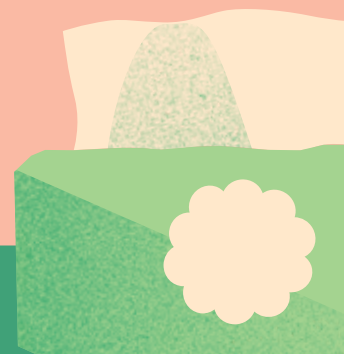


2023

ANNUAL REPORT



 **YFYCPG**

This annual report can be
downloaded from the following websites

TWSE Website : mops.twse.com.tw

Company Website : www.yfycpg.com

Publishing Date : 2024.04.27

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
- **Yangmei plant:** No. 70, Ln. 668, Sec. 2, Meigao Rd., Yangmei Dist., Taoyuan City | TEL: +886-3-490-2840
- **Qingshui plant:** No. 258, Jiuzhuang Rd., Qingshui Dist., Taichung City | TEL: +886-4-26201200
- **Yangzhou plant:** No. 168, Chuen Jiang Rd., Economic Development Park, Yuangzhou, Jiangsu | TEL: +86-514-8268-6452
- **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,

At YFY Consumer Products, we are deeply committed to our mission of creating a healthy, safe, and good life for consumers. This commitment serves not only as our business objective but also as our pledge to society. In 2023, amidst global challenges such as geopolitical instability, economic fluctuations, and environmental changes, we continued our steadfast approach of prudent management while seeking to innovate amidst societal and consumer shifts.

For fiscal year 2023, our consolidated revenue was NT\$10.26 billion, with an operating profit of NT\$1.13 billion, and net income attributable to shareholders of NT\$970 million, resulting in earnings per share of NT\$3.62. These results stem from our continual insight into consumer needs and our swift response to changing needs.

Good life weaves reason and feeling. As a consumer products company, our business is synonymously with “life.” YFY Consumer believes that to win over consumers and earn their loyalty, it is not enough to just meet consumer expectations of quality and price, we also must provide consumers with exceptional user experiences.

We have observed recent consumer trends:

- Society is increasingly diverse, and so are consumer viewpoints, values, and attitudes which are major drivers for consumption.
- Consumers are placing greater value on enjoyable experiences, seeking relief from daily stress and anxiety.
- There is a growing willingness among consumers to adopt sustainable lifestyles and they are expecting companies they buy from to fulfill environmental commitments.
- Digital native Generation Z is becoming a significant consumer force in the household products market.
- The rise of AI, led by the late 2022 release of ChatGPT by OpenAI, has started waves of AI integration into business, production, and marketing practice. At the same time, AI is also reshaping consumer lifestyles and consumption patterns.
- Work life balance continues to be redefined, with people increasingly demanding flexibility in their work and lifestyles.

These subtle changes in “life” are key factors influencing global consumer trends. We continue to innovate in product development, launching several products that meet the modern consumer’s needs. Notably, our “Orange House” brand introduced the industry’s first “green” liquid laundry capsules, reducing plastic use by 91% in product and packaging. Our investment in a new paper machine, which commenced production at the end of 2023, represents the most energy-efficient and carbon-reducing tissue paper machine in Taiwan, underscoring our commitment to the environment.



For 2024, IMF forecasts global growth to remain steady at 3.1%, with China's economy projected to grow at 4.6%, whereas Taiwan's Directorate-General of Budget, Accounting and Statistics estimates a 3.43% growth rate for Taiwan. The new year continues to be affected by geopolitical risks and climate change, elevating shipping risks and costs, and disrupting supply and prices of energy and raw materials. Elections around the world bring additional uncertainty for the world economy, especially November's U.S. presidential election, which could have the most significant impact for the world. To advance our continual growth, we will maintain our proven pattern of prudent management and agile adaptation, pursuing the company's sustainable progress through:

■ Understanding and Adapting to Consumer Trends

1. Develop innovative products targeting changing consumer needs and market trends.
2. Fortifying Orange House's position as Taiwan's leading natural and healthy cleaning product range, focusing on health benefits, upgrading our product line, and expanding market presence.
3. Investing in automation and green energy.
4. Adapting to demographic and workstyle changes; exploring new recruitment forms and work models.

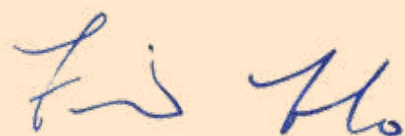
■ Enhancing ESG and Corporate Sustainability

1. Develop environmentally friendly packaging, improve recyclability, and expedite launch of green products.
2. Promote green procurement, improve resource utilization and recycling, and boost energy conservation.
3. Foster our team's understanding of the company's sustainable vision and actions, enhancing their sense of belonging and confidence.
4. Encourage and enable employees to sample diverse good life experiences.

On behalf of YFY Consumer Products, I extend our heartfelt gratitude to all shareholders for your ongoing support. Motivated by innovation and accountability, we will keep moving forward, paying attention not only to growing our business but also to how our products can improve quality of life responsibly. Striving to generate long-term value for our shareholders, we will continue to focus on consumer needs and fulfilling our social and environmental commitments.

**Wishing all shareholders health, wellness,
and prosperity in the Year of the Dragon.**

Sincerely yours,



**Executive Chairman
YFY Consumer Products**

A safe and healthy life

Our mission is to provide consumers with a more secure, healthy and beautiful life. The direction and strategy of sustainability and pursuit of growth should be consistent; while improving business performance, the impact on the environment must be minimized. We improve the use of various resources in the manufacturing process and strive to make factory production more environmentally friendly. We develop products and services to support a sustainable lifestyle, start from our core business, and gradually connect with the Sustainable Development Goals (SDGs) of the United Nations to expand our influence as much as possible, bring more positive energy to society, and look forward to our sustainable future.

E

Protect The Environment



Committed to resource management

Increase the reuse of water resources. Implement the concept of circular economy and effectively manage waste.



Reduce greenhouse gas emissionst

Use clean energy and increase the replacement rate of coal burning, such as: biomass fuel and natural gas.



Be friendly to the environment

Use environmentally friendly raw materials and reduce virgin plastic packaging materials. Build base through science and civic education to protect Taiwan's unique biodiversity.



S

Create A Better Life Together



Create a happy workplace

Employees are important assets of the company from life care to career planning. We carefully create a happy workplace that values them.



Intergrowth and Co-prosperity with ScioSociety

With the factory as the axis, resources and employees are combined to give back to local villages and assist NGO groups. With sustainability as the goal, we use the core values of the enterprise as substantial positive energy.



Propose Good life goals

Combined with the company's high-quality green products and services, and everyone is willing to change their daily behavior bit by bit to support a friendly environment.

G

Promote Sustainable Management



Sustainable production at the core

Ensure sustainable management of the use of raw materials and energy resources to minimize negative impact on the environment. Committed to the efficient use of energy and resources during the manufacturing process, and ensure that our products are friendly to employees, communities and consumers, while also being economically beneficial for sustainable development.



Optimize process

Strive to develop innovative methods such as using digital technology to manage processes, optimize production, supply chain and product life cycle, and reduce waste and carbon emissions.



Innovate and develop high-quality products

Integrate sustainability into product design and creation, and continue to strive for a healthy, safe and beautiful life for the public.

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.

2004 • Merged Ching Shui plant from P&G Taiwan including two brands -"Tender" and "Delight". Became the largest household paper local manufacturer in Taiwan.

2007 • Household Paper Division of YFY Paper Manufacturing Co., Ltd. (later renamed: YFY Inc.) was transferred to the Company.

2009 • "Orange House" entered the natural cleaning products market.

2011 • "Mayflower" was named as one of Top 100 Taiwan Brands.

2014 • Awarded Most Attractive Employer in the Consumer Manufacturing Industry.

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.

2018 • "Delight" enters mid-range cleaning products market.

2019

- Led the market with the launch of "Mayflower thick interfold tissue".
- The "Mayflower" and "Orange House" products received the National Brand Yushan Award.

2020

- Awarded the Medal of the National Disease Prevention Team by the Executive Yuan.
- Yangmei plant received the bronze prize for the second National Enterprise Environmental Protection Award.
- The OTC Securities Trading Center approved the public offering of the company's stock.
- Fully supplied toilet paper in Taiwan market to prevent epidemic. Launched Orange House cleaning detergents able to wash out human coronavirus.
- Sold 100% of the shares of YFY Family Paper (Beijing) Co., Ltd.
- Yangmei plant received the "Taiwan i Sport " Sports Enterprise Certification from the Sports Administration of the Ministry of Education.
- Qingshui plant and Yangmei plant received the Outstanding Green Procurement and Green Consumption Organization Award from the Environmental Protection Administration.
- Qingshui plant received the Outstanding Green Procurement Enterprise Award from Taichung City Government.
- Awarded by the Ministry of Finance as an outstanding business entity using electronic invoices.

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 interfold tissue" added eucalyptus essential oil and lotion for health.



20 22

- 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.
- Yangmei plant received the Silver Award (One-Star Award) for Outstanding Enterprise in the Recycle Category for Resource Recycling in 2022 from EPA.
- Qingshui plant received the 4th National Enterprise Environmental Protection Award from EPA.
- Received the environmental protection label and promotion of green consumption in 20 consecutive years with commendations from EPA.
- Launched "Mayflower extreme premium interfold tissue" with patent technology, the tissue paper is extremely bulky and soft, but not easy to break, top quality in 2-ply tissue.
- Launched "Delight interfold kitchen towel", the interfold type is easy-to-use not only in kitchen but different occasions, aggressively increased Delight brand penetration.
- 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 continues 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.

20 23

- Received the 16th TCSA Taiwan Enterprise Sustainability Award in 2023, "Silver Award for Sustainability Report" and "Taiwan Sustainability Enterprise Excellence Award" in the comprehensive sustainability performance category.
- Received the "Best Companies to Work for In Asia" award from Asia's authoritative human resources magazine "HR Asia" for three consecutive years. Also awarded the HR ASIA Diversity, Equity & Inclusion Award (EDI), which fully reflects the company's outstanding performance in creating a good workplace environment and its successful practices in diversity, equality and inclusion.
- Yangmei plant was awarded the 2023 Annual Energy Saving Benchmark Award by the Energy Bureau of the Ministry of Economic Affairs.
- Qingshui plant and Yangmei plant received the 2022 Annual Green Procurement Performance Award of Private Enterprises and Groups by the Ministry of Environment.
- The head office, Qingshui plant, and Yangmei plant jointly received the sports enterprise certification from the Sports Administration of the Ministry of Education.
- Ahead market launched "Mayflower interfold kitchen towel", 3-ply paper towel, exclusive honeycomb technology with instant oil and water absorption, and not easy to break benefit, fulfilled consumers' expectation.
- Create high-quality green products for consumers, made of recyclable materials from the inside out.
- Launched Orange House natural laundry liquid pods able to clean the 7 common allergens in clothes, and we work with everyone to protect the earth in daily life.

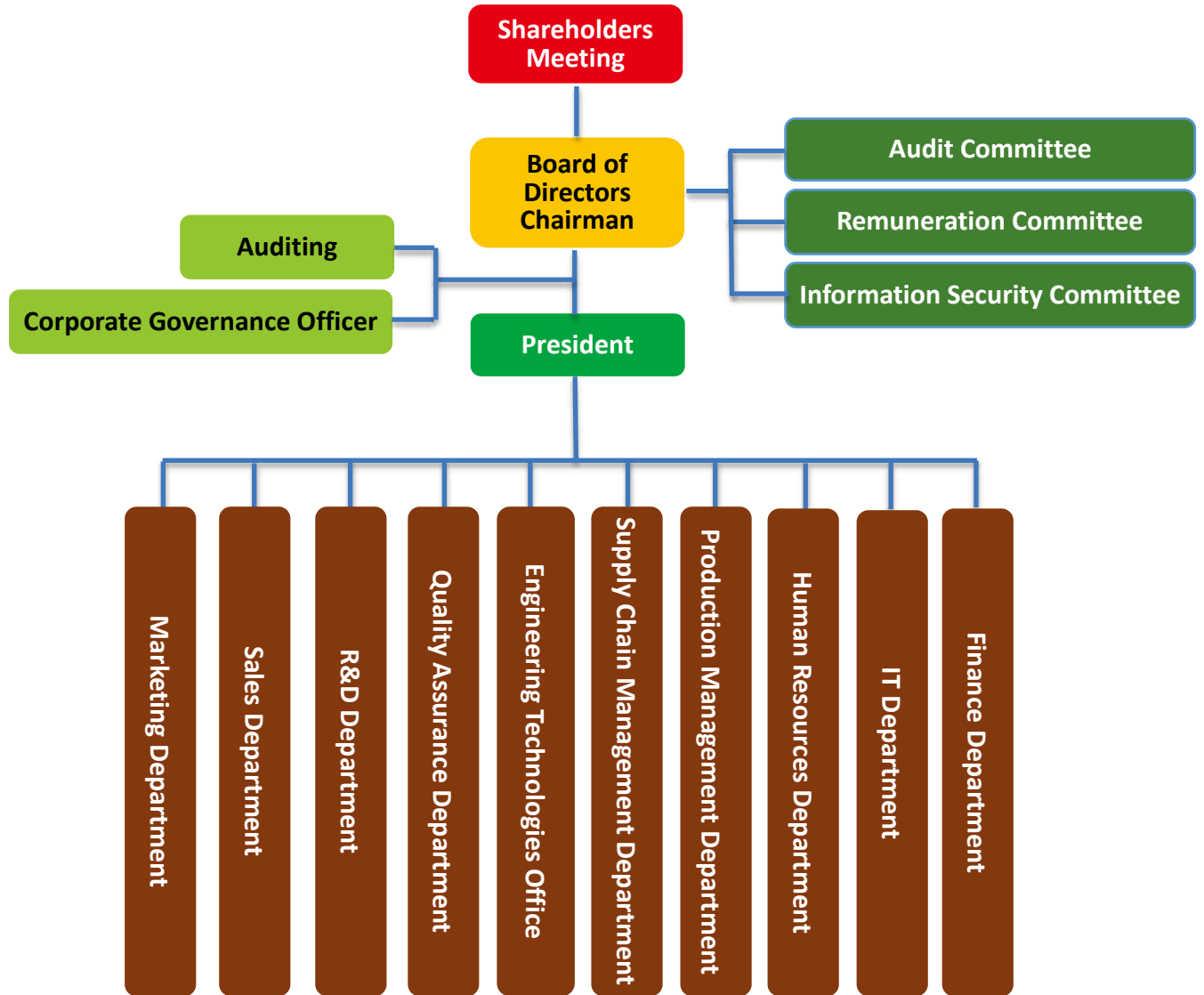


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Corporate Governance Report

I. Organizational Chart



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

(i) Profiles of Directors and Independent Directors

December 31, 2023; Unit: 1,000 shares; %

Title	Nationality or place of registration	Name	Gender/Age		Date elected	Term (Year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			4	5				6	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares			Shareholding percentage	Title	Name	
Chairman	Republic of China	YFY Inc. Representative Felix Ho	Male	0	2020/09/24	3	2006/03/15	158,005	59.15	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	-	-	-	-
								-	-	10	0.004										
Director	Republic of China	YFY Inc. Representative David Lo	Male	0	2022/02/07	3	2022/02/07	158,005	59.15	158,005	59.15	-	-	-	-	<ul style="list-style-type: none"> MBA, Johnson School of Management, Cornell University President, YFY Inc. 	Note 2	-	-	-	-
								-	-	-	-										
Director	Republic of China	YFY Development Corp. Representative Ronald Lee	Male	0	2020/09/24	3	2016/05/13	178,906	73.05	158,005	59.15	300	0.11	-	-	<ul style="list-style-type: none"> B.S. of International Business, Tunghai University Sales Director, YFY Consumer Products Co., Ltd. National Sales Manager, Fonterra Brands (Far East) Ltd., Taiwan Branch (H.K.) Trade Marketing Senior Manager, GSK Far East B.V., Taiwan Branch (Netherlands) Trade Marketing Manager, Bausch & Lomb Taiwan Ltd. Trade Marketing Manager, Procter & Gamble Taiwan Ltd., Marketing Manager, Bausch & Lomb Taiwan Ltd. Product Manager, Procter & Gamble Taiwan Ltd. 	Note 3	-	-	-	-
								585	0.24	-	-										
Director	Republic of China	YFY Development Corp. Representative Shien Xie	Male	0	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	-	-	-	-
								-	-	-	-										

Title	Nationality or place of registration	Name	Gender/Age			Date elected	Term (year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			4	5	6				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Independent Director	Republic of China	Chih-Chien Lin	Male	40	51	2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	• PhD, Institute of Biotechnology, National Tsing Hua University	Note 5	-	-	-	-	
Independent Director	Republic of China	Sherry Hsieh	Female	-	-	2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	• EMBA of Accounting and Management Strategy, National Taiwan University	Note 6	-	-	-	-	
Independent Director	Republic of China	Mei-Li Su	Female	-	-	2020/09/24	3	2020/09/24	-	-	-	-	-	-	-	• B.S. of Accounting, Tamkang University • Director of Audit Department, Deloitte & Touche	Note 7	-	-	-	-	

Note 1: 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, 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, 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.; Chairman, Yuen Foong Co.; Director, Fu Hwa Enterprise Co., Ltd.; Director, Cheng Yu Co.; Supervisor, 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; Chairman, Foongtone Technology Co.,Ltd.

Note 2: Director of the Company; Director, YFY Packaging Inc.; Director, YFY Consumer Products Co., Ltd.; Director, Yuen Foong Yu 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, YFY Biotech Management Company; Director, Taiwan Stock Exchange Corporation; Director, YFY International B.V.; Director, YFY Global Investment B.V.; Director, YFY Mauritius Corp.; Director, Arizon RFID Technology (Cayman) Co., Ltd.; Director, YFY Capital Holdings Corp.; Supervisor, Ensillience Co., Ltd.; Director, Taiwan Venture Capital Association.

Note 3: Director and General Manager of the Company; Director, YFY Investment Co., Ltd.; Director, Yuen Foong Shop Co., Ltd.; Director, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, LiVEBRICKS Inc.; Director, YFY Consumer Products Co.; Chairman, YFY Family Care (Kunshan) Co., Ltd.; Chairman, YFY Consumer Products (Yangzhou) Co., Ltd.

