,526	1
Total current liabilities	2,432,040	29	2,243,830	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 13)	198,620	3	57,900	1
Deferred tax liabilities (Notes 4 and 18)	57,133	1	57,146	1
Lease liabilities - non-current (Notes 4, 12 and 24)	190,176	2	187,322	2
Net defined benefit liabilities (Notes 4 and 14)	940	-	16,679	-
Other non-current liabilities	25,732	-	38,203	1
Total non-current liabilities	472,601	6	357,250	5
Total liabilities	2,904,641	35	2,601,080	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	2,671,290	32	2,671,290	34
Capital surplus	1,214,116	15	1,214,116	15
Retained earnings				
Legal reserve	331,631	4	225,589	3
Special reserve	241,756	3	203,863	3
Unappropriated earnings	963,930	11	1,220,998	15
Total retained earnings	1,537,317	18	1,650,450	21
Other equity	(102,683)	(1)	(241,756)	(3)
Total equity attributable to owners of the Company	5,320,040	64	5,294,100	67
NON-CONTROLLING INTERESTS	48,391	1	48,487	-
Total equity	5,368,431	65	5,342,587	67
TOTAL LIABILITIES AND EQUITY	\$ 8,273,072	100	\$ 7,943,667	100

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
NET SALES (Notes 4, 16 and 24)	\$ 10,124,589	100	\$ 9,890,353	100
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 24)	<u>(7,913,263)</u>	<u>(78)</u>	<u>(7,209,860)</u>	<u>(73)</u>
GROSS PROFIT	<u>2,211,326</u>	<u>22</u>	<u>2,680,493</u>	<u>27</u>
OPERATING EXPENSES (Notes 4, 14, 17 and 24)				
Selling and marketing	(935,336)	(9)	(1,007,676)	(10)
General and administrative	(336,816)	(3)	(388,004)	(4)
Research and development	<u>(42,982)</u>	<u>(1)</u>	<u>(47,548)</u>	<u>-</u>
Total operating expenses	<u>(1,315,134)</u>	<u>(13)</u>	<u>(1,443,228)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>896,192</u>	<u>9</u>	<u>1,237,265</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 4, 17 and 24)	(8,679)	-	(14,632)	-
Interest income (Note 4)	33,729	-	24,664	-
Other income (Note 24)	36,118	-	20,672	-
Gain on disposal of property, plant and equipment (Note 4)	729	-	2,294	-
Gain on disposal of investments (Note 21)	-	-	1,763	-
Other expenses (Note 11)	(1,028)	-	(3,605)	-
Foreign exchange (loss) gain (Notes 4 and 26)	<u>(44,651)</u>	<u>-</u>	<u>18,851</u>	<u>-</u>
Total non-operating income and expenses	<u>16,218</u>	<u>-</u>	<u>50,007</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	912,410	9	1,287,272	13
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(222,903)</u>	<u>(2)</u>	<u>(216,575)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>689,507</u>	<u>7</u>	<u>1,070,697</u>	<u>11</u>

(Continued)

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

CONSOLIDATED 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 14)	\$ 7,917	-	\$ (2,310)	-
Tax effect of items that will not be reclassified (Notes 4 and 18)	<u>(1,583)</u>	<u>-</u>	<u>462</u>	<u>-</u>
	<u>6,334</u>	<u>-</u>	<u>(1,848)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	<u>139,073</u>	<u>1</u>	<u>(37,893)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>145,407</u>	<u>1</u>	<u>(39,741)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 834,914</u>	<u>8</u>	<u>\$ 1,030,956</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 681,920	7	\$ 1,062,266	11
Non-controlling interests	<u>7,587</u>	<u>-</u>	<u>8,431</u>	<u>-</u>
	<u>\$ 689,507</u>	<u>7</u>	<u>\$ 1,070,697</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 827,327	8	\$ 1,022,525	10
Non-controlling interests	<u>7,587</u>	<u>-</u>	<u>8,431</u>	<u>-</u>
	<u>\$ 834,914</u>	<u>8</u>	<u>\$ 1,030,956</u>	<u>10</u>
EARNINGS PER SHARE (Note 19)				
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 consolidated financial statements.

(Concluded)

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

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

	Equity Attributable to Owners of the Company (Notes 4 and 15)										
	Share Capital		Capital Surplus	Retained Earnings				Other Equity	Non-controlling Interests (Notes 15)	Total Equity	
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements			Total
BALANCE AT JANUARY 1, 2021	244,906	\$ 2,449,060	\$ 219,055	\$ 76,248	\$ -	\$ 1,493,408	\$ 1,569,656	\$ (203,863)	\$ 4,033,908	\$ 47,712	\$ 4,081,620
Appropriation of 2020 earnings											
Legal reserve	-	-	-	149,341	-	(149,341)	-	-	-	-	-
Special reserve	-	-	-	-	203,863	(203,863)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(979,624)	(979,624)	-	(979,624)	-	(979,624)
Net income for the year ended December 31, 2021	-	-	-	-	-	1,062,266	1,062,266	-	1,062,266	8,431	1,070,697
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	-	-	(1,848)	(1,848)	(37,893)	(39,741)	-	(39,741)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,060,418	1,060,418	(37,893)	1,022,525	8,431	1,030,956
Issuance of ordinary shares for cash	20,717	207,170	924,154	-	-	-	-	-	1,131,324	-	1,131,324
Share-based payment transactions	1,506	15,060	70,907	-	-	-	-	-	85,967	37	86,004
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,693)	(7,693)
BALANCE AT DECEMBER 31, 2021	267,129	2,671,290	1,214,116	225,589	203,863	1,220,998	1,650,450	(241,756)	5,294,100	48,487	5,342,587
Appropriation of 2021 earnings											
Legal reserve	-	-	-	106,042	-	(106,042)	-	-	-	-	-
Special reserve	-	-	-	-	37,893	(37,893)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(801,387)	(801,387)	-	(801,387)	-	(801,387)
Net income for the year ended December 31, 2022	-	-	-	-	-	681,920	681,920	-	681,920	7,587	689,507
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	6,334	6,334	139,073	145,407	-	145,407
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	688,254	688,254	139,073	827,327	7,587	834,914
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,683)	(7,683)
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	\$ 48,391	\$ 5,368,431

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

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

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 912,410	\$ 1,287,272
Adjustments for:		
Depreciation expense	432,672	416,934
Amortization expense	458	2,433
Expected credit loss recognized (reversed)	2,185	(784)
Finance costs	8,679	14,632
Interest income	(33,729)	(24,664)
Share-based compensation expenses	-	7,692
Gain on disposal of property, plant and equipment	(729)	(2,294)
Gain on disposal of investments	-	(1,763)
Impairment loss on non-financial assets	-	1,042
(Reversal of write-downs) write-downs of inventories	(8,858)	4,008
Unrealized loss on foreign currency exchange	31	143
Gain from lease modification	-	(30)
Changes in operating assets and liabilities		
Notes and accounts receivable	(27,767)	(84,185)
Accounts receivable from related parties	(2,717)	16,333
Other receivables from related parties	2,271	(1,888)
Inventories	(195,468)	(220,006)
Other current assets	(48,503)	143,498
Notes and accounts payable	166,209	61,690
Accounts payable to related parties	29,688	(68,711)
Other payables	(77,012)	(54,260)
Other payables to related parties	(4,462)	19,760
Other current liabilities	(15,402)	34,027
Net defined benefit liabilities	(7,822)	(7,678)
Cash generated from operations	1,132,134	1,543,201
Interest received	31,753	24,676
Interest paid	(8,461)	(14,704)
Income tax paid	(216,737)	(325,211)
Net cash generated from operating activities	<u>938,689</u>	<u>1,227,962</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (acquisition) of financial assets at amortized cost	106,376	(19,741)
Net cash outflow from disposal of subsidiary (Note 21)	-	(133)
Payments for property, plant and equipment	(292,394)	(189,444)
Proceeds from disposal of property, plant and equipment	3,158	6,018
(Increase) decrease in other non-current assets	85,338	(3,333)
Net cash used in investing activities	<u>(97,522)</u>	<u>(206,633)</u>