Note 4: 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 5: Independent Director of the Company; 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 6: Independent Director of the Company; Deputy Director of the Liver Disease Prevention & Treatment Research Foundation, Deputy Director of the Taiwan Health Foundation, Deputy Director of the Good Liver Foundation, Director of the Yang Tang-Hai Social Welfare Charity Foundation.

Note 7: Independent Director of the Company; CPA at C&S Certified Public Accountant Firm, Independent Director of Young Qin International Co., Ltd.; Independent Director, Alar Pharmaceuticals Inc.

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: 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 Development Corp. 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 	-	-
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	David Lo	Ronald Lee	Shien Xie	Chih-Chien Lin	Sherry Hsieh	Mei-Li Su
Gender	Male	Male	Male	Male	Male	Female	Female
Age	41-50	51-60	51-60	51-60	41-50	51-60	41-50
Also serves as manager			✓	✓			
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, 2023

Name of Institutional Shareholder	Major Direct Institutional Shareholders	Shareholding percentage
YFY Inc.	S. C. Ho	7.83
	Shin-Yi Foundation	5.66
	Shin-Yi Enterprise Co., Ltd.	4.69
	Yuanta/P-shares Taiwan Dividend Plus ETF	4.45
	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
	Felix Ho	2.14

(2) Major Indirect Institutional Shareholders

December 31, 2023

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

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

December 31, 2023; 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	Ronald Lee	Male	Republic of China	2015/7/13	-	-	300	0.11	-	-	<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 1	-	-	-	-	-
CFO	Daphne Chen	Female	Republic of China	2018/1/1	258 (Note 6)	0.09	-	-	-	-	<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 2	-	-	-	-	-
District General Manager	Shien Xie	Male	Republic of China	2018/8/1	226 (Note 7)	0.08	-	-	-	-	<ul style="list-style-type: none"> BA, Department of Business Administration, Chinese Culture University Vice President, R&D Department, YFY Consumer Products Co., Ltd. 	Note 3	-	-	-	-	-
Deputy General Manager	Carl Chang	Male	Republic of China	2019/7/1	196 (Note 7)	0.07	-	-	-	-	<ul style="list-style-type: none"> PhD, Department of Environmental Engineering, Da-Yeh University Vice President, R&D Department, YFY Consumer Products Co., Ltd. Production Manager, Procter & Gamble Taiwan Ltd. Production Director, Long Chen Paper Co., Ltd. 	Note 4	-	-	-	-	-
Deputy General Manager	Ming-Fa Tang	Male	Republic of China	2010/11/1	153 (Note 7)	0.06	-	-	-	-	<ul style="list-style-type: none"> BS in Chemical Engineering, Tamkang University Deputy General Manager, Engineering Technology Center, YFY Consumer Products Co., Ltd. 	Note 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	Doris Chen	Female	Republic of China	2023/11/1	-	-	-	-	-	-	<ul style="list-style-type: none"> MBA, Yuan Ze University General Manager, Johnson & Johnson Consumer Healthcare Taiwan/Hong Kong National Sales Manager, YFY Consumer Products Co., Ltd. Channel Marketing Manager, Bausch & Lomb Regional Sales Manager, Procter & Gamble Taiwan Ltd. 	-	-	-	-	-	-

Note 1: Director and General Manager of the Company; Director, YFY Investment Co., Ltd.; Director, Yuen Foong Shop Co., Ltd.; Director, Ever Growing Agriculture Bio-tech Co., Ltd.; Director, LIVEBRICKS Inc.; Director, YFY Consumer Products Co.; Chairman, YFY Family Care (Kunshan) Co., Ltd.; Chairman, YFY Consumer Products (Yangzhou) Co., Ltd.

Note 2: Supervisor, Yuen Foong Shop Co., Ltd.; Supervisor, LIVEBRICKS Inc. ; Supervisor, YFY Investment Co., Ltd.; Supervisor, YFY Family Care (Kunshan) Co., Ltd. ; Supervisor, YFY Consumer Products (Yangzhou) Co., Ltd.; Direct, YFY Consumer Products Co.

Note 3: Director and General Manager, YFY Investment Co., Ltd.; Director, YFY Family Care (Kunshan) Co., Ltd.; Director, YFY Consumer Products (Yangzhou) Co., Ltd.

Note 4: Director and General Manager, Ever Growing Agriculture Bio-tech Co., Ltd.

Note 5: Director, YFY Family Care (Kunshan) Co., Ltd.; Director, YFY Consumer Products (Yangzhou) Co., Ltd.

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

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

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

(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, 2023 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			
General Manager	Ronald Lee	15,039	21,328	399	682	5,984	7,996	36	-	47	-	21,457 2.22%	30,054 3.11%	-
CFO	Daphne Chen													
District General Manager	Shien Xie													
Deputy General Manager	Carl Chang													
Deputy General Manager	Ming-Fa Tang													
Deputy General Manager	Doris Chen													

Note: Estimated amount of employee compensation approved by the board of directors on March 13, 2024.

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	Carl Chang	-
NT\$1,000,000 (incl.) - NT\$2,000,000	-	-
NT\$2,000,000 (incl.) - NT\$3,500,000	Shien Xie, Doris Chen	Doris Chen
NT\$3,500,000 (incl.) - NT\$5,000,000	Daphne Chen, Ming-Fa Tang	Daphne Chen, Carl Chang, Ming-Fa Tang
NT\$5,000,000 (incl.) - NT\$10,000,000	Ronald Lee	Shien Xie
NT\$10,000,000 (incl.) - NT\$15,000,000	-	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	6	6

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

December 31, 2023; 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	Ronald Lee	-	36	36	0.00
	CFO	Daphne Chen				
	District General Manager	Shien Xie				
	Deputy General Manager	Carl Chang				
	Deputy General Manager	Ming-Fa Tang				
	Deputy General Manager	Doris Chen				

Note: Estimated amount of employee compensation approved by the board of directors on March 13, 2024.

(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					
	2023		2022		Difference	
	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements	YFYCPG	All companies in the financial statements
General Director	0.87%	0.88%	0.86%	0.88%	0.00%	0.00%
Independent Director	0.46%	0.46%	0.49%	0.49%	-0.04%	-0.04%
General Manager and Deputy General Managers	2.22%	3.11%	3.26%	4.92%	-1.04%	-1.81%

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 conducts an internal performance evaluation of the board of directors every year, and should conduct an evaluation at least once every three years by an external professional independent agency or a team of external experts and scholars. 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. In addition, if there is a profit in the current year, more than 1% will be appropriated as employee remuneration in accordance with Article 26 of the Company's Articles of Association. 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 2023 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 2023 was good with a 97.1% 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 Board of Directors entrusted the Taiwan Investor Relations Association to handle external evaluation of the 2023 performance. They are explained as follows:

Totally 5 meetings (A) of Board of Directors including 2 in the 15th and 3 in the 16th were held in 2023. 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	2	0	100%	15 th term
Director	YFY Inc. Representative: David Lo	2	0	100%	15 th term
Director	YFY Inc. Representative: Ronald Lee	2	0	100%	15 th term
Director	YFY Development Corp. Representative: Shien Xie	2	0	100%	15 th term
Independent Director	Mei-Li Su	2	0	100%	15 th term
Independent Director	Chih-Chien Lin	2	0	100%	15 th term
Independent Director	Sherry Hsieh	2	0	100%	15 th term
Chairman	YFY Inc. Representative: Felix Ho	3	0	100%	16 th term-re-elected in 2023/6/28 (continuing service)
Director	YFY Inc. Representative: David Lo	2	1	66.7%	
Director	YFY Development Corp. Representative: Ronald Lee	3	0	100%	

Director	YFY Development Corp. Representative: Shien Xie	3	0	100%	
Independent Director	Mei-Li Su	3	0	100%	
Independent Director	Chih-Chien Lin	3	0	100%	
Independent Director	Sherry Hsieh	3	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 2023 and as of the publication date of the Annual Report, the Company convened 6 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 14, 2023, the Board discussed the 2022 remuneration for general directors and the distribution method. A conflict of interest existed for directors Felix Ho, David Lo, Ronald Lee, and Shien Xie on this matter; therefore, they recused themselves from discussing and voting on this proposal.

(II) In the Board meeting held on March 14, 2023, the Board discussed the 2022 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 14, 2023, the Board discussed the ratification of the 2022 year-end bonus and performance bonus for managers. A conflict of interest existed for directors Felix Ho, Ronald Lee, and Shien Xie on this matter; therefore, they recused themselves from discussing and voting on this proposal.

(IV) In the Board meeting held on May 11, 2023, during the discussion of the list of candidates for the 16th session of directors and independent directors proposed for election at the Company's 2023 annual shareholders' meeting, directors Felix Ho, David Lo, Ronald Lee and Shien Xie recused themselves from discussing and voting on the proposal due to conflict of interest when deliberating list of director candidates. When deliberating the list of independent director candidates, independent directors Mei-Li Su, Chih-Chien Lin and Sherry Hsieh recused themselves from discussing and voting on the proposal due to conflict of interest.

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 2023 is explained below:

Evaluation cycle	The Company completed the performance evaluation of the Board of Directors, individual Board member and functional committees in 2023 through external evaluation by the "Taiwan Investor Relations Institute".
Evaluation period	From November 1, 2022 to October 31, 2023
Evaluation scope	The scope of the evaluation covers the performance evaluation of the board, individual directors, the Audit Committee, and Remuneration Committee
Evaluation method	The external evaluation agency required the Company to provide the designated documents, distributed self-evaluation questionnaires related to performance evaluation to each director, and collected the questionnaires. Three executive members were assigned to be responsible for the evaluation after issuing independence statements. On December 26, 2023, interviews with the Company's chairman, independent directors, corporate governance officer and audit director were conducted via an online manner. (The external evaluation agency is a non-profit association. Its executive members have expertise in accounting, law, corporate governance, etc. The agency does not have any relationship with the Company that affects its independence, and is therefore professional and independent.)
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;

	<ol style="list-style-type: none"> 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 external evaluation agency issued an evaluation report on January 8, 2024, summarizing the evaluation conclusions and recommendations as follows:</p> <p>(1) Recommendations</p> <ol style="list-style-type: none"> 1. Establish a functional committee of the “Sustainable Development Committee”. 2. Plan that one-third of the next Board of Directors will be female. 3. A single legal entity and its subsidiaries account for less than one-third of the seats of the Board of Directors. 4. The number of directors who are employees does not exceed one third of the number of directors. 5. The Audit Committee or functional committees at the Board of Directors level oversee risk management. 6. Publish CPA-audited annual financial statements within two months after the end of the fiscal year. 7. Invest resources to support domestic cultural development. <p>(2) Improvement plans</p> <ol style="list-style-type: none"> 1. The Company's female directors account for two-thirds of independent directors and nearly one-third of all directors. In the future, the Company will consider its strategic development, industry trends, and business needs to continue to improve the diversity of the Board of Directors. 2. The Company has sponsored the “Taiwan Champion Trees” team since 2021, leveraging the scientific method of big data analysis to jointly search for the tallest tree in Taiwan. We also started to promote youth science and civic and environmental education, thereby conserving Taiwan's biodiversity and integrating ideas and actions to promote sustainable ecological culture.

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 and certification schedule to the 15th meeting of the 15th Board of Directors on March 14, 2023.
 2. It reported the greenhouse gas inventory, certification schedule, allocation and planning of greenhouse gas personnel in each factory to the 16th meeting of the 15th Board of Directors on May 11, 2023.
 3. It reported the greenhouse gas inventory and certification schedule to the 2nd meeting of the 16th Board of Directors on August 10, 2023.
 4. It reported the greenhouse gas inventory, certification schedule, carbon reduction results in 2022, estimated carbon emissions data in 2023, key reports in the 2022 sustainability report, and management progress on climate change risks and opportunities and other related issues to the 3rd meeting of the 16th Board of Directors on November 9, 2023.
- (IV) The Company convened the 4th meeting of the 1st Information Security Committee on May 11, 2023 to formulate information security control guidelines. The manager of the IT Department also reported the implementation status of the 2023 information security work and the 2024 information security work plan in the 1st meeting of the 2nd Information Security Committee on November 9, 2023.
- (V) The Company reported the "2023 Intellectual Property Management Plan and Progress in the Current Year" in the 13th meeting of the 15th Board of Directors on November 9, 2023.
- (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.

2 meetings of the 1st and 2 meetings of the 2ns Audit Committee were held in 2023 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 2022 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. Establishment of the Company's "Sustainability Report Compilation and Verification Procedures".

The Company's "Sustainability Report Compilation and Verification Procedures" have been established in accordance with the "Regulations Governing the Preparation and Filing of Sustainability Reports by Listed Companies" published by the Taiwan Stock Exchange Corporation.

5. Establishment of the Company's "Information Security Management and Control Guidelines".

In order to comply with the provisions of Article 9 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the Company established the "Information Security Management and Control Guidelines" as the highest guiding principle for the Company's information security.

6. Establishment of the Company's "Rules Governing Financial and Business Matters Between the Company and its Related Parties".

In order to provide guidance for the financial and business matters between the Company and its related parties, the Company established the "Rules Governing Financial and Business Matters Between the Company and its Related Parties" with reference to the Sample Template for "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" of the Taiwan Stock Exchange Corporation TWSE No. 1110024366 dated December 23, 2022.

Independent directors' attendance to the Audit Committee meetings in 2023 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	2	0	100%	1st term
Independent Director	Chih-Chien Lin	2	0	100%	1st term
Independent Director	Sherry Hsieh	2	0	100%	1st term
Independent Director	Mei-Li Su	2	0	100%	2nd term-re-elected in 2023/6/28 (continuing service)
Independent Director	Chih-Chien Lin	2	0	100%	
Independent Director	Sherry Hsieh	2	0	100%	

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 2023 and as of the publication date of the Annual Report, the Company convened 5 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
2023/3/14	1st term 14th meeting	<p>(1) Approved the Company's 2022 financial statements proposal.</p> <p>(2) Approved the Company's 2022 dividend distribution proposal.</p> <p>(3) Approved the Company's 2022 "Statement of Internal Control" proposal.</p> <p>(4) Approved the remuneration for the Company's CPAs for 2023.</p> <p>(5) Approved the establishment of the Company's "policy of advance approval for non-assurance services provided by the CPA firm".</p> <p>Approved the establishment of the Company's "Sustainability Report Compilation and Verification Procedures".</p>	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.
2023/5/11	1st term 15th meeting	<p>(1) Approved the Company's 2023 Q1 financial statements.</p> <p>Approved the proposal for the establishment of the Company's "Information Security Management and Control Guidelines".</p>	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.
2023/8/10	2nd term 1st meeting	<p>(1) Approved the Company's 2023 Q2 financial statements.</p> <p>(2) Approved the compliance of the CPAs' independence and accountability after evaluation as required by the Corporate Governance Best Practice Principles for</p>	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.

		<p>TWSE/TPEX Listed Companies with reference to the Audit Quality Indicators (AQIs).</p> <p>Approved the proposal for the establishment of the Company's "Rules Governing Financial and Business Matters Between the Company and its Related Parties".</p>		
2023/11/9	2nd term 2nd meeting	<p>(1) Approved the Company's 2023 Q3 financial statements.</p> <p>Approved the Company's 2024 annual audit plan.</p>	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.
2024/3/13	2nd term 3rd meeting	<p>(1) Approved the Company's 2023 financial statements proposal.</p> <p>(2) Approved the Company's 2023 earnings distribution proposal.</p> <p>(3) Approved the proposal for remuneration for the Company's CPAs for the 2024 and 2025 fiscal years.</p> <p>(4) Approved the amendment of the Company's "Board of Directors Meeting Procedures".</p> <p>(5) Approved the amendment of the Company's "Audit Committee Charter".</p> <p>(6) Approved the amendment of the Company's "Management Regulations for Preventing Insider Trading".</p> <p>Approved the Company's 2023 "Statement of Internal Control" proposal.</p>	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
2023/3/14	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.
2023/3/14	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. Foundry management operation process report. 3. Protection measures optimization report. 	No objection.
2023/3/14	Audit Committee	<ol style="list-style-type: none"> 1. The Chief Auditor reported the implementation status of the audit operations and follow-up of anomalies in 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. Passed as proposed.
2023/5/11	Private meeting of Independent Directors and CPAs	The CPA explained related review status of the 2023 Q1 financial statements, and discussed the financial conditions and business results.	The Independent Directors did not have objections after inquiring and reviewing related conditions.
2023/5/11	Audit Committee	The Chief Auditor reported the implementation status of the audit operations and follow-up of internal control discrepancies and anomalies in 2023 Q1.	Approved and acknowledged.
2023/8/10	Private meeting of Independent Directors and CPAs	The CPA explained related review status of the 2023 Q2 financial statements, and discussed the financial conditions and business results.	The Independent Directors did not have objections after inquiring and reviewing related

			conditions.
2023/8/10	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 2024 audit plan. 3. Protection measures optimization report. 	No objection.
2023/8/10	Audit Committee	The Chief Auditor reported the implementation status of the audit operations and follow-up of internal control discrepancies and anomalies in 2023 Q2.	Approved and acknowledged.
2023/11/9	Private meeting of Independent Directors and CPAs	The CPA explained related review status of the 2023 Q3 financial statements, and discussed the financial conditions and business results.	The Independent Directors did not have objections after inquiring and reviewing related conditions.
2023/11/9	Audit Committee	The Chief Auditor reported the implementation status of the audit operations and follow-up of internal control discrepancies and anomalies in 2023 Q3.	Approved and acknowledged.
2024/3/13	Private meeting of Independent Directors and CPAs	The CPA explained related audits of the 2023 financial statements, and discussed the financial conditions and business results.	The Independent Directors did not have objections after reviewing related conditions and discussions.
2024/3/13	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 2023 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. Passed 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		The Company 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", "Procedures Governing Transactions with Group Enterprises, Specific Companies, and Related Parties" and "Rules Governing Financial and Business Matters Between the Company and its Related Parties", and has established and updated the list of affiliates in accordance with relevant Procedures. Transactions with affiliates are also governed by the Procedures to ensure compliance with general business practices.	Compliant
(IV) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		The Company has established the "Management Regulations for Preventing Insider Trading" to prevent the Company or its internal personnel from unintentionally or intentionally violating related regulations on insider trading due to their unfamiliarity with laws and regulations.	Compliant
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversity policy for the composition of its members and specific management targets?	V		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." 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	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(II) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees?	V		<p>independence of board members.</p> <p>The professional backgrounds of the Company's Board members include expertise in 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.</p> <p>In addition to the Remuneration Committee and the Audit Committee, the Company has also set up an Information Security Committee based on the Company's business needs. The members of the Company's Information Security Committee are appointed by a resolution of the Board of Directors. There are three members, including Felix Ho, Mei-Li Su and Sherry Hsieh, with Mei-Li Su as the convener. The Committee is responsible for assisting the Board of Directors in continuously promoting the implementation of information security management. In 2023, two Information Security Committee meetings were held on May 11 and November 9, respectively. The Company's "Information Security Management and Control Guidelines" were formulated as the Company's highest guiding principle for</p>	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies												
	Yes	No	Summary													
(III) Has the Company established and implemented methods for assessing the performance of the Board of Directors and conducted performance 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?	V		<p>information security, which were then submitted to the Board of Directors for review. Members of the Committee were reported on the implementation of information security work and listened to the suggestions of each Committee member.</p> <p>The Company's Board of Directors approved the establishment of the "Board of Directors Performance Evaluation Guidelines" on December 28, 2020. In 2023, the "Taiwan Investor Relations Institute" was appointed to conduct external evaluation. The external evaluation agency issued an evaluation report on January 8, 2024. The evaluation conclusions and recommendations were compiled for the Company to use as a reference for subsequent development and decision-making of relevant improvement measures, and were reported to the 4th meeting of the 16th Board of Directors on March 13, 2024.</p>	Compliant												
(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</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	Yes	V	Compliant
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Evaluation item	Practice				Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary		
				declaration?	
			2	Does the CPA firm have a system for rotating CPAs?	Yes V
			3	Has the Company ensured that there are no direct or indirect material financial interests between the CPA and the Company?	Yes V
			4	Has the Company ensured that there are no financing or endorsements between the CPA and the Company or directors?	Yes V
			5	Has the Company 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
			6	Has the Company 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
			7	Has the Company 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
			8	Has the Company 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
			9	Has the Company ensured that the CPA is not appointed by the Company to perform routine	Yes V