(Continued)

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

CONSOLIDATED 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 (decrease) in short-term borrowings	\$ 231,000	\$ (40,000)
Increase (decrease) in short-term bills payable	(150,000)	150,000
Proceeds from (repayments of) long-term borrowings	140,720	(864,280)
Decrease in other payables to related parties	-	(2,330)
Repayment of the principal portion of lease liabilities	(55,796)	(49,289)
Increase (decrease) in other non-current liabilities	(12,504)	1,595
Distribution of cash dividends	(801,387)	(979,624)
Issuance of ordinary shares for cash	-	1,131,324
Employee stock options	-	78,312
Changes in non-controlling interests	<u>(7,683)</u>	<u>(7,693)</u>
Net cash used in financing activities	<u>(655,650)</u>	<u>(581,985)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>101,209</u>	<u>(25,173)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	286,726	414,171
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,645,437</u>	<u>1,231,266</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,932,163</u>	<u>\$ 1,645,437</u>

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

(Concluded)

V. Individual financial statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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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)

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



Chapter 7. Financial Position, Financial Performance and Risk Analysis

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Financial Position, Financial Performance and Risk Analysis

I. Financial comparison analysis

Unit: NT\$1,000; %

Item	Year	2021	2022	Difference	
				Increase (decrease) in amount	Change
Current assets		4,347,000	4,833,399	486,399	11.19%
Property, plant and equipment		3,114,280	3,040,224	(74,056)	-2.38%
Intangible assets		-	-	-	-
Other non-current assets		482,387	399,449	(82,938)	-17.19%
Total assets		7,943,667	8,273,072	329,405	4.15%
Current liabilities		2,243,830	2,432,040	188,210	8.39%
Non-current liabilities		357,250	472,601	115,351	32.29%
Total liabilities		2,601,080	2,904,641	303,561	11.67%
Share capital		2,671,290	2,671,290	0	0.00%
Capital surplus		1,214,116	1,214,116	0	0.00%
Retained earnings		1,650,450	1,537,317	(113,133)	-6.85%
Other equity		(241,756)	(102,683)	139,073	-57.53%
Total equity		5,342,587	5,368,431	25,844	0.48%
<p>Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)</p> <ol style="list-style-type: none"> 1. Non-current liabilities: This mainly resulted from repayment of long-term loans. 2. Other equity: This resulted from translation differences in financial statements of foreign operations. 					

II. Financial Performance Review and Analysis - Consolidated

Unit: NT\$1,000; %

Item	2021	2022	Difference	
			Increase (decrease) in amount	Change
Operating revenue	9,890,353	10,124,589	234,236	2.37%
Operating costs	7,209,860	7,913,263	703,403	9.76%
Gross profit	2,680,493	2,211,326	(469,167)	-17.50%
Operating expenses	1,443,228	1,315,134	(128,094)	-8.88%
Net operating profit	1,237,265	896,192	(341,073)	-27.57%
Non-operating income and expenditure	50,007	16,218	(33,789)	-67.57%
Pre-tax profit	1,287,272	912,410	(374,862)	-29.12%
Income tax expense	216,575	222,903	6,328	2.92%
Net profit for the current period	1,070,697	689,507	(381,190)	-35.60%
Total comprehensive income for the current period	1,030,956	834,914	(196,042)	-19.02%
<p>Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)</p> <ol style="list-style-type: none"> 1. Non-operating income and expenditure: This mainly resulted from the increase in loss of foreign currency exchange. 2. Net operating profit, Pre-tax profit and Net profit for the current period: This mainly resulted from the impact of the increase in cost of raw material and energy and the decrease of profit due to the extreme lockdown policy of the epidemic in the mainland China. 				

III. Cash flow analysis

Unit: NT\$1,000

Cash balance, beginning	Net cash flow from operating activities	Net cash flow input (output) from other activities	Cash balance, end	Liquidity contingency plan	
				Investment plan	Financial planning
1,645,437	938,689	(651,963)	1,932,163	-	-

- (I) Analysis on the cash flow changes of recent years:
- (1) Cash flow from operating activities: Mainly due to cash inflow from operational profit.
 - (2) Cash flow from other activities: Investing activities mainly consisted of the annual capital expenditure on the upgrading and maintenance of relevant equipment. Financing activities mainly consisted of distribution of cash dividend.
- (II) Improvement plans for inadequate liquidity: N/A.
- (III) Cash flow analysis for the coming year:
- (1) Cash flow from operating activities: The industry development is anticipated to be stable and the Company can maintain a steady operating cash inflow.
 - (2) Cash flow from investment activities: Mainly consisted of the annual capital expenditure on the upgrading and maintenance of relevant equipment.
 - (3) Cash flow from financial activities: Bank loans and repayments are arranged based on the cash flows from overall operating and investing activities.

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

- (I) To provide better functional new product to conform to consumer's favorite and drive future operational sales growth, we invest NTD 1 billion to upgrade facility in Chin Shui plant.
- (II) To continuously save energy consumption and decrease emission of greenhouse gas, we implement energy management system and invest energy-saving equipment to improve production process and achieve higher efficiency of energy utilization and usage rate of green energy. We contribute to net-zero carbon emission as our goal.

(III) To create safety workplace environment, increase employee effectiveness and happiness, we continuously replace old production equipment and upgrade to automatic converting system to stand firm as the leadership of Taiwan consumer industry.

Working capitals for capital expenditures are sourced from the Company's funds and bank loans. This year and last year's interest expenditures were the same and therefore did not generate a material impact on the Company's finance.

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

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

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

The main reason for the loss of the Company's investments in other businesses accounted for under the equity method in 2022 was from the impact of the increase in cost of raw material and energy and the decrease of profit due to the extreme lockdown policy of the epidemic in the mainland China.

Unit: NT\$1,000

Name of the invested enterprise	Gain/loss on investments - 2022
Yuen Foong Yu Consumer Products Investment Limited	(110,636)
Ever Growing Agriculture Bio-tech Co., Ltd.	41,030
Yuen Foong Shop Co., Ltd.	46,578
YFY Investment Co., Ltd.	(135,182)
YFY Family Care (Kunshan) Co., Ltd.	12,471
YFY Consumer Products (Yangzhou) Co., Ltd.	73,435

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

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

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

Unit: NT\$1,000; %

Item / year	2021	2022
Total operating revenues	9,890,353	10,124,589
Pre-tax profit	1,287,272	912,410
Net interest income (expense)	10,032	25,050
Ratio of interest income (expense) to operating revenue	0.10	0.25
Ratio of interest income (expense) to pre-tax profit	0.78	2.75
Net foreign exchange gains (losses)	18,851	(44,651)
Ratio of foreign exchange gains (losses) to operating revenue	0.19	(0.44)
Ratio of foreign exchange gains (losses) to pre-tax profit	1.46	(4.89)

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

The Company's ratios of net interest income (expense) to operating revenue for 2021 and 2022 were 0.1% and 0.25%. The ratios of interest income (expense) to pre-tax profit were 0.78% and 2.75% respectively. The effect on profit and loss was limited. The interest expenses were mainly interests of loans from financial institutions. In order to reduce the effect of interest rate changes on the Company, the Company not only pays close attention to global economy development and interest rate changes but also maintain good relationships with financial institutions in order to obtain better interest rates. The Company is also prepared to adopt response measures at any time. Taking into account future development and capital needs, the Company will also evaluate the costs of various capital sources and choose the appropriate financing method to respond to the needs for growth. In summary, interest rate changes shall not have significant influences on the Company's profit and loss.

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

The Company's ratios of foreign exchange gains (losses) to operating revenue for 2021 and 2022 were 0.19% and (0.44)%. The ratio of foreign exchange gains (losses) to pre-tax profit were 1.46% and (4.89)% respectively. The effect on profit and loss was limited. The Company continues to observe the trends in exchange rate changes and adjusts the foreign exchange position in spot markets and uses natural hedges to cancel out the exchange risks in receivables and payables to reduce the impact of exchange rate fluctuations. In summary, exchange rate changes shall not have significant influences on the Company's profit and loss.

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

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

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

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

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

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

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

Engaging in Financial Derivative Transactions" to govern relevant matters.

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

(1) Future R&D Plans

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

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

(2) R&D expenditure to be invested

The Company plans to invest approximately NT\$46,556 thousand for R&D in 2023. In the future, R&D expenditure to be invested shall be budgeted based on the progress of the development of new products and technologies. With the ever-changing consumer needs, the Company will gradually increase the R&D expenditure to support future R&D plans and to accelerate the R&D and launching of new products. In addition to the procurement and R&D of relevant software and hardware, the Company will also continue to recruit R&D talents with abundant experience and creativity to enhance the R&D capacity and, in turn, the Company's competitive edge.

(IV) Major changes in government policies and laws at home and broad, impact on

the Company's finance and business, and response measures:

The Company conducts operation in compliance with government policies and laws at home and abroad, pays close attention to the trends and changes in government policies and laws at home and abroad to fully understand changes in the market environment, and actively brings forth response measures. Up to the print date, the Company has not been significantly impacted in finances or business due to government policies and laws at home and abroad.

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

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

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

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

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

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

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

(1) Sales

The Company's main clients are hypermarket chains, supermarket chains and e-Commerce platforms. In the last two years, the sales percentage to the biggest client has not exceeded 26%; therefore, there were no concentrated sales.

(2) Procurement

In the last two years, the Company's procurement from the biggest supplier has not exceeded 20%. The procurement sources were relatively spread out and there was no risk of concentrated procurement. In addition, the Company maintains good and stable collaborative relationship with all suppliers to ensure the stable supply of main raw materials.

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

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

(XI) Impact of control transfer, associated risks and response measures: N/A.

(XII) Litigation or non-litigation events: N/A.

(XIII) Other significant risks and response measures: N/A.

VII. Other material disclosures: N/A.



Chapter 8. Special Disclosures

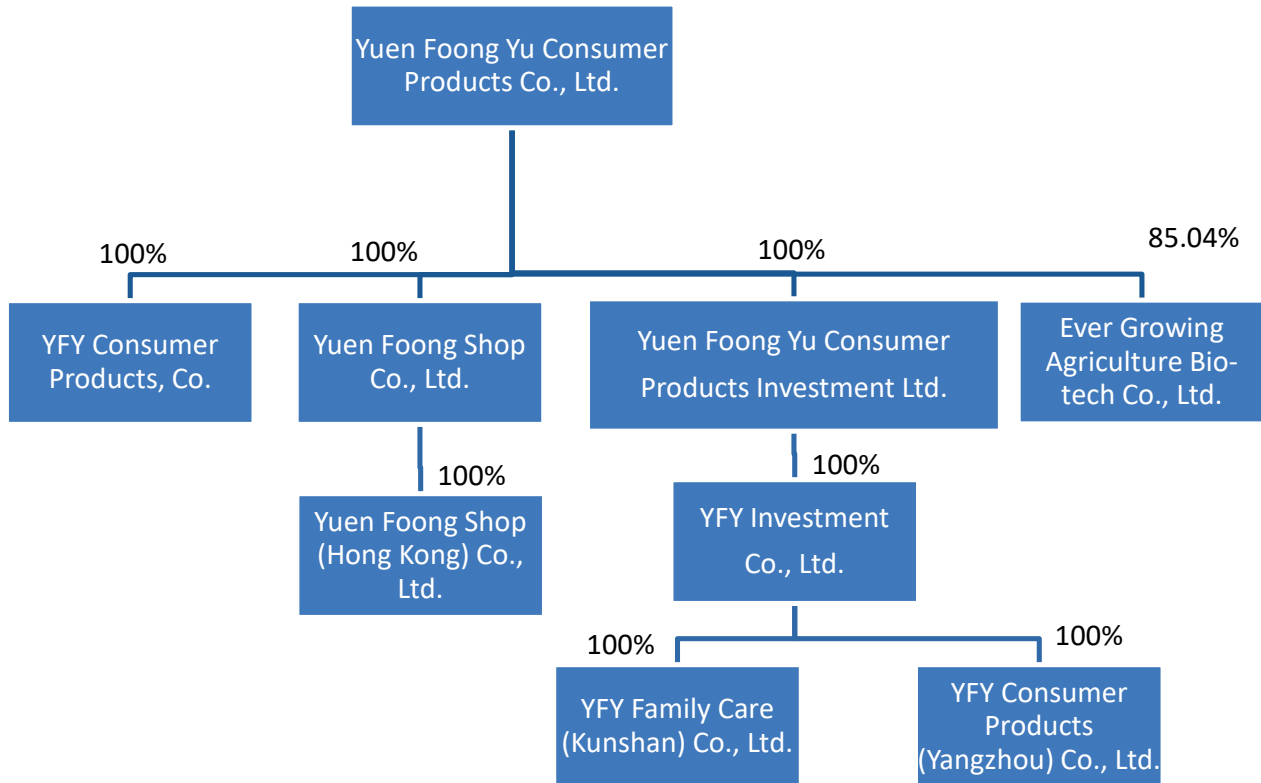
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Special disclosures

I. Information of Affiliates

(I) Organization chart of affiliates

December 31, 2022



(II) Basic information of the various affiliated enterprises

December 31, 2022; Unit: thousand NT\$ (NT\$ unless otherwise specified)

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

(III) Basic information of Directors, Supervisors, and General Managers of affiliates

December 31, 2022; Unit: thousand NT\$ (NT\$ unless otherwise specified)