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies																												
	Yes	No	Summary																													
			<table border="1"> <tr> <td></td> <td>tasks, receive fixed salary, or serve as a director?</td> <td></td> <td></td> </tr> <tr> <td>10</td> <td>Has the Company ensured that the CPA is not involved in the decision-making process of the Company?</td> <td>Yes</td> <td>V</td> </tr> <tr> <td>11</td> <td>Has the Company ensured that the CPA does not provide the Company with appraisal services with material impact on the financial statements or highly subjective appraisals?</td> <td>Yes</td> <td>V</td> </tr> </table>		tasks, receive fixed salary, or serve as a director?			10	Has the Company ensured that the CPA is not involved in the decision-making process of the Company?	Yes	V	11	Has the Company 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																	
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5	Has the CPA maintained adequate communication channels with the	Yes	V																													

Evaluation item	Practice				Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary		
			Company's management, Audit Committee, and Directors?		
			Evaluation indicator 3: Audit Quality Indicators Report (AQIs)		
			1	Is the CPA's audit experience and training hours sufficient?	Yes V
			2	Is the number of hours devoted by the CPAs to the audit and review of the financial statements comparable to those of industry peers?	Yes V
			3	Are the engagement quality control review (EQCR) accountant's evaluation results in the past two years in compliance with regulations?	Yes V
			4	Is the supporting capability of the accounting firm's quality control personnel up to the standards of industry peers?	Yes V
			5	Does the accounting firm have plans to innovate and improve audit quality?	Yes V
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	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		Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?			business execution by directors and independent directors and, updating them on 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	V		The Company regularly discloses information on the corporate website regarding the	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
<p>corporate website to disclose 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</p>	V		<p>Company's financial, business, and corporate governance status.</p> <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>Gradually implemented</p>

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
status for each month ahead of 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. 	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
			<p>5. Stakeholder interests: The Company maintains good channels of communication with employees, customers, and suppliers, and respect and uphold their legal rights and interests. Stakeholders can provide opinions and communicate with the Company at any time. The Company values their opinions and uses them as the basis for future operations.</p> <p>6. Continuing education and training received by directors and supervisors: The Company has set up an Audit Committee which replaced the functions of the 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 equal treatment of shareholders, strengthening the structure and</p>				

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
<p>operation of the board of directors, improving information transparency and promoting sustainable development, and plans to gradually improve the unscored indicators of corporate governance evaluation. Below are some project descriptions:</p> <p>Indicator 2.23: Whether the Company's board of directors performance evaluation method has been approved by the board of directors, clearly stipulates that external evaluation will be performed at least once every three years, and the evaluation has been performed in the year being evaluated or in the past two years, and the implementation status and evaluation results have been disclosed on the Company's website or annual report?</p> <p>The Company conducted an external evaluation by the board of directors in 2023. The external evaluation agency issued an evaluation report on January 8, 2024. The Company has summarized the evaluation results and disclosed the public. In the 2023 corporate governance evaluation, it has obtained this indicator score.</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	2023/8/10	2023/8/10	China Corporate Governance Association	Corporate growth strategies and external innovation	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Net-zero emission trends and paper industry response strategies; carbon rights management and net-zero assistance	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Opportunities in Taiwan for the AI industry; Generative AI accelerates digital transformation and smart manufacturing	3
Institutional Director Representative	David Lo	2023/6/16	2023/6/16	China Corporate Governance Association	Latest corporate M&A normative practices and case studies	3
		2023/7/12	2023/7/12	Talent Training Center of the Securities and Futures Market Development	Advanced Seminar on the Practice of Directors and Supervisors (Including Independent) - Corporate M&A Practice Sharing - Focusing on	3

				Foundation of the Republic of China	Hostile M&A	
		2023/7/25	2023/7/25	China Corporate Governance Association	Common legal issues in corporate merger and acquisition contracts	3
		2023/7/28	2023/7/28	China Corporate Governance Association	How the audit committee interprets and uses audit quality indicators (AQI)	3
		2023/8/18	2023/8/18	Securities & Futures Institute	Establishment of corporate whistleblower protection and reporting system	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Net-zero emission trends and paper industry response strategies; carbon rights management and net-zero assistance	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Opportunities in Taiwan for the AI industry; Generative AI accelerates digital transformation and smart manufacturing	3
		2023/9/12	2023/9/12	China Corporate Governance Association	Corporate growth strategies and external innovation	3
		2023/10/31	2023/10/31	China Corporate Governance Association	Analysis of foreign investment voting practice cases from the perspective of management rights and shareholder activism	3
		2023/11/1	2023/11/1	Taiwan Financial Research and Training Institute	Corporate Governance and Business Sustainability Workshop	3
		2023/11/17	2023/11/17	China Corporate Governance Association	Corporate Governance Supervisor Compliance Practice	3
Institutional Director Representative	Ronald Lee	2023/5/11	2023/5/11	China Corporate Governance Association	The new look of corporate governance under the ESG trend	3
		2023/8/10	2023/8/10	China Corporate Governance Association	Corporate growth strategies and external innovation	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Net-zero emission trends and paper industry response strategies; carbon rights management and net-zero assistance	3
Institutional Director	Shien Xie	2023/5/11	2023/5/11	China Corporate Governance Association	The new look of corporate governance under the ESG trend	3

Representative		2023/8/10	2023/8/10	China Corporate Governance Association	Corporate growth strategies and external innovation	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Opportunities in Taiwan for the AI industry; Generative AI accelerates digital transformation and smart manufacturing	3
Independent director	Mei-Li Su	2023/3/10	2023/3/10	China Corporate Governance Association	The strange global economic situation in 2023	1
		2023/3/29	2023/3/29	China Corporate Governance Association	Seminar on Analysis of Climate Change Response Laws and Corporate Response Strategies	2
		2023/5/11	2023/5/11	China Corporate Governance Association	The new look of corporate governance under the ESG trend	3
		2023/8/10	2023/8/10	China Corporate Governance Association	Corporate growth strategies and external innovation	3
		2023/8/30	2023/8/30	China Corporate Governance Association	Chat GPT's impact on the industry and its response	1
Independent director	Sherry Hsieh	2023/5/11	2023/5/11	China Corporate Governance Association	The new look of corporate governance under the ESG trend	3
		2023/8/10	2023/8/10	China Corporate Governance Association	Corporate growth strategies and external innovation	3
Independent director	Chih-Chien Lin	2023/5/11	2023/5/11	China Corporate Governance Association	The new look of corporate governance under the ESG trend	3
		2023/8/10	2023/8/10	China Corporate Governance Association	Corporate growth strategies and external innovation	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Net-zero emission trends and paper industry response strategies; carbon rights management and net-zero assistance	3
		2023/8/21	2023/8/21	China Corporate Governance Association	Opportunities in Taiwan for the AI industry; Generative AI accelerates digital transformation and smart manufacturing	3

(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 June 28, 2023 to June 27, 2026. The Remuneration Committee held 3 meetings during the past year, and the qualifications and attendance information of each member are listed below:

Title	Name	Attendance in person	Attendance by proxy	Attendance in person rate	Notes
Convener	Mei-Li Su	3	0	100%	-
Committee member	Chih-Chien Lin	3	0	100%	-
Committee member	Sherry Hsieh	3	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
3rd Committee 1st meeting 2023/10/25	<ul style="list-style-type: none"> Approval of salary and remuneration for the Company's new deputy general manager of operations. 	Approved by all committee members as proposed.	The proposal was approved by the Remuneration Committee and filed to the Board of Directors for approval.
3rd Committee 2th meeting 2024/1/25	<ul style="list-style-type: none"> Review of the Company's 2023 manager year-end bonus and performance bonus 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.
3rd Committee 3trd meeting 2024/3/13	<ul style="list-style-type: none"> Review of the Company's 2023 employee remuneration proposal. Review of the Company's 2023 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%	
<p>Other statutory information:</p> <ol style="list-style-type: none"> 1. 4th meeting of the 1st Information Security Committee on May 11, 2023. Reported items: Established of the "Information Security Management and Control Guidelines". 2. 1st meeting of the 2nd Information Security Committee on November 9, 2023. Reported items: 2023 Information Security Work Report and 2024 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 Sustainability Report. The risk management policy is disclosed in "Financial	Compliant

		<p>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 2023:</p> <p>March 14, 2023</p> <p>I. Implementation status of the greenhouse gas inventory and verification schedule.</p> <p>May 11, 2023</p> <p>I. Implementation status of the greenhouse gas inventory and verification schedule.</p> <p>II. Planning for carbon footprint application</p> <p>August 10, 2023</p> <p>I. Implementation status of the greenhouse gas inventory and verification schedule.</p> <p>November 9, 2023</p> <p>I. Implementation status of the greenhouse gas inventory and verification schedule.</p> <p>II. Carbon reduction results in 2022 and estimated carbon emission data in 2023.</p> <p>III. Results of the 2023 Sustainability Report.</p> <p>IV. Management progress of climate change risks and opportunities and other related issues, and responded to the directors' inquiries about relevant details. For details, please see "Information on the Operations of the Board of Directors" in the Corporate Governance Operations of the Company's annual report.</p>	
II. Does the Company perform assessments of risks in	V	The Company's Board of Directors passed the establishment of the "Sustainability and Social Responsibility Guidelines". The Guidelines specified	Compliant

<p>environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?</p>		<p>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 procedures and related persons in charge shall be specific and clear, and the results shall be regularly reported to the Board of Directors and disclosed on the Company's website.</p>	
<p>III. Environmental issues (I) Has the Company established a proper environmental management system based on the characteristics of the industry?</p>	<p>V</p>	<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>	<p>Compliant</p>
<p>(II) Is the Company committed to improving the efficiency of energy</p>	<p>V</p>	<p>The Company actively promotes energy conservation measures. All paper production plants in Taiwan have established an energy management system in</p>	<p>Compliant</p>

<p>usage and using recycled materials which have a low impact on the environment?</p>		<p>accordance with ISO 50001 and continue to pass third-party verification. We saved 4,218 thousand kWh of electricity in 2023, the energy saving is equivalent to a carbon reduction of 2,088 ton-CO₂e.</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 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 Ministry of Environment.</p>	
<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?</p>	<p>V</p>	<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 introduces climate risk assessment and reviews and updates it every year. The Company also identifies risk factors and develops countermeasures, which include strengthening equipment and infrastructure, planning overall environmental management strategies, and establishing environmental</p>	<p>Compliant</p>

		assessment mechanisms. Detailed description of the Company's climate change risks and opportunities are disclosed in the Company's Sustainability Report.																																				
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on greenhouse gas reduction, water reduction, or waste management?	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. In addition to passing the ISO 50001 energy management system certification, paper product production plants in Taiwan also actively conduct greenhouse gas emissions inventories.</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"> <thead> <tr> <th>Item</th> <th>Category</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Reduction of GHG emissions (Unit: ton-CO2e) (note 1)</td> <td>Scope 1</td> <td>59,565</td> <td>62,249</td> </tr> <tr> <td>Scope 2</td> <td>46,409</td> <td>46,745</td> </tr> <tr> <td>Total</td> <td>105,974</td> <td>108,994</td> </tr> <tr> <td>GHG emissions intensity (Unit: ton-CO2e/ton-product)</td> <td>Total</td> <td>1.16</td> <td>1.16</td> </tr> <tr> <td rowspan="2">Water consumption (unit: cubic meters)</td> <td>Source (note 2)</td> <td>1,303,658</td> <td>1,228,316</td> </tr> <tr> <td>Displacement</td> <td>1,006,658</td> <td>1,060,497</td> </tr> <tr> <td rowspan="3">Residual material from the production process of solids (unit: ton)</td> <td>General materials</td> <td>899</td> <td>1,458</td> </tr> <tr> <td>Materials that require recycling or reuse</td> <td>2,688</td> <td>3,059</td> </tr> <tr> <td>Total</td> <td>3,587</td> <td>4,518</td> </tr> </tbody> </table> <p>*Note1: 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</p>	Item	Category	2022	2023	Reduction of GHG emissions (Unit: ton-CO2e) (note 1)	Scope 1	59,565	62,249	Scope 2	46,409	46,745	Total	105,974	108,994	GHG emissions intensity (Unit: ton-CO2e/ton-product)	Total	1.16	1.16	Water consumption (unit: cubic meters)	Source (note 2)	1,303,658	1,228,316	Displacement	1,006,658	1,060,497	Residual material from the production process of solids (unit: ton)	General materials	899	1,458	Materials that require recycling or reuse	2,688	3,059	Total	3,587	4,518	Compliant
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		<p>updated after the verification, it will be updated next year.</p> <p>* Note 2: The main sources of water are groundwater and tap water.</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. By taking stock of the risks and opportunities brought about by climate change, the Company sets short-, medium- and long-term greenhouse gas emission density reduction targets in response to greenhouse gas management actions. For details, please refer to the Company's sustainability report.</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</p>	
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		<p>each plant. Through daily management and monitoring, the optimal control of water consumption can be achieved, and water leakage and expenditure waste caused by aging water pipes or other reasons can be effectively controlled. At the same time, by adding recycled water sterilization equipment and increasing the 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 2023, 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</p>	Compliant

		<p>are as follows:</p> <ol style="list-style-type: none"> 1. Comply with relevant laws and regulations and provide a healthy and safe work environment 2. Ban on child labor and forced labor 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 2023. 7. Operate with 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	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 	Compliant

<p>reflected adequately in employee remuneration?</p>		<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 academic records, work experience, skills, and position. 2. Salary is not determined by gender or age. 3. When employees are promoted, their salaries are adjusted immediately to prepare, incentivize, and retain outstanding talents. <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. ● 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 	
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			benefits, birthday gift, transportation and gift packs for pregnant employees, marriage subsidies, and on-the-job training incentives. We also provide benefits such as maternity subsidies for employees and pre-school books for children.	
(III)	Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V	The Company has dedicated occupational safety and health management personnel and workers' health services and nursing staff 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". No fire accident happened in 2023.	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	Compliant

		<p>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 2023, the total training hours totaled 36,014 hours with an average of 28 hours per employee. During the annual performance interview, supervisors and employees discuss and formulate the Individual Development Plan (IDP) to help employees create their own development plans through regular reviews and feedback.</p>		
(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,	V	<ul style="list-style-type: none"> ● The Company upholds the values of integrity, trust, and innovation in its business operations and practices corporate social responsibility. With the goal of establishing a long-term and stable supply chain, we have formulated clear supplier management measures, specifying suppliers' requirements on issues such as environmental protection, occupational safety and health, or labor rights, and implementing inspections and 	Compliant

<p>or labor and human rights? If so, describe the implementation results.</p>		<p>implementation status.</p> <ul style="list-style-type: none"> ● New suppliers must be selected according to the implementation details of the Supplier Management Measures, and then conduct supplier evaluation. Only after they are listed as qualified manufacturers can they proceed with subsequent procurement cooperation. ● New suppliers are audited based on the supplier evaluation process on "operation and management capabilities", "production and technical capabilities", and "quality system capabilities". In response to the global emphasis on the environment and social sustainability, we have implemented and required suppliers to protection, employee health, safety and sanitation, attention to human rights and other issues, and jointly fulfill corporate social responsibilities. ● The supplier performance evaluation section regularly reviews the performance results of suppliers in aspects such as "quality", "cost", "delivery" and "service", and holds QBR meetings (quality and business review meeting) every quarter. Quality assurance, procurement and suppliers conduct coaching, communication and continuous improvement activities based on the performance evaluation results. ● Annual supplier audits include regular inspections of quality processes, environmental protection, occupational safety and health or labor rights, etc. to ensure that the products and services provided by suppliers meet the Company's requirements. <p>Implementation status of supplier management activities in 2023:</p> <ul style="list-style-type: none"> ● Conducted a total of 27 QBR meetings ● A total of 35 supplier management and coaching activities ● Completed the evaluation of 9 new suppliers, 8 qualified suppliers, and the proportion of passing the evaluation reached 88.9% ● Completed regular evaluation of 75 suppliers, 75 qualified suppliers, and 	
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			<p>100% passed the evaluation</p> <ul style="list-style-type: none"> Completed the annual audit of 32 suppliers, 32 qualified suppliers, and the audit passing rate reached 100% 	
V. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as sustainability reports? Have the aforementioned reports obtained assurance from a third-party verification unit?	V		The Company prepare a sustainability report every year in accordance with the international GRI standards since 2022. For the first report, it entrusted a third-party certification agency to perform independent assurance of the report, and obtained the type 1 moderate-level assurance of AA1000 Assurance Standard v3. Type 2 moderate-level will be obtained from 2024. Relevant guarantee statements are publicly disclosed on the Company's website and in the appendix of the sustainability report.	Compliant
<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> <ol style="list-style-type: none"> Environmental protection achievements: <ol style="list-style-type: none"> Yangmei plant was awarded the 2023 Annual Energy Saving Benchmark Award by the Energy Bureau of the Ministry of Economic Affairs. Yangmei plant - Won the Taoyuan City Government's Green Procurement Performance Commendation (for 5 consecutive years) Qingshui plant and Yangmei plant were awarded the 2022 Annual Green Procurement Performance Award for Private Enterprises and Groups by the Ministry of Environment (awarded in December 2023) Create high-quality green products for consumers. Orange House natural laundry capsules made of recyclable materials from the inside to the outside can clean the 7 common allergens in clothes, and work with everyone to protect the earth in daily life. Social engagement achievements: <ol style="list-style-type: none"> Qingshui plant, Yangmei plant, and Ever Growing took the initiative to cooperate with local community village chiefs and police stations in their respective jurisdictions to launch the "Warmth Sending Campaign in Cold Winter" to provide social warmth at the end of the year, 				

donating household paper, anti-bacteria cleaning products are provided to local disadvantaged families, hoping to have a clean and comfortable New Year accompanied by high-quality products.

(2) In 2023, Head Office, Yangmei plant, Qingshui plant, Ever Growing, Yangzhou plant, and Kunshan plant donated a total of approximately 1,500 boxes of household paper and various cleaning and antibacterial products to help take care of disadvantaged social welfare groups and local disadvantaged families.

(3) Since from 2021, the Company supports the "Tree Finder" team to jointly search for the tallest tree in Taiwan. While the team continues to expand the information on giant trees, it simultaneously promotes youth science and citizen environmental education. For two consecutive years, it has been in Nan'ao, Yilan. Township, and the Baxianshan Education Park in Heping District, Taichung, hold a "Natural Science Camp" for children aged 12 to 18. In 2023, it expanded to the second round. It is hoped that the precious science knowledge and the enthusiasm of the team of tree hunters will be used. Children know and learn.

(4) Qingshui plant serves as a member of the Taiwan Occupational Safety and Health Management System Central Promotion Association to assist in the promotion of Taiwan's Occupational Safety and Health Management System.

3. Corporate governance achievements:

(1) Recieved the 2023 16th TCSA Taiwan Business Sustainability Award "Sustainability Report-Silver Award" and the "Taiwan Sustainability Enterprise Excellence Award" in the comprehensive sustainability performance category.

(2) Recieved the "Best Companies to Work for In Asia" award from Asia's authoritative human resources magazine "HR Asia" for three consecutive years, and also received the HR ASIA Diversity, Equity & Inclusion Award (EDI) at the same time. Fully It reflects the Company's outstanding performance in creating a good workplace environment and its successful practices in diversity, equality and inclusion.

(3) Recieved the Taiwan Sustainability Assessment 2023 Grade A (15-25%) assessment rating.

(4) Head Office, Qingshui plant, and Yangmei plant were awarded the "2023 CHR Healthy Corporate Citizen" committed enterprise seal by "Health Magazine".

(5) Head Office, Qingshui plant, and Yangmei plant were awarded sports enterprise certification by the Sports Administration of the Ministry of Education.

(II) Environmental protection and circular economy

1. Cherish resources and reduce waste. Qingshui and Yangmei plants used SRF solid renewable fuel and LPG to replace coal. The annual coal replacement effect reached 10,013 metric tons of coal.

2. The energy saving results of Taiwan's major paper production plants in 2023 totaled 4,218 kWh, reducing more than 2,000 tons CO2e.

(III) Public welfare:

1. Conducted blood donation activities, invite residents around the factory and employees' families to participate, and provide toilet paper to donors.
 2. Established good neighborly relations. Qingshui plant supported the Haifengli office in organizing lectures, assisting residents in measuring blood pressure, and giving away toilet paper.
 3. Cooperated with the Environmental Protection Agency of the Executive Yuan to promote corporate road adoption policies and fulfill corporate social responsibilities. Water treatment plants and bayberry plants assist in the adoption and cleaning of surrounding roads. The Company worked with the master program of the Department of Forestry, National Chung Hsing University in setting up an industry-academia cooperation project.
- (IV) Industry-academia cooperation: Promoted the fourth item of the Sustainable Development Goals (SDGs) "Quality Education" and participate in the "Xingxing School Corporate Mentor" program of National Chung Hsing University to implement the cooperation between the school and enterprises to provide students with practical lectures and jointly promote educational development.
- (V) Occupational safety and health
1. The Company regularly organized on-the-job safety and health training, fire escape drills, and regular CPR and AED first aid training.
 2. Organized occupational safety week activities, enhance safety awareness through activities, and optimize or strengthen safety and health matters through interactive information sharing.
 3. We implemented prevention measures according to the epidemic situation of epidemic diseases, conduct seasonal influenza vaccination and preventive publicity.
 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

Climate-related information for listed OTC companies

1. Climate-related information implementation status

Item	Implementation status
<p>1. Describe Board of Directors and management oversight and governance of climate-related risks and opportunities.</p> <p>2. Describe how the identified climate risks and opportunities impact the Company's business, strategy and finances (short-term, medium-term, long-term).</p> <p>3. Describe the financial impact of extreme climate events and transformation actions.</p> <p>4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.</p>	<p>1. There is a "Sustainability Office" under the Board of Directors to ensure the effectiveness of climate change risk management. Based on the climate risk and opportunity management operational structure, each department conducts self-assessment and risk identification operations every year based on the "internal control system self-assessment operating procedures". The Audit Office will compile the internal control self-assessment data, prepare a Statement on Internal Control and submit it to the Board of Directors. The "Sustainability and Social Responsibility Guidelines" formulated in 2020 clearly stipulates that the impact on the environment should be fully considered when engaging in operational activities and executing business. The Company should also reduce the negative impact of corporate operations on the environment (especially climate change), and formulate strategies, establish goals, implement action plans and conduct regular reviews. The report on climate change risks and opportunities has been submitted to the Board of Directors in 2023 Q4 to continue to pay attention to the issues and difficulties. After the meeting, based on the opinions and supervision of the Board of Directors, relevant response actions and budgets will be formulated.</p> <p>2. According to the climate change risk and opportunity matrix, the probability of occurrence and the degree of financial impact are multiplied with each other to determine the significance. A total of 5 major transformation risks, 1 physical risk and 3 climate-related opportunities were identified in order of significance. The Company will continue to supervise and manage environmental performance from three aspects, namely energy management, water management, emissions and waste management, and move towards the Company's long-term net zero goal in 2050.</p> <ul style="list-style-type: none"> ● Energy management: Implementing greenhouse gas emission reduction, setting annual power saving rate, increasing the use of alternative fuels in response to the 2030 net-zero transformation path of the manufacturing department, improving the transformation technology for low-carbon/energy efficiency to promote green production, and launching carbon footprint product applications ● Water management: Promoting water resources improvement projects, improving water recycling treatment efficiency, and formulating additional water-saving measures ● Emissions and waste management: Complying with boiler air pollutant emission standards and implementing resource recycling <p>3. Extreme weather events such as typhoons, floods or droughts may increase operating costs due to increased drought and water shortage periods, water usage costs and additional water consumption expenses. In addition, the tightening of environmental protection regulations in recent years, such as greenhouse gas emission regulations, water consumption fees and carbon fees, as well as the more low-carbon fuels used for transformation may increase the operating costs for equipment renewal.</p> <p>4. The Company adopts a scientific and systematic approach to introduce the TCFD climate change risk and opportunity identification process. It refers to the research</p>

Item	Implementation status
<p>5. If scenario analysis is used to assess resilience to climate change risks, describe the scenarios, parameters, assumptions and analysis factors used and main financial impacts.</p> <p>6. If there is a transformation plan to manage climate-related risks, describe the contents of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.</p> <p>7. If internal carbon pricing is used as a planning tool, describe the price setting basis.</p> <p>8. If climate-related goals are set, describe the information such as the activities covered, the scope of greenhouse gas emissions, the planning schedule, and annual achievement progress. If carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, describe the source and quantity of the carbon reduction credits offset or the number of renewable energy certificates (RECs).</p> <p>9. Greenhouse gas inventory and assurance status (fill in 1-1 separately).</p>	<p>results of international authoritative institutions, third-party reports, peer companies and domestic and foreign benchmark companies to screen out the transformation and entity risks and opportunities related to the daily necessities manufacturing and sales industry. Through cross-department discussions and workshops at production sites in various regions, the Company assesses the financial impact and likelihood of climate impact risks and opportunities, formulate major climate-related risks and opportunities regarding the Company's operations, formulate corresponding management strategies and response measures, and execute response action plans. The process of managing climate-related risks and opportunities is convened by the Sustainability Office and integrated into the Company's risk management procedures. Operational risks are distributed and managed by various departments according to their functions, and the audit department regularly and project-examines the implementation and compliance of the regulations, systems, and procedures of each department.</p> <p>5. Scenario analysis and assessment mainly adopts "climate change risk and opportunity assessment" to carry out mitigation and adaptation based on the results to strengthen decision-making quality. Consumer products adopt Nationally Determined Contribution (NDC) and Representative Concentration Pathway (RCP) scenario simulation to analyze the impact of transformation and physical risks and opportunities that may be faced by the Company's strategy, in order to evaluate or adjust related response strategies. The industry-specific supplemental guidelines recommend that organizations with annual revenue in excess of US\$1 billion should consider conducting enhanced scenario analysis to assess the resilience of their strategies under various climate-related scenarios. Therefore, the Company refers to the well below 2°C and the 1.5°C scenarios of the science based target (SBT) when assessing transformation risks. Please refer to the Company's Sustainability Report for details.</p> <p>6. In order to mitigate climate change, the Company uses unit greenhouse gas emission density, annual electricity saving rate, alternative fuel rate, and the number of carbon footprint product applications as the main key indicators for quantitative assessment, and also sets water consumption reduction and waste recycling rate as indicators. Please refer to the Company's Sustainability Report for details.</p> <p>7. The Company does not use internal carbon pricing as a planning tool.</p> <p>8. The Company's emission reduction boundary covers Taiwan's major paper product production sites, aiming to reduce greenhouse gas emission intensity by 5% in 2025, reduce carbon emissions by 8% in 2030, and achieve 2050 net-zero emissions. The Company has dedicated personnel responsible for greenhouse gas inventory, who conducts inventory of greenhouse gas emission sources in the plants, strives to implement various reduction measures, registers the inventory results after verification by a reputable third-party agency in the national greenhouse gas registry platform (Taiwan plants), and discloses them in the Sustainability Report.</p> <p>9. See below.</p>

1-1 The Company's greenhouse gas inventory and confirmation status in the last two years

Greenhouse gas inventory and assurance status

<p>Basic information of the Company</p> <p><input type="checkbox"/> Company with capital amount of more than NT\$10 billion, steel industry, cement industry</p> <p><input type="checkbox"/> Company with capital amount of more than NT\$5 billion but less than NT\$10 billion</p> <p><input checked="" type="checkbox"/> Company with capital amount of less than NT\$5 billion</p>	<p>According to the provisions of the sustainable development roadmap of listed companies, at least the following should be disclosed</p> <p><input checked="" type="checkbox"/> Parent company only inventory</p> <p><input type="checkbox"/> Consolidated financial statements subsidiaries inventory</p> <p><input type="checkbox"/> Parent company only assurance</p> <p><input type="checkbox"/> Consolidated financial statements subsidiaries assurance</p>
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1-1-1 Information on greenhouse gas inventory

<p>Describe greenhouse gas emissions in the past two years (tons CO₂e), intensity (tons CO₂e/million NTD) and data coverage.</p>
<p>The greenhouse gas disclosure boundary covers all production sites in Taiwan and mainland China. Greenhouse gas emissions in 2022 amounted to 199,645 tons CO₂e (scope 1 being 60,569 tons CO₂e and scope 2 being 139,077 tons CO₂e). Emission intensity amounted to (tons 19.72 CO₂e/million NTD). Greenhouse gas emissions in 2023 amounted to 202,883 tons CO₂e (scope 1 being 62,949 tons CO₂e and scope 2 being 139,934 tons CO₂e). Emission intensity amounted to (tons 19.76 CO₂e/million NTD).</p>

1-1-2 Information on greenhouse gas assurance

<p>Describe the assurance status in the last two years as of the publication date of the annual report, including the scope of the assurance, the organization of the assurance, the criteria for the assurance and the opinion of the assurance.</p>
<p>The Company has completed the greenhouse gas verification by a third-party assurance agency in 2022, and the verification schedule for 2023 is under planning. Among the total greenhouse gas emissions disclosed by the Company in 2022, 199,645 tons of CO₂e were confirmed to be in compliance with the ISO 14064-1 standards and the Management Measures for Greenhouse Gas Emissions Inventory Registration (105.01.05), and the Greenhouse Gas Emissions Inventory Operation Guidelines (2022.05) and other laws and regulations, as well as the latest regulations on the enterprise greenhouse gas emissions information platform issued by the Ministry of Environment's Climate Change Agency. The opinion is a reasonable guarantee. Assurance agency of the Qingshui plant, Yangmei plant and Ever Growing is DNV, and that of the Yangzhou plant and Kunshan plant in the mainland China is SGS.</p>

1-2 Greenhouse gas reduction goals, strategies and specific action plans

<p>Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, specific action plans and achievement of reduction targets.</p>
<p>The Company uses 2018 as the base year (1.27 metric tons of CO₂e is emitted per metric ton of product), and the target boundary scope is Taiwan's major paper products plants. It has set emission reduction targets (Scope 1 + Scope 2) with greenhouse gas emission density reaching 5% carbon reduction by 2025, reducing carbon emissions by 8% in 2030, and achieve net-zero carbon emissions in 2050. In 2023, GHG emissions intensity is 1.16 tons of CO₂e per metric tons of product, a decrease of 9% compared with the base year (2018). The Company's response strategies and specific action plans are:</p> <ol style="list-style-type: none"> (1) Use unit energy consumption as a production indicator, review it regularly, and include it in the mid- to long-term plan for equipment renewal. (2) Factory area energy-saving measures, energy system tracking and management, improve factory area energy-saving measures, energy system tracking and management, and improve energy efficiency. (3) Focus on replacing coal with alternative fuels and continue to expand the use of low-carbon energy sources such as biomass fuels, natural gas, and alternative fuels. (4) Continue to implement the promotion of circular economy.

(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		<p>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 2023, 216 new employees attended training program to propagate Code of Operation Integrity and formal grievance procedure and total man-hours amounted to 160 hours.</p> <p>The Company has planned to provide</p> <p>Every year the Company constantly update related ethical management online courses and use the LMS learning and management system to provide all employees with online learning. 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). In 2023, 774 people participated in online and in-person courses and total man-hours amounted to 758 hours.</p>	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		<p>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.</p>	Compliant
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be	V		<p>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 mechanisms in its <i>Ethical Corporate Management Operating Procedures and Code of Conduct</i>.</p>	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 adopt measures to prevent whistleblowers from improper treatment for filing the report? adopted after the investigation, as well as relevant confidential mechanisms?	V		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.	Compliant
IV. Reinforcing information disclosure (I) Has the Company disclosed its corporate ethical management principles and progress onto its website and the Market Observation Post System?	V		Important internal policies and the operation of audit units are disclosed on the Company website.	Compliant
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> .				
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.				

(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 2023

Course	Organizer	Date	Hours	Participating Members
The new look of corporate governance under the ESG trend.	Human Resources Department	2023/5/11	3	28 individuals including Ronald Lee, Shien Xie, Sherry Hsieh, Mei-Li Su, Chih-Chien Lin, Daphne Chen, Carl Chang, Edward Hung and main managers of each unit.
Corporate growth strategies and external innovation	Human Resources Department	2023/8/10	3	33 individuals including Felix Ho, Ronald Lee, Shien Xie, Sherry Hsieh, Mei-Li Su, Chih-Chien Lin, Daphne Chen, Carl Chang, Edward Hung and main managers of each unit.
Net-zero emission trends and paper industry response strategies; carbon rights management and net-zero assistance	YFY Inc.	2023/8/21	3	8 individuals including Felix Ho, Ronald Lee, Chih-Chien Lin, Carl Chang, Ming-Fa Tang, Julia Ou, Hands Ben, and Edward Hung.
Opportunities in Taiwan for the AI industry; Generative AI accelerates digital transformation and smart manufacturing	YFY Inc.	2023/8/21	3	6 individuals including Felix Ho, Shien Xie, Chih-Chien Lin, Daphne Chen, Carl Chang, 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 Insider Trading Prevention Promotion Conference and Instructions on Legal Compliance for Insider Equity Transactions in 2023 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 13, 2024

In 2023, 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, 2023 (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 Wednesday, March 13, 2024; 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 2023 shareholders' meeting (June 28, 2023) (summary)

- (1) Approved the acknowledgment of the Company's 2022 financial statements.
- (2) Ratification of the Company's 2022 earnings distribution proposal.
- (3) 16th election for 4 director seats, 3 independent director seats.
- (4) Proposal for the removal of the non-compete clause for the Company's new Directors and the institutional entities they represent.

Implementation of resolutions of the 2023 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 2022, the Company's cash dividends of ordinary stock were NT\$2.3 per share; the ex-dividend date was July 23, 2023, and the distribution date for dividends was August 17, 2023.
- (3) The Company has formed the 16th Board of Directors in accordance with the election results of the shareholders' meeting and registered the change of directors on July 18, 2023.
- (4) In accordance with the resolution of the shareholders' meeting, the Company has removed the non-compete clause for the Company's new directors and the institutional entities they represented.