Company name	Title	Name or representative	Shares held	
			Number of shares	Percent shares (%)
Ever Growing Agriculture Bio-tech Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	18,245,944	85.0
	Director	Ronald Lee (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Carl Chang (Representative of YFY Consumer Products Co., Ltd.)		
	Supervisor General Manager	Pao-Yu Hsieh (Representative of Cheng Yu Co., Ltd.) Carl Chang		
Yuen Foong Shop Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Co., Ltd.)	5,000,000	100.0
	Director	Ronald Lee (Representative of YFY Consumer Products Co., Ltd.)		
	Director	Stacey Yen (Representative of YFY Consumer Products Co., Ltd.)		
	Supervisor General Manager	Daphne Chen (Representative of YFY Consumer Products Co., Ltd.) Ronald Lee		
Yuen Foong Shop (Hong Kong) Co., Ltd.	Director	Yuen Foong Shop Co., Ltd. Authorizing President: Ron is the authorized signatory	-	-
Yuen Foong Yu Consumer Products Investment Ltd.	Director	Felix Ho	-	-
	Director	David Lo		
YFY Investment Co., Ltd.	Chairman	Felix Ho (Representative of YFY Consumer Products Investment Ltd.)	Capital Contribution USD115,000,000	100.0
	Director	Ronald Lee (Representative of YFY Consumer Products Investment Ltd.)		
	Director	Shien Xie (Representative of YFY Consumer Products Investment Ltd.)		
	Supervisor	Daphne Chen (Representative of YFY Consumer		

	General Manager	Products Investment Ltd.) Shien Xie		
YFY Family Care (Kunshan) Co., Ltd.	Chairman Director Director Supervisor General Manager	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shien Xie (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ming-Fa Tang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Daphne Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shien Xie	Capital Contribution USD 30,000,000	100.0
YFY Consumer Products (Yangzhou) Co., Ltd.	Chairman Director Director Supervisor General Manager	Felix Ho (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shien Xie (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Ming-Fa Tang (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Daphne Chen (Representative of Yuen Foong Yu Investment Holding Co., Ltd.) Shien Xie	Capital Contribution USD 30,000,000	100.0
YFY Consumer Products, CO.	Director Director Director	Felix Ho Ronald Lee Daphne Chen	-	-

(IV) Financial and operational overview of affiliated companies

2022 Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after taxes)
Ever Growing Agriculture Bio-tech Co., Ltd.	214,557	464,623	141,156	323,467	331,882	62,154	50,713	2.36
Yuen Foong Shop Co., Ltd.	50,000	397,878	291,915	105,963	1,198,542	53,521	45,898	9.18
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	-	-	-	-	-	-	-
YFY Consumer Products, CO.	-	-	-	-	-	-	-	-
YFY Consumer Products Investment Ltd.	4,606,899	3,207,155	-	3,207,155	-	-	-110,636	-0.74
YFY Investment Co., Ltd.	3,531,650	2,869,154	725,679	2,143,475	4,962,969	-191,238	-135,182	-
YFY Family Care (Kunshan) Co., Ltd.	921,300	367,533	74,560	292,973	640,890	8,397	11,818	-
YFY Consumer Products (Yangzhou) Co., Ltd.	921,300	1,673,388	427,396	1,245,992	2,810,697	95,152	73,435	-

(V) Consolidated financial statements of various affiliated enterprises

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Very truly yours,

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

By:

March 14, 2023

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

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

IV. Other necessary supplements: N/A

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



Appendix

VI. Appendix 1: Notes to consolidated financial statements
VII. Appendix 2: Notes to individual financial statements

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 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 a material impact on the Group’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 consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group'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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the 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.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

e. Foreign currencies

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

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

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

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

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

The sale of goods that results in awarded credits for customers under the Group's award scheme is accounted for as a multiple element revenue transaction, and the fair value of the consideration received or receivable is allocated between the goods supplied and the awarded credits granted. The consideration allocated to the awarded credits is measured with reference to their fair value. Such consideration is not recognized as revenue at the time of the initial sale transactions but is deferred and recognized as revenue when the awarded credits are redeemed and the Group's obligations have been fulfilled.

k. Leases

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

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

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

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

l. Borrowing costs

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Employee share options

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

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

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

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

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

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

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of Receivables

The provision for impairment of receivables is based on assumptions on probability of default and loss given default ratio. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates. 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>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 935	\$ 1,026
Checking accounts and demand deposits	592,374	614,455
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	1,302,854	922,956
Repurchase agreements collateralized by bonds	<u>36,000</u>	<u>107,000</u>
	<u>\$ 1,932,163</u>	<u>\$ 1,645,437</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash equivalents	1.00%-4.95%	0.26%-2.1%

7. FINANCIAL ASSETS AT AMORTIZED COST-CURRENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Time deposits with original maturities between three months and a year	<u>\$ 4,771</u>	<u>\$ 103,499</u>
The market rate intervals	2.10%-2.20%	0.26%-2.10%

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes receivable - operating	\$ 72,024	\$ 48,207
Accounts receivable - operating	1,232,579	1,222,027
Less: Allowance for impairment loss	<u>(3,093)</u>	<u>(905)</u>
	<u>\$ 1,301,510</u>	<u>\$ 1,269,329</u>

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

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

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

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

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

December 31, 2022

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,289,053	\$ 12,376	\$ 113	\$ -	\$ 3,061	\$ 1,304,603
Loss allowance (Lifetime ECLs)	<u>(21)</u>	<u>(9)</u>	<u>(2)</u>	<u>-</u>	<u>(3,061)</u>	<u>(3,093)</u>
	<u>\$ 1,289,032</u>	<u>\$ 12,367</u>	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301,510</u>

December 31, 2021

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

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

	2022	2021
Balance at January 1	\$ 905	\$ 3,887
Net remeasurement of loss allowance (gain on reversal)	2,185	(784)
Amounts written off	-	(2,179)
Foreign currency exchange gains and losses	<u>3</u>	<u>(19)</u>
Balance at December 31	<u>\$ 3,093</u>	<u>\$ 905</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished and purchased goods	\$ 609,153	\$ 512,505
Work in process	220,330	168,930
Materials	<u>483,571</u>	<u>418,233</u>
	<u>\$ 1,313,054</u>	<u>\$ 1,099,668</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 included reversal of inventory write-downs of \$8,858 thousand and inventory write-downs of \$4,008 thousand, respectively. Due to the disposal of inventories which were written down, the net realizable value of inventory increased.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