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

2. 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".
 - (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".
3. Important resolutions of the 16th meeting of the 15th Board of Directors (May 11, 2023) (summary)
 - (1) Approved the Company's 2023 Q1 financial statements.
 - (2) Approved the Company's interbank lending credit line application.
 - (3) Approved a resolution to finance YFY's existing loans from banks and replenish the medium-term operational budget as well as improve YFY's capital structure via a five-year syndicated loan with Bank of Taiwan, First Bank and Hua Nan Bank as lead banks.
 - (4) Approved the proposal for the establishment of the "Information Security Management and Control Guidelines".
 - (5) Approved the nomination of the Company's list of the Director and Independent Director candidates for the 16th term to the 2023 shareholders' meeting.
 4. Important resolutions of the 1st meeting of the 16th Board of Directors (June 28, 2023) (summary)
 - (1) Approved a resolution to elect the Company's 16th Chairman.
 - (2) Approved a resolution to appoint the Company's 2nd Audit Committee members.
 - (3) Approved a resolution to appoint the Company's 3rd Remuneration Committee members.
 - (4) Approved a resolution to appoint the Company's 2nd Information Security Committee members.
 5. Important resolutions of the 2nd meeting of the 16th Board of Directors (August 10, 2023) (summary)

- (1) Approved the Company's 2023 Q2 financial statements.
 - (2) Approved the Company's interbank lending credit line application.
 - (3) Approved the proposal for the establishment of the "Rules Governing Financial and Business Matters Between the Company and its Related Parties".
6. Important resolutions of the 3rd meeting of the 16th Board of Directors (November 9, 2023) (summary)
- (1) Approved the Company's 2023 Q3 financial statements.
 - (2) Approved the Company's 2024 budget and 2024 Business Plan.
 - (3) Approved the Company's 2024 annual audit plan.
 - (4) Approved the Company's interbank lending credit line application.
 - (5) Approved a resolution to appoint Deputy General Manager of operations.
7. Important resolutions of the 4th meeting of the 16th Board of Directors (March 13, 2024) (summary)
- (1) Approved the Company's 2023 financial statements and submitted them to the shareholders' meeting for ratification.
 - (2) Approved the Company's 2023 earnings distribution proposal and submitted it to the shareholders' meeting for ratification.
The Company's 2023 net income after taxes were reported at NT\$965,992,135; accumulated surplus in terms of undistributed earnings from the previous year was reported at NT\$419,780,016; remeasurement of defined benefit plans (after tax) was reported at NT\$2,854,400. The total of NT\$1,382,917,751 was available for distribution. Excluding NT\$96,313,774 which must be allocated as legal reserve and NT\$36,679,103 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\$448,537,811 was reserved for distribution in the following year.
 - (3) Approved the proposal for remuneration for the Company's CPAs for the 2024 and 2025 fiscal years.
 - (4) Approved the Company's 2023 employee and director remuneration proposals and submitted them to the shareholders' meeting.
In 2023, the Company set aside NT\$11,850,000 as remuneration for employees and NT\$12,150,000 as remuneration for directors. Approved the Company's 2023 year-end bonus and performance bonus proposal for managers.
 - (5) Approved the amendments to the Company's "Articles of Incorporation" and submitted it to the shareholders' meeting for approval.
 - (6) Approved the amendment of Company's "Rules of Procedure for Shareholders' Meeting" and submitted it to the shareholders' meeting for approval.
 - (7) Approved the amendment of Company's "Procedures for the Election of Directors and Supervisors" and submitted it to the shareholders' meeting for approval.
 - (8) Approved the amendment of the "Rules of Procedure for the Board of Directors' Meetings" and reported it to the shareholders' meeting.
 - (9) Approved the amendment of the Company's "Audit Committee Charter".

- (10) Approved the amendment of the Company's "Management Regulations for Preventing Insider Trading".
 - (11) Approved the time, location, agenda, and other relevant matters regarding the 2024 shareholders' meeting.
 - (12) Approved the Company's 2023 "Statement of Internal Control".
 - (13) Approved the Company's interbank lending credit line application.
 - (14) Approved the Company's roles as the co-maker of promissory notes for subsidiaries' interbank lending credit line applications.
8. 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\$2.3 cash dividend of per share, and submitted it to the board meeting for approval.
 - (3) Approved the Company's 2022 "Statement of Internal Control" 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 meeting for approval.
 9. Important resolutions of the 15th meeting of the 1st Audit Committee (May 11, 2023) (summary)
 - (1) Approved the Company's 2023 Q1 financial statements and submitted it to the board meeting for approval.
 - (2) Approved the formulation of the Company's "Information Security Management and Control Guidelines" and submitted it to the board meeting for approval.
 10. Important resolutions of the 1st meeting of the 2nd Audit Committee (August 10, 2023) (summary)
 - (1) Approved the Company's 2023 Q2 financial statements and submitted it to the board meeting for approval.
 - (2) Approved the compliance of the CPAs' independence and accountability after evaluation as required by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies with reference to the Audit Quality Indicators (AQIs) and reported it to the board meeting.
 - (3) Approved the proposal for the establishment of the Company's "Rules Governing Financial and Business Matters Between the Company and its Related Parties" and submitted it to the board meeting for approval.
 11. Important resolutions of the 2nd meeting of the 2nd Audit Committee (November 9, 2023) (summary)
 - (1) Approved the Company's 2023 Q3 financial statements and submitted it to the board meeting for approval.

(2) Approved the Company's 2024 annual audit plan and submitted it to the board meeting for approval.

12. Important resolutions of the 3rd meeting of the 2nd Audit Committee (March 13, 2024) (summary)

(1) Approved the Company's 2023 financial statements and submitted them to the Board of Directors for approval.

(2) Approved the Company's 2023 earnings distribution proposal with NT\$3 cash dividend of per share, and submitted it to the board meeting for approval.

(3) Approved the proposal for remuneration for the Company's CPAs for the 2024 and 2025 fiscal years and submitted it to the board meeting for approval.

(4) Approved the amendment of the Company's "Board of Directors Meeting Procedures" and submitted it to the board meeting for approval.

(5) Approved the amendment of the Company's "Audit Committee Charter" and submitted it to the board meeting for approval.

(6) Approved the amendment of the Company's "Management Regulations for Preventing Insider Trading" and submitted it to the board meeting for approval.

(7) Approved the Company's 2022 "Statement of Internal Control" and submitted it to the board meeting for approval.

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

(XIII) Resignation and dismissal of professional managerial officers, including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer, Chief Internal Auditor, and Corporate Governance Officer in the past year and up to the print date of this annual report: This event did not occur at the Company.

V. Information on Fees to CPA

Unit: NT\$ 1,000

Name of accounting firm	Name of CPAs	Audit period	Audit fee	Non-audit fee	Notes
Deloitte and Touche Taiwan	Shu-Chuan Yeh	2023/01/01~2023/12/31	4,570	505	
	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	2023		2024 as of April 27	
		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	10,000	-	6,000	-
Director	YFY Inc.	-	-	-	-
	Representative: David Lo	-	-	-	-
Director and General Manager	YFY Development Corp.	-	-	-	-
	Representative: Ronald Lee	(320,000)	-	-	-
Director and District General Manager	YFY Development Corp.	-	-	-	-
	Representative: Shien Xie	-	-	-	-
Independent Director	Chih-Chien Lin	-	-	-	-
Independent Director	Sherry Hsieh	-	-	-	-
Independent Director	Mei-Li Su	-	-	-	-
CFO	Daphne Chen	(7,000)	-	-	-
Deputy General Manager	Carl Chang	-	-	-	-
Deputy General Manager	Ming-Fa Tang	-	-	-	-
Deputy General Manager	Doris Chen (Note 1)	-	-	-	-
Head of Governance Affairs	Edward Hung	-	-	-	-

Note 1: Appointed as deputy general manager on November 1, 2023.

(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 27, 2024; 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	2,005,800	0.75	-	-	-	-	-	-	-
YFYCPG Employee Stock Trust Management Committee Representative: Chris Lo	20,000	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	
Mega Securities Co., Ltd.	1,747,000	0.65	-	-	-	-	-	-	-
Mega Securities Co., Ltd. Representative: Peijun Chen	-	-	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd.	1,625,663	0.61	-	-	-	-	-	-	-
Jucheng Investment & Management Co., Ltd. Representative: Cheng-Hsiung Lien	-	-	-	-	-	-	-	-	-
Xiang Ding Investment Co., LTD.	1,470,000	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, 2023 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	100.0
Ever Growing Agriculture Bio-tech Co., Ltd.	18,246	85.0	-	-	18,246	85.0
Yuen Foong Shop Co., Ltd.	5,000	100.0	-	-	5,000	100.0
LiVEBRiCKS Inc.	200	100.0	-	-	-	100.0
YFY Consumer Products, Co.	-	100.0	-	-	-	100.0
YFY Investment Co., Ltd.	-	100.0	-	-	-	100.0
YFY Family Care (Kunshan) Co., Ltd.	-	100.0	-	-	-	100.0
YFY Consumer Products (Yangzhou) Co., Ltd.	-	100.0	-	-	-	100.0
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	100.0	-	-	-	100.0



Chapter 4. Fundraising

I. The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, Restricted Shares and Mergers (including Mergers, Acquisitions, and Demergers)	88
II. Implementation of Capital Allocation Plan	93

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 27, 2024; Unit: Person; share; %

Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	-	7	102	14,174	72	14,355
Number of shares	-	2,329,742	209,915,762	47,670,670	7,212,847	267,129,021
Shareholding ratio	-	0.87	78.58	17.85	2.70	100

(III) Shareholding distribution status

April 27, 2024; 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	14,355	267,129,021	100

Preferred stock

April 27, 2024

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

(IV) List of major shareholders

April 27, 2024; 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
CTBC Venture Capital Co., Ltd.		12,000,000	4.49
YFY Development Corp.		5,136,400	1.92
YFYCPG Employee Stock Trust Management Committee		2,005,800	0.75
Mei-Yu Ho		1,899,596	0.71
Chi Lin Investment Co., Ltd.		1,820,376	0.68
Mega Securities Co., Ltd.		1,747,000	0.65
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 27, 2024; Unit: NT\$; thousand shares; %

Item	Year		2022	2023	Current year up to the print date of this annual report
Market price per share	Highest		50.00	43.70	53.50
	Lowest		34.25	34.95	41.55
	Average		41.49	38.75	46.23
Net asset value per share	Before distribution		19.92	21.08	-
	After distribution		17.62	18.08 (Note 1)	-
Earnings per share	Weighted average number of shares (thousand shares)		267,129	267,129	267,129
	Earnings per share		2.55	3.62	-
Dividend per share	Cash dividends per share		2.3	3	-
	Stock dividends	Earnings	-	-	-
		Capital surplus	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	PE ratio (Note 2)		16.27	10.71	-
	Price dividend ratio (Note 3)		18.04	12.92	-
	Cash dividend yield (Note 4)		5.54%	7.74%	-

Note 1: The 2023 earnings distribution proposal has yet been approved by the 2024 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 2023, the company's board of directors resolved to distribute NT\$801,387,063 in cash dividends, the equivalent of NT\$3 per share.

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

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

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

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

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

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

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

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

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

3. Remuneration proposals approved by the Board of Directors:

(1) In 2023, the remuneration distributed to employees was NT\$11,850,000 in cash. Directors' remuneration was NT\$12,150,000. There is no difference between the above amount and the estimated expenses for 2023.

(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 2022, the actual remuneration distributed to employees was NT\$8,804,502 in cash. Directors' and supervisors' remuneration was NT\$8,627,356. 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

I. Business Scope	95
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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 88%. Cleaning products accounted for approximately 6%. Other items accounted for approximately 6%.

3. New products in development:

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

(II) Industry Overview

Overall Economic Environment

The global economic downturn and the continued geopolitical interference are not conducive to the expansion of commodity trade. However, due to the low base period, the growth trend of export-oriented countries has generally performed better than that of domestic demand-oriented countries. The Chung-Hua Institution for Economic Research estimates that Taiwan's economic growth rate will be 3.10% in 2024. The growth trend will slow down quarter by quarter due to base period factors and will be supported by investment and foreign net demand. The growth model will be moderate both internally and externally, with a moderate growth in the overall commodity prices. The storm clouds of long-term recession (in Europe and the U.S.) or deflation (in mainland China) coupled with uncertainty such as international geopolitical unrest and the U.S. presidential election at the end of the year has made people's consumption behavior more cautious, which may inhibit consumption growth.

Under the backdrop of uneven global economic recovery, many development uncertainties such as unstable supply of raw materials and energy, fluctuations in pulp prices, etc. may lead to a slowdown in Taiwan's export growth and rising prices, which may in turn exert an impact on people's consumption power and choice of conservative spending. 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 2024, 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.

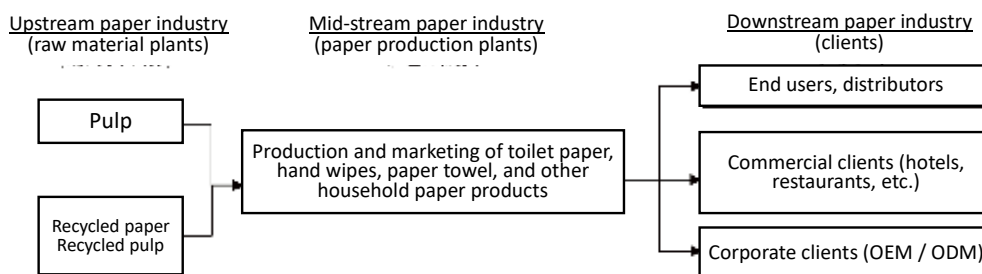
1. Current trends of the industry

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.

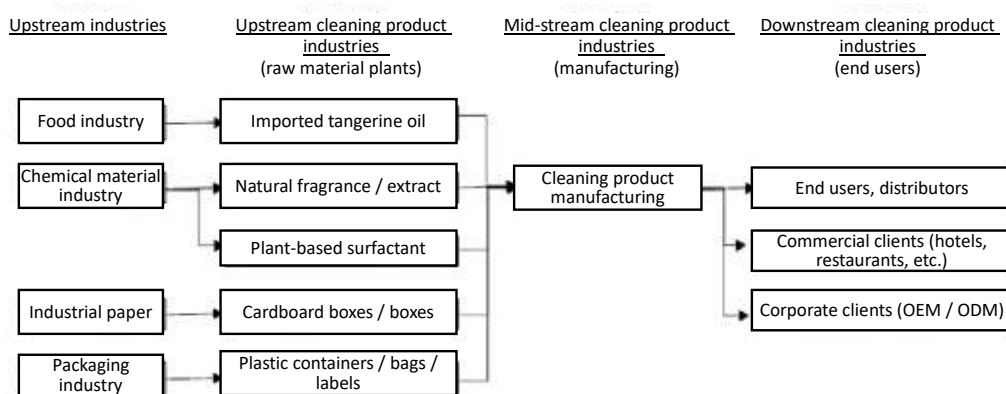
2. Relationships with upstream, mid-stream, and downstream companies

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

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. Orange House launched laundry liquid pods, the industry's first green design from formula to packaging. It not only has virus-cleansing and bacteriostatic effects but also reduces plastic by 91% in green packaging to protect our family health as well as our earth keeping Orange House as Taiwan's leading brand of natural cleaning products. 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 interfold 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 2024 was approximately NT\$ 11,209 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 satisfy different consumer demand.
- (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) Actively carry out the product life cycle combined with the carbon footprint concept from green packaging materials, SRF usage and green energy usage.
- (6) Strengthen the automation of converting lines, AOI and other systems, and improve production efficiency and quality.

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

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

II. Market outlook

(I) Market analysis

1. Market conditions:

Based on statistics by the Taiwan Paper Industry Association, the total production of household paper in Taiwan in 2023 was 278 thousand tons, decreasing by 1.9% compared to 2022. The import was 122 thousand tons, decreasing by 2.4%. In terms of sales volume, the domestic consumption was 389 thousand tons, almost the same with that in 2022; Exports were 11 thousand tons, decreasing by 45%.

2. Business overview:

In 2023, the Company was 150 thousand tons, increased by 4.7% compared to

2022. In 2023, the household product domestic sales were 85 thousand tons which was a 2.7% increase from 2022. It was mainly caused by strategically adjusting product structure and developing high-quality new products with consumer preference to successfully increase output value. Exports were 83 thousand tons, increasing by 2.5% from the previous year. The main reason was that consumer demand gradually returned to normal after lifting the extreme lockdown policy of the epidemic in the mainland China.

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 interfold tissue, and we launched pull-up kitchen towel to continuously attract new users and increase market share. In terms of cleaning products, we continue to launch high-quality products that make consumers safe and healthy. In response to green business opportunities and consumers' emphasis on health needs, Orange House launched laundry liquid pods, the industry's first green design from formula to packaging. It not only has virus-cleansing and bacteriostatic effects but also reduces plastic by 91% in green packaging to protect our family health as well as our earth keeping Orange House as Taiwan's leading brand of natural cleaning products. The company commits to sustainable development and continues to bring consumers safe, healthy and beautiful life experience. 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, 2023), the Company's domestic market share in toilet tissues and kitchen towel (including brand and OEM sales volumes) was almost 40% 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 2024, 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:

The main raw materials for household paper are pulp, and the main raw materials for cleaning products are orange oil and plant-derived surfactants. The procurement sources cover Taiwan, South America, North America, Europe and Southeast Asia. We maintain long-term good cooperative relationships with many suppliers, and Conduct regular supplier evaluations to review the source and quality of raw materials. The team grasps market changes and flexibly adjusts procurement strategies for raw material dispatch and production and marketing planning to ensure production stability.