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

- 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.
- b. In order to adjust the business and optimize the financial structure in response to the changes in the mainland China's market, the Group's board of directors resolved to sell the entire equity of Shanghai YFY International Trade Co., Ltd. in July 2021. The disposal of the subsidiary was completed in August 2021, please refer to Note 21.
- c. The financial statements of subsidiaries included in the abovementioned consolidated financial statements are based on the audited amounts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2022	\$ 675,822	\$ 1,133,368	\$ 3,918,600	\$ 417,133	\$ 222,066	\$ 309,932	\$ 2,281	\$ 6,679,202
Additions	-	4,496	119,278	49,381	20,169	13,746	77,426	284,469
Disposals	-	(1,779)	(19,898)	(15,062)	(2,955)	(19,296)	-	(58,990)
Effect of foreign currency exchange differences	-	4,767	31,125	3,845	1,560	1,262	49	42,608
Reclassifications	-	-	4,340	-	-	2,693	(7,033)	-
Balance at December 31, 2022	<u>\$ 675,822</u>	<u>\$ 1,140,852</u>	<u>\$ 4,053,445</u>	<u>\$ 455,297</u>	<u>\$ 240,840</u>	<u>\$ 308,337</u>	<u>\$ 72,723</u>	<u>\$ 6,947,316</u>
Accumulated depreciation								
Balance at January 1, 2022	\$ -	\$ 619,404	\$ 2,206,641	\$ 305,973	\$ 175,349	\$ 257,555	\$ -	\$ 3,564,922
Depreciation expenses	-	46,558	259,697	26,235	18,875	21,997	-	373,362
Disposals	-	(1,778)	(17,983)	(14,899)	(2,928)	(18,973)	-	(56,561)
Effect of foreign currency exchange differences	-	3,195	16,652	3,234	1,266	1,022	-	25,369
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 667,379</u>	<u>\$ 2,465,007</u>	<u>\$ 320,543</u>	<u>\$ 192,562</u>	<u>\$ 261,601</u>	<u>\$ -</u>	<u>\$ 3,907,092</u>
Carrying amounts at December 31, 2022	<u>\$ 675,822</u>	<u>\$ 473,473</u>	<u>\$ 1,588,438</u>	<u>\$ 134,754</u>	<u>\$ 48,278</u>	<u>\$ 46,736</u>	<u>\$ 72,723</u>	<u>\$ 3,040,224</u>

(Continued)

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 675,822	\$ 1,130,649	\$ 3,862,808	\$ 408,807	\$ 206,764	\$ 301,856	\$ 2,031	\$ 6,588,737
Additions	-	9,712	118,082	11,222	22,844	25,710	3,964	191,534
Disposals	-	(5,022)	(53,470)	(1,525)	(7,005)	(19,292)	-	(86,314)
Effect of foreign currency exchange differences	-	(1,644)	(10,866)	(1,303)	(546)	(469)	73	(14,755)
Reclassifications	-	(327)	2,046	(68)	9	2,127	(3,787)	-
Balance at December 31, 2021	<u>\$ 675,822</u>	<u>\$ 1,133,368</u>	<u>\$ 3,918,600</u>	<u>\$ 417,133</u>	<u>\$ 222,066</u>	<u>\$ 309,932</u>	<u>\$ 2,281</u>	<u>\$ 6,679,202</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	\$ -	\$ 578,713	\$ 2,007,083	\$ 283,869	\$ 167,922	\$ 252,996	\$ -	\$ 3,290,583
Depreciation expenses	-	46,737	254,182	24,744	14,846	23,783	-	364,292
Disposals	-	(4,738)	(50,132)	(1,525)	(6,985)	(19,210)	-	(82,590)
Impairment loss	-	-	1,042	-	-	-	-	1,042
Effect of foreign currency exchange differences	-	(1,077)	(5,471)	(1,047)	(443)	(367)	-	(8,405)
Reclassifications	-	(231)	(63)	(68)	9	353	-	-
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 619,404</u>	<u>\$ 2,206,641</u>	<u>\$ 305,973</u>	<u>\$ 175,349</u>	<u>\$ 257,555</u>	<u>\$ -</u>	<u>\$ 3,564,922</u>
Carrying amounts at December 31, 2021	<u>\$ 675,822</u>	<u>\$ 513,964</u>	<u>\$ 1,711,959</u>	<u>\$ 111,160</u>	<u>\$ 46,717</u>	<u>\$ 52,377</u>	<u>\$ 2,281</u>	<u>\$ 3,114,280</u>

(Concluded)

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

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

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

The Company's board of directors resolved to purchase paper machines and related production line equipment in response to the market demand and in order to expand the scale of production on June 27, 2022. As of 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.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Land	\$ 104,453	\$ 111,725
Buildings	197,900	182,784
Others	<u>24,313</u>	<u>24,126</u>
	<u>\$ 326,666</u>	<u>\$ 318,635</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 66,063</u>	<u>\$ 67,171</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,564	\$ 8,505
Buildings	44,505	40,356
Others	<u>6,241</u>	<u>3,781</u>
	<u>\$ 59,310</u>	<u>\$ 52,642</u>

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

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 58,672</u>	<u>\$ 51,296</u>
Non-current	<u>\$ 190,176</u>	<u>\$ 187,322</u>

Range of discount rates for lease liabilities was as follows:

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

c. Material lease-in activities and terms

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

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

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	<u>\$ 110,929</u>	<u>\$ 108,569</u>
Total cash outflow for leases	<u>\$ 169,176</u>	<u>\$ 160,226</u>

13. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2022	2021
Bank credit loans	<u>\$ 268,000</u>	<u>\$ 37,000</u>

As of December 31, 2022 and 2021, the interest rates of bank credit loans were 1.65%-1.68% per annum and 0.80%-1.00% per annum, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	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

	<u>December 31</u>	
	2022	2021
Bank credit loans	<u>\$ 198,620</u>	<u>\$ 57,900</u>

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.

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

	December 31	
	2022	2021
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>-</u>	<u>3,082</u>
Recognized in other comprehensive income	<u>3,516</u>	<u>(1,206)</u>	<u>2,310</u>
Benefits paid	<u>(12,706)</u>	<u>12,706</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(11,343)</u>	<u>(11,343)</u>
Balance at December 31, 2021	<u>\$ 110,375</u>	<u>\$ (93,696)</u>	<u>\$ 16,679</u>

(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 Group is exposed to the following risks:

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

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

	December 31	
	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:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Discount rates		
0.125% increase	<u>\$ (634)</u>	<u>\$ (743)</u>
0.125% decrease	<u>\$ 642</u>	<u>\$ 752</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 646</u>	<u>\$ 749</u>
0.125% decrease	<u>\$ (640)</u>	<u>\$ (743)</u>

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

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

15. EQUITY

a. Ordinary shares

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

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

On June 24, 2021, the Company's board of directors resolved to issue 22,223 thousand ordinary shares before listing with a par value of \$10 and 10% of the shares are reserved for employee stock subscription in accordance with the laws and regulations. The subscription base date was September 28, 2021. The exercise prices of the shares consist of the weighted average bid price for competitive auction of \$55.38 per share, the price of shares for public offering and the price of shares for employee stock subscription of \$52 per share (refer to Note 20 for the details of the compensation of employees recognized on the consolidated statements of comprehensive income). The Company had collected the above proceeds amounting to \$1,209,636 thousand. The transaction was approved by the Taiwan Stock Exchange Corporation on July 8, 2021. The total paid-in capital after the capital increase, 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 dividends 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 17(d).

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

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

The appropriations of earnings for 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.

d. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 48,487	\$ 47,712
Attributable to non-controlling interests:		
Share of profit for the year	7,587	8,431
Share options granted by the Company to the employees of subsidiaries to adjust non-controlling interests	-	37
Employees' compensation released by subsidiaries to the Company's employees to adjust non-controlling interests	(44)	(54)
Cash dividends to non-controlling interests	<u>(7,639)</u>	<u>(7,639)</u>
Balance at December 31	<u>\$ 48,391</u>	<u>\$ 48,487</u>

16. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers - sale of goods	<u>\$ 10,124,589</u>	<u>\$ 9,890,353</u>

Contract Balances

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes receivable and accounts receivable (including related parties)	<u>\$ 1,307,613</u>	<u>\$ 1,272,661</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 46,788</u>	<u>\$ 44,158</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers - sale of goods	<u>\$ 43,164</u>	<u>\$ 10,725</u>

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

17. NET PROFIT

a. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 6,735	\$ 12,353
Interest on lease liabilities	2,451	2,368
Less: Capitalization amount of interest	<u>(507)</u>	<u>(89)</u>
	<u>\$ 8,679</u>	<u>\$ 14,632</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Capitalization interest rates	0.80%-1.67%	0.77%-1.09%

b. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Right-of-use assets	\$ 59,310	\$ 52,642
Property, plant and equipment	<u>373,362</u>	<u>364,292</u>
	<u>\$ 432,672</u>	<u>\$ 416,934</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 369,714	\$ 357,964
Operating expenses	<u>62,958</u>	<u>58,970</u>
	<u>\$ 432,672</u>	<u>\$ 416,934</u>
An analysis of amortization by function		
Operating costs	\$ 215	\$ 169
Operating expenses	<u>243</u>	<u>2,264</u>
	<u>\$ 458</u>	<u>\$ 2,433</u>

(Concluded)

c. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 28,170	\$ 28,253
Defined benefit plans	<u>3,126</u>	<u>3,665</u>
	31,296	31,918
Share-based payment		
Equity settled	-	7,692
Other employee benefits	<u>1,103,460</u>	<u>1,140,039</u>
Total employee benefits expense	<u>\$ 1,134,756</u>	<u>\$ 1,179,649</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 569,392	\$ 587,057
Operating expenses	<u>565,364</u>	<u>592,592</u>
	<u>\$ 1,134,756</u>	<u>\$ 1,179,649</u>

d. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at 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

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
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 consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

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

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

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 220,714	\$ 213,670
Income tax on unappropriated earnings	5,755	8,029
Adjustments for prior years	<u>(7,807)</u>	<u>(4,092)</u>
	218,662	217,607
Deferred tax		
In respect of the current year	3,760	(1,032)
Adjustments for prior years	<u>481</u>	<u>-</u>
	4,241	(1,032)
Income tax expense recognized in profit or loss	<u>\$ 222,903</u>	<u>\$ 216,575</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	<u>\$ 912,410</u>	<u>\$ 1,287,272</u>
Income tax expense calculated at the statutory rate (20%)	\$ 182,482	\$ 257,454
Permanent differences	35,000	(5,397)
Income tax on unappropriated earnings	5,755	8,029
Adjustments for prior years	(7,326)	(4,092)
Unrecognized loss carryforwards	8,231	(51,024)
Effect of different tax rates of entities in the Group operating in other jurisdictions	<u>(1,239)</u>	<u>11,605</u>
Income tax expense recognized in profit or loss	<u>\$ 222,903</u>	<u>\$ 216,575</u>

b. Income tax recognized in other comprehensive income

For the Year Ended December 31
2022 **2021**

Deferred tax

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	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 17,115	\$ (2,060)	\$ -	\$ 89	\$ 15,144
Defined benefit obligation	3,336	(1,564)	(1,583)	-	189
Others	<u>2,562</u>	<u>(630)</u>	<u>-</u>	<u>28</u>	<u>1,960</u>
	<u>\$ 23,013</u>	<u>\$ (4,254)</u>	<u>\$ (1,583)</u>	<u>\$ 117</u>	<u>\$ 17,293</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>-</u>
	<u>\$ 57,146</u>	<u>\$ (13)</u>	<u>\$ -</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	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 16,211	\$ 934	\$ -	\$ (30)	\$ 17,115
Defined benefit obligation	4,409	(1,535)	462	-	3,336
Others	<u>1,241</u>	<u>1324</u>	<u>-</u>	<u>(3)</u>	<u>2,562</u>
	<u>\$ 21,861</u>	<u>\$ 723</u>	<u>\$ 462</u>	<u>\$ (33)</u>	<u>\$ 23,013</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ -	\$ 57,133
Others	<u>322</u>	<u>(309)</u>	<u>-</u>	<u>-</u>	<u>13</u>
	<u>\$ 57,455</u>	<u>\$ (309)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,146</u> (Concluded)

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

YFY Investment Co., Ltd.

	<u>December 31</u>	
	2022	2021
Loss carryforwards		
Expiry in 2022	\$ -	\$ 47,108
Expiry in 2023	69,446	68,376
Expiry in 2027	<u>43,167</u>	<u>-</u>
	<u>\$ 112,613</u>	<u>\$ 115,484</u>

YFY Family Care (Kunshan) Co., Ltd.

	<u>December 31</u>	
	2022	2021
Loss carryforwards		
Expiry in 2025	<u>\$ 104,726</u>	<u>\$ 114,927</u>

- e. Income tax assessments

The tax filings of the Company through 2018 and 2020 have been approved by the tax authorities. The tax filings of Yuen Foong Shop Co., Ltd. and Ever Growing Agriculture Bio-tech Co., Ltd. through 2020 have been approved by the tax authorities.

19. EARNINGS PER SHARE

	<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 attributable to owners of the Company	\$ <u>681,920</u>	\$ <u>1,062,266</u>

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

	<u>For the Year Ended December 31</u>	
	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 Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS

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

Information on employee share options 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 consolidated statement of comprehensive income was \$7,692 thousand for the year ended December 31, 2021.

21. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from disposals

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

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

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

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

c. Gain on disposal of subsidiary

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

Consideration received	\$ 87
Disposal expense	(1)
Net liabilities disposed of	1,441
Cumulative exchange difference on net assets of the subsidiary reclassified from equity to profit or loss due to loss of control of the subsidiary	<u>236</u>
Gain on disposals	<u>\$ 1,763</u>

d. Net cash outflow on disposals of subsidiary

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

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

22. CAPITAL MANAGEMENT

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

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

b. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 3,351,404	\$ 3,204,103
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,362,842	2,041,712

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

The Group is mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange 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	\$ 2,289	\$ (41,847)
RMB	\$ 247	\$ 166

b) Interest rate risk

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 1,343,625	\$ 1,133,455
Financial liabilities	\$ 715,468	\$ 483,508
Cash flow interest rate risk		
Financial assets	\$ 590,864	\$ 613,535

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

Sensitivity analysis

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

	For the Year Ended December 31	
	2022	2021
Increase/decrease	\$ 591	\$ 614

2) Credit risk

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

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

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

3) Liquidity risk

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

As of December 31, 2022 and 2021, the Group's unused financing facilities were \$6,668,779 thousand and \$7,291,028 thousand, respectively.