(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	2022				2023			
	Name	Amount	% of net annual purchase	Relationship with issuer	Name	Amount	% of net annual purchase	Relationship with issuer
1	Company A	1,139,398	17.95	-	Company A	1,030,528	17.88	-
2	Chung Hwa Pulp Corp.	753,927	11.88	Fellow subsidiary	Company C	711,821	12.35	-
3	Company B	527,278	8.31	-	Chung Hwa Pulp Corp.	536,505	9.31	Fellow subsidiary

2. Major sales clients in last two years:

Unit: NT\$1,000; %

Item	2022				2023			
	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	2,619,714	25.87	-	Company E	2,693,152	26.24	-

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

Unit: ton; NT\$1,000

Output volume Key product(s)	Year	2022		2023	
		Production	Value	Production	Value
Paper products		201,330	143,425	7,609,013	204,330
Cleaning products		19,954	5,853	259,944	19,954
Total		-	-	7,868,957	-

(VI) Sales in last two years

Unit: ton; NT\$1,000

Sales volume and value Key product(s)	Year	2022				2023			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Paper products		83,250	5,526,444	81,367	3,250,744	85,528	5,857,935	83,434	3,244,773
Cleaning products		5,803	562,875	375	30,971	5,187	538,578	318	23,613
Others		-	713,427	-	40,129	-	553,651	-	46,253
Total		-	6,802,746	-	3,321,844	-	6,950,164	-	3,314,639

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		2022	2023	Current year up to the print date of this annual report
Number of employees	General personnel	724	718	718
	Technical personnel	569	547	559
	Total	1,293	1,265	1,277
Average age (year old)		40.8	41.1	40.5
Average years of service		8.6	10.0	8.6
Gender ratio	Male	69.1%	70.0%	70.3%
	Female	30.9%	30.0%	29.7%
Academic qualification	Master's degree or higher	6.4%	6.4%	6.2%
	University/College	52.1%	52.7%	52.5%
	Senior high school and below	41.5%	40.9%	41.3%

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

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

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

IV. Environmental protection expenditure information

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

Contents of violation	Contents of penalties	Penalty date	Penalty number	Response measures
Article: Article 20, Paragraph 1 of the Air Pollution Control Act Content: Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	NT\$100,000	2023.6.15	20-112-060015	Improvements have been made in accordance with the requirements of the environmental protection department.
Article: Article 20, Paragraph 1 of the Air Pollution Control Act Content: Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	NT\$450,000	2023.10.3	20-112-100005	Improvements have been made in accordance with the requirements of the environmental protection department.
Article: Article 24, Paragraphs 2 and 4 of the Air Pollution Control Act and Article 23 of the Stationary Pollution Source Installation, Operating and Fuel Use Permit Management Regulations Amended Clauses Content: 1. After a fixed pollution source is installed or changed, it is necessary to submit certification documents that comply with the relevant provisions of this law, apply for and obtain an operation license from the municipal, county (city) competent authority or an agency entrusted by the central competent authority, and comply with the issued	NT\$100,000	2024.3.18	20-113-030021	Improvements were completed and improvement documents have been obtained for inspection by the competent authority.

<p>permit. Operate on the content of the certificate.</p> <p>2. Public and private places should only operate fixed pollution sources after obtaining a license for operating fixed pollution sources, and operations should be carried out in accordance with the approved content of the license.</p>				
<p>Article: Article 24, Paragraphs 2 and 4 of the Air Pollution Control Act and Article 23 of the Stationary Pollution Source Installation, Operating and Fuel Use Permit Management Regulations Amended Clauses</p> <p>Content: 1. After a fixed pollution source is installed or changed, it is necessary to submit certification documents that comply with the relevant provisions of this law, apply for and obtain an operation license from the municipal, county (city) competent authority or an agency entrusted by the central competent authority, and comply with the issued permit. Operate on the content of the certificate.</p> <p>2. Regulations governing the application, review procedures, review principles, disclosure content, issuance, revocation, abolition, entrustment or termination of entrustment by the central competent authority and other matters that must be complied with for the stationary pollution source installation and operation license shall be prescribed by the central competent authority.</p> <p>3. Public and private places should only operate fixed pollution sources after obtaining a license for operating fixed pollution sources, and operations should be carried out in accordance with the approved content of the license.</p>	NT\$100,000	2024.3.18	20-113-030022	Improvements were completed and improvement documents have been obtained for inspection by the competent authority.
<p>Article: Article 28, Paragraph 1 of the Water Pollution Control Act</p> <p>Content: If there is a risk of leakage of pollutants or waste (sewage) water into water</p>	NT\$55,350	2024.4.10	30-113-040007	Improvements were completed and confirmed by the Department of Environmental Protection.

<p>bodies in the transportation or storage equipment installed by enterprises or sewage and sewer systems, maintenance and preventive measures should be taken; if there is a risk of leakage that pollutes water bodies, emergency response measures should be taken immediately. And notify the local competent authority within three hours after the accident occurs. The competent authority shall order them to take necessary preventive and control measures, and in serious cases, order them to suspend operations or partially or completely suspend operations.</p>				
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Key environmental protection work for the future:

1. Conduct comprehensive inventory as well as increase inspections and education and training to ensure that safety equipment operates normally and personnel can accurately carry out implementation in accordance with regulations.
2. Continuously optimize environmental protection-related equipment and ensure the compliance and accuracy of all values in the planning of energy conservation and carbon reduction.

(II) Environmental sustainability

1. Greenhouse gas emissions in the past two years

Inventory shows that the Company emitted 109,442 tons-CO₂e in 2023. Emission data for the year are provided below:

Year	2022			2023		
	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions
Total	60,075	48,158	108,233	62,273	47,169	109,442

The data covers factories in Taiwan including Yangmei plant, Qingshui plant, and Ever Growing. In addition, the production bases in mainland China (Yangzhou and Kunshan) have independently conducted an inventory of greenhouse gas emissions (Scope 1 and 2) ahead of regulations in advance, and verified by a third party that the total in 2023 is approximately 93,441 ton-CO₂e.

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 2023, the Company's key energy conservation measures are listed below:

- Continue to introduce and promote the ISO 50001 Energy Management System.
- Continue to use low-carbon fuels in boilers to replace coal
- Focus on optimizing the vacuum pump project in production. We improve efficiency and reduce energy consumption by adjusting the vacuum degree, using turbines to replace old equipment, and introducing maglev vacuum pump technology.
- 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.

- In key single-machine equipment, we monitor flow rate, rotation speed and static pressure to improve wear conditions, reduce overall energy consumption, and increase effective power to achieve energy saving effects.

The effectiveness of each energy measure is as below:

Energy conservation item	2023
Energy conservation effectiveness (thousand Wh)	4,218,885
GHG reduction effect (t-CO2e)	2,088

*The energy-saving and carbon-reducing effectiveness of Taiwan's major paper production bases in 2023 is estimated using the electricity carbon emission coefficient (0.495 kg-CO2e/kWh) announced by the Energy Bureau of the Ministry of Economic Affairs in 2023.

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 2022**

- (1) Year-round appropriation: NT\$12,887 thousand.
- (2) Balance of assets at the end of the year: NT\$96,647 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 2023 is as below:

Course type	No. of classes	Total number of people	Total hours	Total costs (thousand NT\$)
Professional competency	522	3,896	15,936	1,223.3
Management and general knowledge	666	8,740	15,076	2,333.6
New employee training	124	651	5,002	73.3

(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. Hierarchical responsibility of dedicated units: The Company and each plant have set up dedicated units and personnel for occupational safety and health, and each level under the management structure has clear responsibilities and responsibilities. Ensure the comprehensive implementation and effective execution of safety and health work by on-site supervisors assisting in safety management; regularly review the implementation and effectiveness of existing management systems and control measures; adjust safety-related operating procedures to meet on-site operation and safety protection requirements, and also use this to identify opportunities for improvement or optimization to ensure workplace safety.
2. Risk prevention and operation standardization: carry out operation environment measurement, hazard identification and risk assessment. Through these measurements and hazard identification assessments, we can understand various physical or chemical hazards in the plant, evaluate potential hazard factors, and formulate corresponding safe work standards or work safety analyses. By formulating standardized operating procedures and processes, we standardize work behaviors to improve work efficiency and reduce work risks. Regularly review and update operating standard procedures and processes to ensure compliance with the latest regulatory requirements or to meet best practice standards close to on-site operation needs.
3. All employees participate in safety training: Safety training activities are held regularly and cover a wide range of areas, including: accident prevention, emergency response incident handling, personal protective equipment instructions and JSA assessment... etc. These safety trainings are not only for new employees, but also regularly updated and strengthened for current employees. In order to ensure that the contractor's employees comply with the company's safety regulations and establish safety awareness, the contractor's work specifications for entering the plant and joint operation safety training are formulated to ensure the implementation of the safety management system.

4. All employees participate in promoting safety culture: Employees' safety awareness and behavior are the key to establishing a good safety culture for overall safety performance. Through safety education, various safety inspections and behavioral safety observations, we strengthen the safety management functions of supervisors and the hazard identification abilities of all employees, and then strengthen safety management to reduce the risk of accidents, identify safety hazards and improve them, and establish consistent safety values and standards among all employees to build consensus on jointly promoting safe operations.
5. Improve communication and continuous review and improvement: Invite safety seeds from all plant units to participate in monthly inter-plant safety meetings. The meeting will conduct exchanges and discussions on safety issues and provide improvement suggestions to promote the establishment and development of safety culture. The head office and each plant have set up an Occupational Safety and Health Committee, which holds meetings every three months to jointly discuss, confirm the operation of safety and health, review and implement occupational safety and health and health promotion plans, and conduct relevant reports and reviews to ensure that the plan effective implementation and continuous improvement. Employees can also participate in occupational safety and health business consultation and communication through the selection of labor representatives, so that the implementation of occupational safety and health policies can be closer to the needs of employees. At the same time, it can also convey the planning of safety and health policies through labor representatives, thereby promoting safety and health business and strengthening the goal of safety and zero accidents for all employees.
6. Disaster prevention and rescue training and drills: Each plant is equipped with automated external defibrillators (AEDs), and more than 70% of employees have received CPR+AED training courses and obtained Safe Workplace certification. Emergency first aid courses have been listed as required courses for employees. Emergency response drills are conducted regularly according to the needs of each plant, including fire self-defense group drills, poison disaster drills, public hazardous materials disaster relief and evacuation drills, and earthquake safety propaganda to strengthen the ability to respond to emergencies.
7. Accident notification system and accident investigation: When an accident occurs, the relevant supervisors and occupational safety units can be notified immediately, and corresponding measures can be taken when the accident occurs as soon as possible. Therefore, an accident notification group has been established. After receiving the accident report, the occupational safety unit will immediately launch an investigation and cooperate with relevant units to clarify the cause and responsibility of the accident. Based on the investigation results, the occupational safety unit will propose corresponding corrective measures, and at the same time conduct parallel inspections to improve the safety of relevant operations to prevent similar accidents from happening again. These

corrective measures include: improving work procedures, strengthening safety training, providing better safety equipment, etc.

8. Employee health management: Employee health management is one of the core projects of safety and health management. It is committed to maintaining the physical and mental health of each employee. It arranges health consultation services to detect potential health problems early through health examination results; combines internal and external resources to handle multiple Health lectures and health promotion activities create a healthy workplace environment, build employees' health awareness and enhance employees' sense of identification with the company.
9. Health care and services: Employ full-time labor health service nurses to be responsible for employee health management. Actively care about the health status of employees, provide personalized health consultation and guidance, solve various health problems, provide corresponding treatments and suggestions, and conduct employee health management. We cooperate with the Department of Occupational Medicine of hospital to provide professional return-to-work assessment services. Before returning to work, employees are evaluated by the Occupational Medicine Department of hospital and provided with corresponding treatment and rehabilitation plans to ensure that their physical health meets the requirements for resumption of work, so that employees can return to work safely.

VI Information security management

(I) Information security risk management framework

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

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

(II) Information security policy

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

1. Implementation of the information security management system.

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

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

1. Quantitative objectives:

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

Attachment opening rate of emails in social engineering exercises	All	Less than 2%	
Planning and operating social engineering exercises	All	1 time	
Organization of information security and social engineering training	All	1 time	
Information security incident involving tampered data on the worldwide web	All	\leq 2 times/year	
Unauthorized access in account access privilege management	All	\leq 1 time/year	
Penetration test and vulnerability scanning	All	1 time/3 years	
Information security audit	All	1 time	
System recovery exercise	All	1 time	Oracle, Production Management, 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:

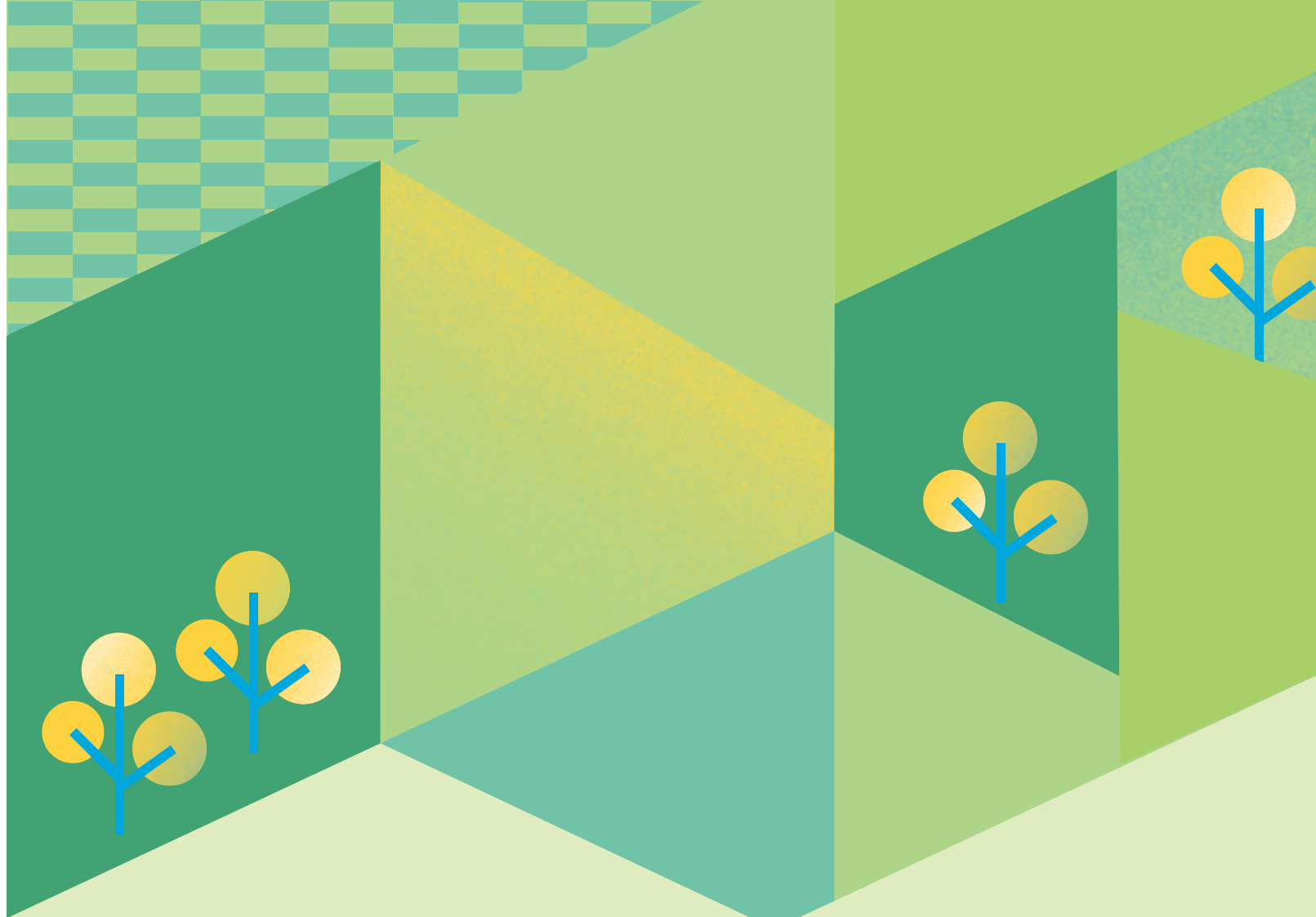
1. Equipment: Next-generation firewall, network switches, wireless network controllers, and APs.
2. Software: We replaced traditional anti-virus software with next-generation endpoint protection software, and updated system security.
3. Personnel: Training for network administrators and information security 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 3 banks including Bank of Taiwan, First Commercial Bank, and Hua Nan Commercial Bank, Ltd. with 3 participating banks	2023/5/19~2028/5/19	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)				
		2019	2020	2021	2022 (Re-prep.)	2023
Current assets		3,373,870	3,787,354	4,347,000	4,835,402	4,865,577
Property, plant and equipment		4,024,234	3,298,154	3,114,280	3,040,224	3,662,552
Intangible assets		-	-	-	-	-
Right-of-use asset		389,841	306,207	318,635	326,666	292,941
Other assets		218,644	149,832	163,752	72,783	73,982
Total assets		8,006,589	7,541,547	7,943,667	8,275,075	8,895,052
Current liabilities	Before distribution	2,996,767	2,239,749	2,243,830	2,432,123	2,214,649
	After distribution	3,408,887	3,219,373	3,045,217	3,046,52	(Note)
Non-current liabilities		2,046,751	1,220,178	357,250	472,601	1,001,138
Total liabilities	Before distribution	5,043,518	3,459,927	2,601,080	2,904,724	3,215,787
	After distribution	5,455,638	4,439,551	3,402,467	3,519,121	(Note)
Equity attributable to owners of parent		2,888,149	4,033,908	5,294,100	5,320,040	5,632,102
Share capital		2,416,360	2,449,060	2,671,290	2,671,290	2,671,290
Capital surplus		151,622	219,055	1,214,116	1,214,116	1,214,116
Retained earnings (cumulative losses)	Before distribution	488,368	1,569,656	1,650,450	1,537,317	1,886,058
	After distribution	76,248	590,032	849,063	922,920	(Note)
Other equity		(168,201)	(203,863)	(241,756)	(102,683)	(139,362)
Treasury stock		-	-	-	-	-
Preceding interest under joint control		-	-	-	1,920	-
Non-controlling interest		74,922	47,712	48,487	48,391	47,163
Total equity	Before distribution	2,963,071	4,081,620	5,342,587	5,370,351	5,679,265
	After distribution	2,550,951	3,101,996	4,541,200	4,755,954	(Note)

Data source: CPA-audited financial statements

Note: The 2023 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				
		2019	2020	2021	2022 (Re-prep.)	2023
Operating revenue		10,548,751	10,147,738	9,890,353	10,124,793	10,264,803
Gross profit		2,360,637	3,236,116	2,680,493	2,211,530	2,623,345
Operating profit		778,478	1,545,970	1,237,265	896,230	1,129,938
Non-operating income and expenditure		(112,271)	205,153	50,007	16,237	77,038
Pre-tax profit (loss)		666,207	1,751,123	1,287,272	912,467	1,206,976
Net income (loss) from continuing operations		481,153	1,500,693	1,070,697	689,564	971,601
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for the current period		481,153	1,500,693	1,070,697	689,564	971,601
Other comprehensive income for the current period (after-tax profit)		(90,752)	(29,603)	(39,741)	145,407	(39,533)
Total comprehensive income for the current period		390,401	1,471,090	1,030,956	834,971	932,068
Net income attributable to owners of the parent		464,682	1,487,228	1,062,266	681,920	965,992
Net profit is attributed to the prior equity interests under joint control		-	-	-	57	(41)
Net income attributable to non-controlling interest		16,471	13,465	8,431	7,587	5,650
Total comprehensive income attributable to owner of the parent		373,889	1,457,746	1,022,525	827,327	926,459
Total comprehensive income attributable to the prior equity interests under joint control		-	-	-	57	(41)