24. TRANSACTIONS WITH RELATED PARTIES

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

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
San Ying Enterprise Co., Ltd.	Fellow subsidiary
YFY Biotech Management Co., Ltd.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co., Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Packaging (Yangzhou) Investment Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY Paradigm Investment Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Shanghai) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Kunshan) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Qingdao) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Nanjing) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Guangzhou) Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Suzhou) Co., Ltd.	Fellow subsidiary
YFY Paper Mfg. (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Fellow subsidiary
Livebricks Inc.	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary

(Continued)

Related Party Name	Related Party Category
Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong)	Fellow subsidiary
Shin Foong Specialty & Applied Materials Co., Ltd.	Fellow subsidiary
Kunshan YFY Jupiter Green Packaging Ltd.	Fellow subsidiary
Effion Enertech Co., Ltd.	Fellow subsidiary
Hsinex International Corp.	Substantive related party
E Ink Holdings Inc.	Substantive related party
SinoPac Leasing Corporation	Substantive related party
SinoPac Financial Holdings Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Bank SinoPac	Substantive related party
YFY Biotech Co., Ltd.	Substantive related party
YFY BioT echnology (Kunshun) Co., Ltd.	Substantive related party
YFY Green Food (Shanghai) Co., Ltd.	Substantive related party
Hsin Yuan Investment Co., Ltd.	Substantive related party
Beautone Co., Ltd.	Substantive related party
Ho Tien Co., Ltd.	Substantive related party
Hsin-Yi Enterprise Co., Ltd.	Substantive related party
Hsin-Yi Foundation	Substantive related party
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
Yuanhan Materials Inc.	Substantive related party
Synmax Biochemical Co., Ltd.	Substantive related party
Transcend Optronics (Yangzhou) Co., Ltd.	Substantive related party
	(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 48,501	\$ 14,193
Substantive related parties	10,125	10,259
Parent company	<u>275</u>	<u>2,533</u>
	<u>\$ 58,901</u>	<u>\$ 26,985</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	\$ 700,357
Guangdong Dingfung Pulp & Paper Co., Ltd.	379,302	615,145
Others	<u>92,568</u>	<u>180,588</u>
	1,225,797	1,496,090
Substantive related parties	<u>655</u>	<u>1,000</u>
	<u>\$ 1,226,452</u>	<u>\$ 1,497,090</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
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 1,929	\$ -
Chung Hwa Pulp Corporation	413	437
Others	<u>1,193</u>	<u>717</u>
	3,535	1,154
Substantive related parties		
Yuen Foong Paper Co., Ltd	1,893	1,817
Others	<u>661</u>	<u>361</u>
	2,554	2,178
Parent company	<u>14</u>	<u>-</u>
	<u>\$ 6,103</u>	<u>\$ 3,332</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
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 225,434	\$ 134,722
YFY Packaging Inc.	12,999	30,646
Guangdong Dingfung Pulp & Paper Co., Ltd.	12,921	47,984
Others	<u>16,376</u>	<u>23,202</u>
	267,730	236,554
Substantive related parties	<u>2</u>	<u>129</u>
	<u>\$ 267,732</u>	<u>\$ 236,683</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
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ <u> -</u>	\$ <u> 2,223</u>

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

Related Party Category	December 31	
	2022	2021
Fellow subsidiaries		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 39,153	\$ 42,820
Others	<u> 3,404</u>	<u> 2,600</u>
	42,557	45,420
Substantive related parties	<u> 1,822</u>	<u> 1,694</u>
	\$ <u> 44,379</u>	\$ <u> 47,114</u>

- h. Loans from related parties

Related Party Category	For the Year Ended December 31	
	2022	2021
<u>Interest paid</u>		
Fellow subsidiaries		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ <u> -</u>	\$ <u> 23</u>

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

- i. Acquisitions of property, plant and equipment

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

- j. Disposals of property, plant and equipment

Related Party Category	Proceeds	
	For the Year Ended December 31	2021
	2022	
Fellow subsidiaries	\$ <u> -</u>	\$ <u> 5</u>

- k. Lease arrangements

Lease Liabilities	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries		
YFY Packaging Inc.	\$ <u> 25,000</u>	\$ <u> 30,718</u>

Interest Paid	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>303</u>	\$ <u>364</u>

Lease Paid	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 35,552	\$ 33,233
Others	<u>3,643</u>	<u>3,599</u>
	39,195	36,832
Substantive related parties	<u>12,643</u>	<u>12,140</u>
	\$ <u>51,838</u>	\$ <u>48,972</u>

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

1. 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		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 329,738	\$ 244,190
Others	<u>15,130</u>	<u>14,764</u>
	344,868	258,954
Substantive related parties	<u>10,519</u>	<u>10,475</u>
	\$ <u>355,387</u>	\$ <u>269,429</u>

Related Party Category	Other Income (Accounted for as Non-operating Income)	
	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ <u>-</u>	\$ <u>6,925</u>

Related Party Category	Prepayments (Accounted for as Other Current Assets)	
	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 614	\$ -
Substantive related parties	<u>44</u>	<u>45</u>
	\$ <u>658</u>	\$ <u>45</u>

m. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 57,270	\$ 66,988
Others	<u>3,069</u>	<u>1,371</u>
	<u>\$ 60,339</u>	<u>\$ 68,359</u>

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

25. OTHER ITEMS

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

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,406	30.71	\$ 73,888
RMB	1,122	4.409	4,947
<u>Financial liabilities</u>			
Monetary items			
USD	915	30.71	28,100
<u>Financial assets</u>			
Monetary items			
USD	996	27.68	27,569
RMB	1,434	4.341	6,226
<u>Financial liabilities</u>			
Monetary items			
USD	31,232	27.68	864,502
RMB	669	4.341	2,904

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)	\$ 276	27.68 (USD:NTD)	\$ (22)
USD	6.965 (USD:RMB)	(45,041)	6.376 (USD:RMB)	18,885
RMB	4.409 (RMB:NTD)	<u>80</u>	4.341 (RMB:NTD)	<u>(34)</u>
		<u>\$ (44,685)</u>		<u>\$ 18,829</u>

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 2)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 2 and 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

28. SEGMENT INFORMATION

- a. Segment revenue and results are as follows:

	Taiwan	Mainland China	Adjustment and Elimination	Total
For the year ended <u>December 31, 2022</u>				
Revenue from external customers	<u>\$ 6,827,259</u>	<u>\$ 3,297,330</u>	<u>\$ -</u>	<u>\$ 10,124,589</u>
Revenue from other internal operating segments	<u>\$ 1,216,710</u>	<u>\$ 5,117,226</u>	<u>\$ (6,333,936)</u>	<u>\$ -</u>
Segment profit or loss before income tax	<u>\$ 997,887</u>	<u>\$ (85,477)</u>	<u>\$ -</u>	<u>\$ 912,410</u>
For the year ended <u>December 31, 2021</u>				
Revenue from external customers	<u>\$ 6,476,387</u>	<u>\$ 3,413,966</u>	<u>\$ -</u>	<u>\$ 9,890,353</u>
Revenue from other internal operating segments	<u>\$ 1,394,837</u>	<u>\$ 3,913,632</u>	<u>\$ (5,308,469)</u>	<u>\$ -</u>
Segment profit or loss before income tax	<u>\$ 1,055,036</u>	<u>\$ 232,236</u>	<u>\$ -</u>	<u>\$ 1,287,272</u>

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

1) Taiwan

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

2) Mainland China

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

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

b. Geographical information are as follows:

The Group operates in two principal geographical areas - Taiwan and mainland China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	\$ 6,827,259	\$ 6,476,387	\$ 2,392,119	\$ 2,325,298
Mainland China	<u>3,297,330</u>	<u>3,413,966</u>	<u>1,030,261</u>	<u>1,248,356</u>
	<u>\$ 10,124,589</u>	<u>\$ 9,890,353</u>	<u>\$ 3,422,380</u>	<u>\$ 3,573,654</u>

c. Information on major customers

The single customer contributed 10% or more to the Group's revenue for both 2022 and 2021 was as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Company A	\$ 2,619,714	25.87	\$ 2,198,981	22.23

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

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Notes 2 and 5)	Ending Balance (Notes 2 and 5)	Actual Borrowing Amount (Note 5)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3, 4 and 5)	Aggregate Financing Limit (Notes 3, 4 and 5)	Note
													Item	Value			
1	Yuen Foong Yu Consumer Products Investment Limited	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 294,750	\$ -	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 6,417,035	\$ 6,417,035	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	445,800	-	-	-	Short-term financing	-	Operating capital	-	-	-	6,417,035	6,417,035	Note 6
		YFY Investment Co., Ltd.	Other receivables from related parties	Yes	148,600	-	-	-	Short-term financing	-	Operating capital	-	-	-	6,417,035	6,417,035	Note 6
2	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	281,222	281,222	112,457	3.25	Short-term financing	-	Operating capital	-	-	-	562,444	562,444	Note 6
3	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	1,172,974	1,172,974	34,041	3.25	Short-term financing	-	Operating capital	-	-	-	2,345,949	2,345,949	Note 6
4	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	2,303,386	2,196,929	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,393,858	4,393,858	Note 6
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,303,386	2,196,929	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,393,858	4,393,858	Note 6

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

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

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

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

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

Note 5: The exchange rates were US\$1=NT\$30.71 and RMB\$1=NT\$4.409442 as of December 31, 2022.

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

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

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

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Chung Hwa Pulp Corporation	b.	Purchase	\$ 753,927	19	In agreed terms	\$ -	-	\$ (225,434)	(33)	Note 2 Note 2
	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)	
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	a.	Sale	(1,666,388)	(34)	In agreed terms	-	-	134,525	27	Note 2
	Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	Purchase	320,290	7	In agreed terms	-	-	(12,921)	(3)	
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(638,492)	(100)	In agreed terms	-	-	89,063	100	Note 2
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(2,514,182)	(89)	In agreed terms	-	-	287,729	87	Note 2 Note 2
	YFY Family Care (Kunshan) Co., Ltd.	b.	Sale	(295,963)	(11)	In agreed terms	-	-	41,460	13	

Note 1: a. Parent company and subsidiary.
b. Fellow subsidiaries.
c. Substantive related parties.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

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

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

DECEMBER 31, 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	\$ -
Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	Parent company	134,406	2.38	-	-	111,249	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	134,525	13.54	-	-	134,525	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	287,729	9.60	-	-	287,729	-

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

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

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

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. and b.
	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. and b.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	99,540	45,898	46,578	a. and b.
	YFY Consumer Products, Co.	United States	E-commerce for intellectual property management and sales of consumer products	-	-	-	100.0	-	-	-	a. and b.
Yuen Foong Shop Co., Ltd.	Yuen Foong Shop (HK) Limited	Hong Kong	General trade	-	-	-	100.0	-	-	-	a. and b.

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

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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:

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

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

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

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

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	The Company	Yuen Foong Shop Co., Ltd.	Subsidiary	Sales Accounts receivable	\$ 885,362 151,214	By market price By market price	8.74 1.83
2	Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	Parent company	Sales Accounts receivable	330,545 134,406	By market price By market price	3.26 1.62
3	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales Accounts receivable	1,666,388 134,525	By market price By market price	16.46 1.63
4	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd. YFY Family Care (Kunshan) Co., Ltd.	Parent company Fellow subsidiary	Sales Accounts receivable Sales	2,514,182 287,729 295,963	By market price By market price By market price	24.83 3.48 2.92
5	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales Accounts receivable	638,492 89,063	By market price By market price	6.31 1.08

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

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

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

Certain machinery and electrical equipment in the production department were left unused for a long period. The Company expects that the future economic benefits of these equipment will decrease, resulting in a recoverable amount of \$0, which was less than the book value. Therefore, it has recognized impairment loss of \$760 thousand 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	<u>\$ 45,710</u>	<u>\$ 48,276</u>
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	<u>\$ 248,000</u>	<u>\$ _____</u>

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	<u>\$ 198,620</u>	<u>\$ 57,900</u>

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:

	December 31	
	2022	2021
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>-</u>	<u>3,082</u>
Recognized in other comprehensive income	<u>3,516</u>	<u>(1,206)</u>	<u>2,310</u>
Benefits paid	<u>(12,706)</u>	<u>12,706</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(11,343)</u>	<u>(11,343)</u>
Balance at December 31, 2021	<u>\$ 110,375</u>	<u>\$ (93,696)</u>	<u>\$ 16,679</u>

(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:

	December 31	
	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	<u>\$ (634)</u>	<u>\$ (743)</u>
0.125% decrease	<u>\$ 642</u>	<u>\$ 752</u>
Expected rate of salary increase		
0.125% increase	<u>\$ 646</u>	<u>\$ 749</u>
0.125% decrease	<u>\$ (640)</u>	<u>\$ (743)</u>

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

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 2,342</u>	<u>\$ 3,126</u>
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)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>267,129</u>	<u>267,129</u>
Shares issued	<u>\$ 2,671,290</u>	<u>\$ 2,671,290</u>

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

On June 24, 2021, the Company's board of directors resolved to issue 22,223 thousand ordinary shares before listing with a par value of \$10 and 10% of the shares are reserved for employee stock subscription in accordance with the laws and regulations. The subscription base date was September 28, 2021. The exercise prices of the shares consist of the weighted average bid price for competitive auction of \$55.38 per share, the price of shares for public offering and the price of shares for employee stock subscription of \$52 per share (refer to Note 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

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
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:

	For the Year Ended December 31	
	2022	2021
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:

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	\$ <u>858,146</u>	\$ <u>1,250,782</u>
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

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

c. Deferred tax assets and liabilities

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

For the year ended December 31, 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

	December 31	
	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	\$ 1,717	\$ (490)
RMB	\$ -	\$ (145)

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	\$ 60,499	\$ -
Financial liabilities	\$ 647,654	\$ 387,686
Cash flow interest rate risk		
Financial assets	\$ 173,163	\$ 291,681

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>
	<u>787,837</u>	<u>795,380</u>
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.

TABLE 2

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

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

TABLE 3

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:

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

Note 3: According to Article 3 of the "Principles of Investing or Technical Cooperation in Mainland China" on August 29, 2008, companies approved by the Industrial Development Bureau, MOEA within the scope of operations of the operational headquarters are not subject to the upper limit. The Company is an 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
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Major Accounting Items in Profit or Loss	
Statement of operating revenue	5
Statement of operating costs	6
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Statement of employee benefit and depreciation expense by function	8

STATEMENT 1

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.

STATEMENT 6**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	21,684	24,185	45,869	21,722	18,859	40,581
	<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.

Notice to readers

This English-version annual report is a translation version from the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

YFYCPG



Chairman of the board
Felix Ho

A handwritten signature in blue ink, consisting of two main parts: a stylized 'F' and a stylized 'H', followed by a small 'o'.



ANNUAL REPORT



YFYCPG

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