Total comprehensive income attributable to non-controlling interest	16,512	13,344	8,431	7,587	5,650
Earnings per share	1.92	6.12	4.24	2.55	3.62

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				
		2019	2020	2021	2022 (Re-prep.)	2023
Current assets		2,161,872	1,478,151	1,723,776	1,894,685	1,866,942
Equity method-accounted investments		2,707,628	3,324,844	3,536,730	3,570,888	3,566,612
Property, plant and equipment		1,885,506	1,793,435	1,774,196	1,862,522	2,659,604
Intangible assets		-	-	-	-	-
Right-of-use asset		227,102	180,236	177,418	198,507	181,132
Other assets		55,187	36,823	61,956	52,493	51,135
Total assets		7,037,295	6,813,489	7,274,076	7,579,095	8,325,425
Current liabilities	Before distribution	2,154,405	1,592,598	1,673,677	1,822,068	1,722,904
	After distribution	2,566,525	2,572,222	2,475,064	2,436,465	(Note)
Non-current liabilities		1,994,741	1,186,983	306,299	435,067	970,419
Total liabilities	Before distribution	4,149,146	2,779,581	1,979,976	2,257,135	2,693,323
	After distribution	4,561,266	3,759,205	2,781,363	2,871,532	(Note)
Equity attributable to owners of parent		2,888,149	4,033,908	5,294,100	5,321,960	5,632,102
Share capital		2,416,360	2,449,060	2,671,290	2,671,290	2,671,290
Capital surplus		151,622	219,055	1,214,116	1,214,116	1,214,116
Retained earnings (cumulative losses)	Before distribution	488,368	1,569,656	1,650,450	1,537,317	1,886,058
	After distribution	76,248	590,032	849,063	922,920	(Note)

Other equity	(168,201)	(203,863)	(241,756)	(102,683)	(139,362)	
Treasury stock	-	-	-	-	-	
Preceding interest under joint control	-	-	-	1,920	-	
Non-controlling interest	-	-	-	-	-	
Total equity	Before distribution	2,888,149	4,033,908	5,294,100	5,321,960	5,632,102
	After distribution	2,476,029	3,054,284	4,492,713	4,707,563	(Note)

Data source: CPA-audited financial statements

Note: The 2023 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)				
		2019	2020	2021	2022 (Re-prep.)	2023
Operating revenue		5,708,029	5,900,941	6,155,049	6,513,546	6,638,892
Gross profit		1,468,743	2,077,923	1,881,424	1,785,154	2,137,126
Operating profit		523,472	1,073,316	925,231	863,394	1,036,652
Non-operating income and expenditure		47,674	626,892	325,551	(5,191)	124,851
Pre-tax profit (loss)		571,146	1,700,208	1,250,782	858,203	1,161,503
Net income (loss) from continuing operations		464,682	1,487,228	1,062,266	681,977	965,951
Loss from discontinued operations		-	-	-	-	-
Net profit (loss) for the current period		464,682	1,487,228	1,062,266	681,977	965,951
Other comprehensive income for the current period (after-tax profit)		(90,793)	(29,482)	(39,741)	145,407	(39,533)
Total comprehensive income for the current period		373,889	1,457,746	1,022,525	827,384	926,418
Net profit attributable to Preceding interest under joint control		-	-	-	57	(41)

Total comprehensive profit and loss attributable to Owner of our company	373,889	1,457,746	1,022,525	827,327	926,459
Total comprehensive profit and loss attributable to Preceding interest under joint control	-	-	-	57	(41)
Earnings per share	1.92	6.12	4.24	2.55	3.62

Note: CPA-audited financial statements

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

1. Names of auditing CPAs

In 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.

Since 2022 till 2023, CPAs were Hsiu-Ming Hsu and Shu-Chuan Yeh of Deloitte and Touche Taiwan.

2. CPAs audit opinions

Since 2019 till 2023, 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)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt-to-asset ratio	62.99	45.88	32.74	35.11	36.15
	Long-term capital to property, plant and equipment	124.49	160.75	183.02	192.13	182.4
Liquidity (%)	Current ratio	112.58	169.10	193.73	198.74	219.7
	Quick ratio	70.46	116.73	138.67	137.37	161.21
	Times interest earned ratio	1,596.32	5,731.89	8,897.65	10,612.85	12,934.71
Operating ability	Receivables turnover (times)	7.69	8.30	7.95	7.84	8.23
	Average days receivable	47.46	43.97	45.91	46.55	44.34
	Inventory turnover (times)	5.95	6.60	6.72	6.17	6.12
	Payables turnover (times)	6.22	9.45	9.81	9.56	9.44
	Average inventory turnover (days)	61.34	55.30	54.31	59.15	59.64
	Property, plant and equipment	2.51	2.77	3.08	3.29	3.06

	turnover (times)					
	Total assets turnover (times)	1.25	1.31	1.28	1.25	1.2
Profitability	Return on assets (%)	6.10	19.62	13.98	8.59	11.4
	Return on equity (%)	17.37	42.60	22.72	12.87	17.59
	Pre-tax profit to paid-in capital ratio (%)	27.57	71.50	48.19	34.16	45.18
	Net margin (%)	4.56	14.79	10.83	6.81	9.47
	Earnings per share (NT\$)	1.92	6.12	4.24	2.55	3.62
Cash flows	Operating cash flow ratio (%)	29.28	94.13	54.73	38.60	71.91
	Cash flow adequacy ratio (%)	(Note 2)	(Note 2)	149.97	146.65	139.38
	Cash flow reinvestment ratio (%)	10.20	20.52	2.78	1.46	9.25
Leverage	Operating leverage	1.65	1.29	1.34	1.48	1.4
	Financial leverage	1.06	1.02	1.01	1.01	1.01

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

1. Increase in interest coverage ratio deposits is mainly due to the increase in interest income.
2. Increases in return on assets, return on equity, ratio of pre-tax net income to paid-in capital, net profit ratio, earnings per share, cash flow ratio and cash reinvestment ratio: mainly due to revenue growth in 2023 and benefiting from the original Prices of materials, energy, etc. have slowed down and profits have increased.

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)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt-to-asset ratio	58.96	40.80	27.22	29.79	32.35
	Long-term capital to property, plant and equipment	258.97	291.11	315.66	309	248.25
Liquidity (%)	Current ratio	100.35	92.81	102.99	103.99	108.36
	Quick ratio	81.67	60.44	78.06	72.94	79.71
	Times interest earned ratio	1,715.83	7,580.02	11,835.62	14,842.24	14,065.41
Operating ability	Receivables turnover (times)	6.53	7.48	6.78	6.51	6.66
	Average days receivable	55.89	48.79	53.83	56.06	54.80
	Inventory turnover (times)	9.40	9.51	10.2	9.75	9.68
	Payables turnover (times)	7.44	7.78	7.44	7.39	7.39
	Average inventory turnover (days)	38.82	38.38	35.78	37.43	37.70
	Property, plant and equipment turnover (times)	3.00	3.21	3.45	3.58	2.94
	Total assets turnover (times)	0.80	0.85	0.87	0.88	0.83

Profitability	Return on assets (%)	6.89	21.74	15.2	9.25	12.23
	Return on equity (%)	17.20	42.97	22.78	12.85	17.64
	Pre-tax profit to paid-in capital ratio (%)	23.64	69.42	46.82	32.12	43.48
	Net margin (%)	8.14	25.20	17.26	10.47	14.55
	Earnings per share (NT\$)	1.92	6.12	4.24	2.55	3.62
Cash flows	Operating cash flow ratio (%)	41.64	73.34	53.91	44.90	73.20
	Cash flow adequacy ratio (%)	141.08	196.73	151.31	128.54	115.95
	Cash flow reinvestment ratio (%)	14.71	11.46	-1.09	0.23	7.69
Leverage	Operating leverage	1.40	1.19	1.21	1.24	1.22
	Financial leverage	1.07	1.02	1.01	1.01	1.01

Explanations for any financial ratio increase or decrease that reaches 20% in the last two years:
Increases in return on assets, return on equity, ratio of pre-tax net income to paid-in capital, net profit ratio, earnings per share, cash flow ratio and cash reinvestment ratio: mainly due to revenue growth in 2023, and benefiting from price increase of raw materials, energy and others have slowed down and profits have improved.

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) $ROE = \text{Income after tax} / \text{Net average equity}$.
 - (3) $\text{Net profit ratio} = \text{Income after tax} / \text{Net sales}$.
 - (4) $\text{Earnings per share} = (\text{Income attributable to owner of parent} - \text{stock dividends of preferred stocks}) / \text{weighted average number of issued shares}$.
5. Cash flows:
- (1) $\text{Operating cash flow ratio} = \text{Net cash flow from operations} / \text{Current liabilities}$.
 - (2) $\text{Cash flow adequacy ratio} = \text{5-year net cash flow from operations} / (\text{5-year capital expenditures} + \text{5-year inventory increase} + \text{5-year cash dividends})$.
 - (3) $\text{Cash flow reinvestment ratio} = (\text{Net cash flow from operations} - \text{cash dividends}) / (\text{Gross fixed assets} + \text{long-term investments} + \text{other assets} + \text{working capital})$.
6. Leverage:
- (1) $\text{Operating leverage} = (\text{Net sales} - \text{variable operating costs and expenses}) / \text{Operating income}$.
 - (2) $\text{Financial leverage} = \text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

III. Audit Committee's Review Report

Yuen Foong Yu Consumer Products Co., Ltd

Audit Committee's Review Report

March 13, 2024

The Board of Directors has prepared the Company's 2023 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.

2024 Annual General Shareholders' Meeting

Chairman of the Audit Committee: Mei-Li Su

Handwritten signature of Mei-Li Su in black ink.

IV. Consolidated financial statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Yuen Foong Yu Consumer Products Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, 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 Financial Statement Auditing and Attestation of 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 based on our audits and the report of other auditors.

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, 2023. 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, 2023 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 did not audit the financial statements for the year ended December 31, 2023 of Livebricks Inc., a subsidiary included in the consolidated financial statements of the Group, but such statements were audited by other auditors. Therefore, in our expression of an opinion on the above-mentioned consolidated financial statements, the amounts listed in the financial statements of the company are based on the audit reports of other accountants. The total assets of the company as at December 31, 2023 were NT\$14,501 thousand, representing 0.16% of consolidated total assets. The total liabilities of the company as at December 31, 2023 were NT\$1,095 thousand, representing 0.03% of consolidated total liabilities. For the year ended December 31, the profits and losses amounted to NT\$(2,011) thousand, representing (0.22%) of total comprehensive income.

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, 2023 and 2022 on which we have issued an unmodified opinion with other matter and emphasis matter section and unmodified opinion, respectively.

Emphasis of Matter

As disclosed in Notes 10 and 20 to the accompanying consolidated financial statements, Yuen Foong Shop Company, Ltd. acquired 100% equity of Livebricks Inc. from a fellow subsidiary of YFY Inc. group in the first quarter of 2023. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by the Accounting Research and Development Foundation, the acquisition resulted in a joint control restructuring. In the preparation of comparative consolidated financial statements, the acquisition is disclosed as if it had occurred before January 1, 2022 and the Group's consolidated financial statements for the previous year are restated. Therefore, our audit result is not modified in respect of this matter.

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, 2023, 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-Jiuan Ye and Shio-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022 (After Restatement)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,290,191	26	\$ 1,932,617	23
Financial assets at amortized cost - current (Notes 4, 7 and 24)	28,000	1	6,271	-
Notes and accounts receivable (Notes 4, 5, 8 and 16)	1,175,871	13	1,301,510	16
Accounts receivable from related parties (Notes 4, 16 and 23)	7,341	-	6,103	-
Inventories (Notes 4 and 9)	1,079,707	12	1,313,054	16
Other current assets (Note 23)	284,467	3	275,847	3
Total current assets	4,865,577	55	4,835,402	58
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 17 and 23)	3,662,552	41	3,040,224	37
Right-of-use assets (Notes 4, 12 and 17)	292,941	3	326,666	4
Deferred tax assets (Notes 4 and 18)	12,132	-	17,293	-
Net defined benefit assets (Notes 4 and 14)	6,037	-	-	-
Other non-current assets	55,813	1	55,490	1
Total non-current assets	4,029,475	45	3,439,673	42
TOTAL ASSETS	\$ 8,895,052	100	\$ 8,275,075	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ -	-	\$ 268,000	3
Notes and accounts payable	546,993	6	659,405	8
Accounts payable to related parties (Note 23)	144,051	2	267,732	3
Other payables	1,176,789	13	899,057	11
Other payables to related parties (Note 23)	34,530	-	44,379	-
Current tax liabilities (Notes 4 and 18)	161,133	2	150,355	2
Lease liabilities - current (Notes 4, 12 and 23)	63,180	1	58,672	1
Other current liabilities (Note 16)	87,973	1	84,523	1
Total current liabilities	2,214,649	25	2,432,123	29
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 13)	760,330	8	198,620	3
Deferred tax liabilities (Notes 4 and 18)	62,548	1	57,133	1
Lease liabilities - non-current (Notes 4, 12 and 23)	156,860	2	190,176	2
Net defined benefit liabilities (Notes 4 and 14)	-	-	940	-
Other non-current liabilities	21,400	-	25,732	-
Total non-current liabilities	1,001,138	11	472,601	6
Total liabilities	3,215,787	36	2,904,724	35
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	2,671,290	30	2,671,290	32
Capital surplus	1,214,116	14	1,214,116	15
Retained earnings				
Legal reserve	400,456	4	331,631	4
Special reserve	102,683	1	241,756	3
Unappropriated earnings	1,382,919	16	963,930	11
Total retained earnings	1,886,058	21	1,537,317	18
Other equity	(139,362)	(2)	(102,683)	(1)
Total equity attributable to owners of the Company	5,632,102	63	5,320,040	64
EQUITY ATTRIBUTABLE TO FORMER OWNER OF BUSINESS COMBINATION UNDER COMMON CONTROL (Notes 4, 15 and 20)	-	-	1,920	-
NON-CONTROLLING INTERESTS	47,163	1	48,391	1
Total equity	5,679,265	64	5,370,351	65
TOTAL LIABILITIES AND EQUITY	\$ 8,895,052	100	\$ 8,275,075	100

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		
	Amount	%	(After Restatement)	Amount	%
NET SALES (Notes 4, 16 and 23)	\$ 10,264,803	100	\$ 10,124,793	100	
COST OF GOODS SOLD (Notes 4, 9, 14, 17 and 23)	<u>(7,641,458)</u>	<u>(74)</u>	<u>(7,913,263)</u>	<u>(78)</u>	
GROSS PROFIT	<u>2,623,345</u>	<u>26</u>	<u>2,211,530</u>	<u>22</u>	
OPERATING EXPENSES (Notes 4, 14, 17 and 23)					
Selling and marketing	(1,066,046)	(10)	(935,336)	(9)	
General and administrative	(384,798)	(4)	(336,982)	(3)	
Research and development	<u>(42,563)</u>	<u>(1)</u>	<u>(42,982)</u>	<u>(1)</u>	
Total operating expenses	<u>(1,493,407)</u>	<u>(15)</u>	<u>(1,315,300)</u>	<u>(13)</u>	
PROFIT FROM OPERATIONS	<u>1,129,938</u>	<u>11</u>	<u>896,230</u>	<u>9</u>	
NON-OPERATING INCOME AND EXPENSES					
Finance costs (Notes 4, 17 and 23)	(9,404)	-	(8,679)	-	
Interest income (Note 4)	69,075	1	33,745	-	
Other income (Note 23)	17,065	-	36,121	-	
Gain on disposal of property, plant and equipment (Note 4)	795	-	729	-	
Other expenses	(1,281)	-	(1,028)	-	
Foreign exchange (loss) gain (Notes 4 and 25)	<u>788</u>	<u>-</u>	<u>(44,651)</u>	<u>-</u>	
Total non-operating income and expenses	<u>77,038</u>	<u>1</u>	<u>16,237</u>	<u>-</u>	
PROFIT BEFORE INCOME TAX	1,206,976	12	912,467	9	
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(235,375)</u>	<u>(3)</u>	<u>(222,903)</u>	<u>(2)</u>	
NET PROFIT FOR THE YEAR	<u>971,601</u>	<u>9</u>	<u>689,564</u>	<u>7</u>	
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 14)	(3,568)	-	7,917	-	
Tax effect of items that will not be reclassified (Notes 4 and 18)	714	-	(1,583)	-	
	<u>(2,854)</u>	<u>-</u>	<u>6,334</u>	<u>-</u>	

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (After Restatement)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ (36,679)	-	\$ 139,073	1
Other comprehensive (loss) income for the year, net of income tax	(39,533)	-	145,407	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 932,068</u>	<u>9</u>	<u>\$ 834,971</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 965,992	9	\$ 681,920	7
Equity attributable to former owner of business combination under common control (Notes 4, 11, 15 and 20)	(41)	-	57	-
Non-controlling interests (Note 15)	<u>5,650</u>	-	<u>7,587</u>	-
	<u>\$ 971,601</u>	<u>9</u>	<u>\$ 689,564</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 926,459	9	\$ 827,327	8
Equity attributable to former owner of business combination under common control (Notes 4, 11, 15 and 20)	(41)	-	57	-
Non-controlling interests (Note 15)	<u>5,650</u>	-	<u>7,587</u>	-
	<u>\$ 932,068</u>	<u>9</u>	<u>\$ 834,971</u>	<u>8</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 3.62</u>		<u>\$ 2.55</u>	
Diluted	<u>\$ 3.61</u>		<u>\$ 2.55</u>	

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

(Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4 and 15)								Total	Equity Attributable to Former Owner of Business Combination Under Common Control (Notes 4, 15 and 20)	Non-controlling Interests (Notes 15)	Total Equity
	Share Capital		Capital Surplus	Retained Earnings				Other Equity				
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements				
BALANCE AT JANUARY 1, 2022	267,129	\$ 2,671,290	\$ 1,214,116	\$ 225,589	\$ 203,863	\$ 1,220,998	\$ 1,650,450	\$ (241,756)	\$ 5,294,100	\$ -	\$ 48,487	\$ 5,342,587
Retrospective adjustments of equity attributable to former owner due to business combination under common control	-	-	-	-	-	-	-	-	-	1,863	-	1,863
BALANCE AT JANUARY 1, 2022, AS RESTATED	267,129	2,671,290	1,214,116	225,589	203,863	1,220,998	1,650,450	(241,756)	5,294,100	1,863	48,487	5,344,450
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	57	7,587	689,564
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	57	7,587	834,971
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	1,920	48,391	5,370,351
Appropriation of 2022 earnings												
Legal reserve	-	-	-	68,825	-	(68,825)	-	-	-	-	-	-
Special reserve	-	-	-	-	(139,073)	139,073	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(614,397)	(614,397)	-	(614,397)	-	-	(614,397)
Net income (loss) for the year ended December 31, 2023	-	-	-	-	-	965,992	965,992	-	965,992	(41)	5,650	971,601
Other comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(2,854)	(2,854)	(36,679)	(39,533)	-	-	(39,533)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	963,138	963,138	(36,679)	926,459	(41)	5,650	932,068
Business combination under common control	-	-	-	-	-	-	-	-	-	(1,879)	-	(1,879)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,878)	(6,878)
BALANCE AT DECEMBER 31, 2023	267,129	\$ 2,671,290	\$ 1,214,116	\$ 400,456	\$ 102,683	\$ 1,382,919	\$ 1,886,058	\$ (139,362)	\$ 5,632,102	\$ -	\$ 47,163	\$ 5,679,265

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

(With Deloitte & Touche audit report dated March 13, 2024)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (After Restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,206,976	\$ 912,467
Adjustments for:		
Depreciation expense	454,435	432,672
Amortization expense	212	458
Expected credit loss recognized (reversed)	(28)	2,185
Finance costs	9,404	8,679
Interest income	(69,075)	(33,745)
Gain on disposal of property, plant and equipment	(795)	(729)
Reversal of write-downs of inventories	(40,041)	(8,858)
Unrealized (gain) loss on foreign currency exchange	(540)	31
Gain from lease modification	(2)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	120,843	(27,767)
Accounts receivable from related parties	(1,302)	(2,717)
Inventories	263,552	(195,468)
Other current assets	(7,006)	(46,224)
Notes and accounts payable	(109,452)	166,209
Accounts payable to related parties	(123,483)	29,688
Other payables	62,925	(77,001)
Other payables to related parties	(10,967)	(4,462)
Other current liabilities	4,134	(15,424)
Net defined benefit liabilities	(10,545)	(7,822)
Cash generated from operations	<u>1,749,245</u>	<u>1,132,172</u>
Interest received	65,843	31,768
Interest paid	(9,183)	(8,461)
Income tax paid	<u>(213,336)</u>	<u>(216,737)</u>
Net cash generated from operating activities	<u>1,592,569</u>	<u>938,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (acquisition) of financial assets at amortized cost	(21,273)	105,626
Net cash outflow from acquisition of subsidiary under common control	(1,879)	-
Payments for property, plant and equipment	(802,904)	(292,394)
Proceeds from disposal of property, plant and equipment	2,251	3,158
(Increase) decrease in other non-current assets	<u>(4,116)</u>	<u>85,338</u>
Net cash used in investing activities	<u>(827,921)</u>	<u>(98,272)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(268,000)	231,000
Decrease in short-term bills payable	-	(150,000)
Proceeds from long-term borrowings	561,710	140,720

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (After Restatement)
Repayment of the principal portion of lease liabilities	\$ (62,879)	\$ (55,796)
Decrease in other non-current liabilities	(4,297)	(12,504)
Distribution of cash dividends	(614,397)	(801,387)
Changes in non-controlling interests	<u>(6,878)</u>	<u>(7,683)</u>
Net cash used in financing activities	<u>(394,741)</u>	<u>(655,650)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(12,333)</u>	<u>101,209</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	357,574	286,029
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,932,617</u>	<u>1,646,588</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,290,191</u>	<u>\$ 1,932,617</u>

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

(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 parent company only financial statements of Yuen Foong Yu Consumer Products Co., Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the “parent company only financial statements”).

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagement of 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 based on our audits and the report of other auditors.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. The matter was addressed in the context of our audit of the parent company only 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 parent company only financial statements for the year ended December 31, 2023 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 parent company only 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

Among the investments accounted for using the equity method in the Company's parent company only financial statements, we have not audited the financial statements for the year ended December 31, 2023 of Livebricks Inc. and it has instead been audited by other accountants. Therefore, in our expression of an opinion on the above-mentioned parent company only financial statements, the amounts listed in the financial statements are based on the audit reports of other accountants. The investment amounts accounted for using the equity method and audited by other accountants as at December 31, 2023 were NT\$15,231 thousand, representing 0.2% of total assets. For the year ended December 31, the share of profits and losses from subsidiaries accounted for using the equity method amounted to NT\$13,313 thousand, representing 1.4% of total comprehensive income.

Emphasis of Matter

As disclosed in Notes 4 and 9 to the accompanying financial statements, Yuen Foong Shop Company, Ltd. acquired 100% equity of Livebricks Inc. from a fellow subsidiary of YFY Inc. group in the first quarter of 2023. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by the Accounting Research and Development Foundation, the acquisition resulted in a joint control restructuring. In the preparation of comparative parent company only financial statements, the acquisition is disclosed as if it had occurred before January 1, 2022 and the Company's parent company only financial statements for the previous year are restated. Our audit result is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only financial statements for the year ended December 31, 2023, 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-Jiuan Ye and Shioh-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

[Notice to Readers](#)

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022 (After Restatement)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 387,753	5	\$ 235,375	3
Notes and accounts receivable (Notes 4, 7 and 15)	816,455	10	874,197	12
Accounts receivable from related parties (Notes 4, 15 and 21)	148,599	2	154,703	2
Inventories (Notes 4 and 8)	385,533	4	489,427	6
Other current assets (Note 21)	128,602	1	140,983	2
Total current assets	<u>1,866,942</u>	<u>22</u>	<u>1,894,685</u>	<u>25</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 9)	3,566,612	43	3,570,888	47
Property, plant and equipment (Notes 4, 10 and 21)	2,659,604	32	1,862,522	25
Right-of-use assets (Notes 4 and 11)	181,132	2	198,507	3
Deferred tax assets (Notes 4 and 17)	1,388	-	9,964	-
Net defined benefit assets - non-current (Notes 4 and 13)	6,037	-	-	-
Other non-current assets	43,710	1	42,529	-
Total non-current assets	<u>6,458,483</u>	<u>78</u>	<u>5,684,410</u>	<u>75</u>
TOTAL ASSETS	<u>\$ 8,325,425</u>	<u>100</u>	<u>\$ 7,579,095</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 12)	\$ -	-	\$ 248,000	3
Notes and accounts payable	298,479	4	314,952	4
Accounts payable to related parties (Note 21)	236,046	3	368,542	5
Other payables	945,030	11	672,321	9
Other payables to related parties (Note 21)	8,091	-	4,745	-
Current tax liabilities (Notes 4 and 17)	152,052	2	130,015	2
Lease liabilities - current (Notes 4 and 11)	51,122	1	46,837	1
Other current liabilities (Note 15)	32,084	-	36,656	-
Total current liabilities	<u>1,722,904</u>	<u>21</u>	<u>1,822,068</u>	<u>24</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 12)	760,330	9	198,620	3
Deferred tax liabilities (Notes 4 and 17)	58,347	1	57,133	1
Lease liabilities - non-current (Notes 4 and 11)	133,172	1	154,197	2
Net defined benefit liabilities (Notes 4 and 13)	-	-	940	-
Other non-current liabilities	18,570	-	24,177	-
Total non-current liabilities	<u>970,419</u>	<u>11</u>	<u>435,067</u>	<u>6</u>
Total liabilities	<u>2,693,323</u>	<u>32</u>	<u>2,257,135</u>	<u>30</u>
EQUITY (Notes 4, 9 and 14)				
Share capital				
Ordinary shares	2,671,290	32	2,671,290	35
Capital surplus	1,214,116	15	1,214,116	16
Retained earnings				
Legal reserve	400,456	5	331,631	4
Special reserve	102,683	1	241,756	3
Unappropriated earnings	1,382,919	17	963,930	13
Total retained earnings	1,886,058	23	1,537,317	20
Other equity	(139,362)	(2)	(102,683)	(1)
Equity attributable to former owner of business combination under common control	-	-	1,920	-
Total equity	<u>5,632,102</u>	<u>68</u>	<u>5,321,960</u>	<u>70</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 8,325,425</u>	<u>100</u>	<u>\$ 7,579,095</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (After Restatement)	
	Amount	%	Amount	%
NET SALES (Notes 4, 15 and 21)	\$ 6,638,892	100	\$ 6,513,546	100
COST OF GOODS SOLD (Notes 4, 8, 13, 16 and 21)	<u>(4,501,766)</u>	<u>(68)</u>	<u>(4,728,392)</u>	<u>(73)</u>
GROSS PROFIT	<u>2,137,126</u>	<u>32</u>	<u>1,785,154</u>	<u>27</u>
OPERATING EXPENSES (Notes 4, 13, 16 and 21)				
Selling and marketing	(801,881)	(12)	(670,280)	(10)
General and administrative	(267,165)	(4)	(221,687)	(3)
Research and development	<u>(31,428)</u>	<u>-</u>	<u>(29,793)</u>	<u>(1)</u>
Total operating expenses	<u>(1,100,474)</u>	<u>(16)</u>	<u>(921,760)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>1,036,652</u>	<u>16</u>	<u>863,394</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 16)	(8,317)	-	(5,821)	-
Share of profit (loss) of subsidiaries (Notes 4 and 9)	114,824	2	(22,971)	-
Interest income (Note 4)	2,524	-	1,376	-
Other income (Note 21)	14,224	-	20,889	-
Gain on disposal of property, plant and equipment (Note 4)	1,337	-	1,087	-
Foreign exchange gain (loss) (Notes 4 and 22)	359	-	249	-
Other expenses	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>124,851</u>	<u>2</u>	<u>(5,191)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,161,503	18	858,203	13
INCOME TAX EXPENSE (Notes 4 and 17)	<u>(195,552)</u>	<u>(3)</u>	<u>(176,226)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>965,951</u>	<u>15</u>	<u>681,977</u>	<u>11</u>

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (After Restatement)	
	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)	\$ (3,568)	-	\$ 7,917	-
Tax effect of items that will not be reclassified (Notes 4 and 17)	714	-	(1,583)	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries	<u>(36,679)</u>	<u>(1)</u>	<u>139,073</u>	<u>2</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(39,533)</u>	<u>(1)</u>	<u>145,407</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 926,418</u>	<u>14</u>	<u>\$ 827,384</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 965,992	15	\$ 681,920	11
Equity attributable to former owner of business combination under common control (Notes 4, 9 and 14)	<u>(41)</u>	<u>-</u>	<u>57</u>	<u>-</u>
	<u>\$ 965,951</u>	<u>15</u>	<u>\$ 681,977</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 926,459	14	\$ 827,327	13
Equity attributable to former owner of business combination under common control (Notes 4, 9 and 14)	<u>(41)</u>	<u>-</u>	<u>57</u>	<u>-</u>
	<u>\$ 926,418</u>	<u>14</u>	<u>\$ 827,384</u>	<u>13</u>
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 3.62</u>		<u>\$ 2.55</u>	
Diluted	<u>\$ 3.61</u>		<u>\$ 2.55</u>	

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

(Concluded)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 14)		Capital Surplus (Notes 4 and 14)	Retained Earnings (Note 14)			Total	Other Equity Exchange Differences on Translation of Foreign Financial Statements (Note 4)	Equity Attributable to Former Owner of Business Combination Under Common Control (Notes 4 and 10)	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2022	267,129	\$ 2,671,290	\$ 1,214,116	\$ 225,589	\$ 203,863	\$ 1,220,998	\$ 1,650,450	\$ (241,756)	\$ -	\$ 5,294,100
Retrospective adjustments of equity attributable to former owner due to business combination under common control	-	-	-	-	-	-	-	-	1,863	1,863
BALANCE AT JANUARY 1, 2022, AS RESTATED	267,129	2,671,290	1,214,116	225,589	203,863	1,220,998	1,650,450	(241,756)	1,863	5,295,963
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 profit for the year ended December 31, 2022	-	-	-	-	-	681,920	681,920	-	57	681,977
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	57	827,384
BALANCE AT DECEMBER 31, 2022	267,129	2,671,290	1,214,116	331,631	241,756	963,930	1,537,317	(102,683)	1,920	5,321,960
Appropriation of 2022 earnings										
Legal reserve	-	-	-	68,825	-	(68,825)	-	-	-	-
Special reserve	-	-	-	-	(139,073)	139,073	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(614,397)	(614,397)	-	-	(614,397)
Net profit (loss) for the year ended December 31, 2023	-	-	-	-	-	965,992	965,992	-	(41)	965,951
Other comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(2,854)	(2,854)	(36,679)	-	(39,533)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	963,138	963,138	(36,679)	(41)	926,418
Business combination under common control	-	-	-	-	-	-	-	-	(1,879)	(1,879)
BALANCE AT DECEMBER 31, 2023	<u>267,129</u>	<u>\$ 2,671,290</u>	<u>\$ 1,214,116</u>	<u>\$ 400,456</u>	<u>\$ 102,683</u>	<u>\$ 1,382,919</u>	<u>\$ 1,886,058</u>	<u>\$ (139,362)</u>	<u>\$ -</u>	<u>\$ 5,632,102</u>

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (After Restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,161,503	\$ 858,203
Adjustments for:		
Depreciation expense	228,911	209,093
Finance costs	8,317	5,821
Interest income	(2,524)	(1,376)
Share of loss (profit) of subsidiaries	(114,824)	22,971
Gain on disposal of property, plant and equipment	(1,337)	(1,087)
Reversal of write-downs of inventories	(41,553)	(678)
Unrealized gain on foreign currency exchange	93	(103)
Gain from lease modification	(2)	-
Changes in operating assets and liabilities		
Notes and accounts receivable	57,824	(93,966)
Accounts receivable from related parties	6,104	36,510
Inventories	145,447	(105,418)
Other current assets	10,552	(64,704)
Notes and accounts payable	(16,633)	27,990
Accounts payable to related parties	(132,496)	60,191
Other payables	53,503	(31,094)
Other payables to related parties	1,776	494
Other current liabilities	(4,572)	(3,781)
Net defined benefit liabilities	(10,545)	(7,822)
Cash generated from operations	<u>1,349,544</u>	<u>911,244</u>
Interest received	2,620	1,256
Dividends received	80,172	83,689
Interest paid	(8,095)	(5,599)
Income tax paid	<u>(163,011)</u>	<u>(172,524)</u>
Net cash generated from operating activities	<u>1,261,230</u>	<u>818,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(751,906)	(257,800)
Proceeds from disposal of property, plant and equipment	2,063	1,087
(Increase) decrease in other non-current assets	<u>(1,664)</u>	<u>693</u>
Net cash used in investing activities	<u>(751,507)</u>	<u>(256,020)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(248,000)	248,000
Decrease in short-term bills payable	-	(150,000)
Proceeds from long-term borrowings	561,710	140,720

(Continued)

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (After Restatement)
Decrease in other non-current liabilities	\$ (5,607)	\$ (11,985)
Repayment of the principal portion of lease liabilities	(51,051)	(44,825)
Distribution of cash dividends	<u>(614,397)</u>	<u>(801,387)</u>
Net cash used in financing activities	<u>(357,345)</u>	<u>(619,477)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,378	(57,431)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>235,375</u>	<u>292,806</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 387,753</u>	<u>\$ 235,375</u>

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

(With Deloitte & Touche auditors' report dated March 13, 2024)

(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	2022 (Re-Prep.)	2023	Difference	
				Increase (decrease) in amount	Change
Current assets		4,835,402	4,865,577	30,175	0.62%
Property, plant and equipment		3,040,224	3,662,552	622,328	20.47%
Intangible assets		-	-	-	-
Other non-current assets		399,449	366,923	(32,526)	-8.14%
Total assets		8,275,075	8,895,052	619,977	7.49%
Current liabilities		2,432,123	2,214,649	(217,474)	-8.94%
Non-current liabilities		472,601	1,001,138	528,537	111.84%
Total liabilities		2,904,724	3,215,787	311,063	10.71%
Share capital		2,671,290	2,671,290	-	-
Capital surplus		1,214,116	1,214,116	-	-
Retained earnings		1,537,317	1,886,058	348,741	22.69%
Other equity		(102,683)	(139,362)	(36,679)	35.72%
Total equity		5,370,351	5,679,265	308,914	5.75%
Explanation of changes: (Increase or decrease that reaches 20% in the last two years and the amount of change reached 10 million NTD and above)					
1. Real estate, factories and equipment: Resulted from capital expenditures for the purchase of additional paper machines and processing production lines, as well as the upgrading and maintenance of related equipment.					
2. Non-current liabilities: Resulted from long-term borrowings.					
3. Retained earnings: Profits increased mainly due to revenue growth, and benefiting from the price increase of raw materials, energy and others have slowed down.					
4. Other equity: Resulted from the exchange difference in the translation of financial statements of foreign operating institutions.					

II. Financial Performance Review and Analysis - Consolidated

Unit: NT\$1,000; %

Item	2022 (Re-Prep.)	2023	Difference	
			Increase (decrease) in amount	Change
Operating revenue	10,124,793	10,264,803	140,010	1.38%
Operating costs	7,913,263	7,641,458	(271,805)	-3.43%
Gross profit	2,211,530	2,623,345	411,815	18.62%
Operating expenses	1,315,300	1,493,407	178,107	13.54%
Net operating profit	896,230	1,129,938	233,708	26.08%
Non-operating income and expenditure	16,237	77,038	60,801	374.46%
Pre-tax profit	912,467	1,206,976	294,509	32.28%
Income tax expense	222,903	235,375	12,472	5.60%
Net profit for the current period	689,564	971,601	282,037	40.90%
Total comprehensive income for the current period	834,971	932,068	97,097	11.63%
<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: Mainly resulted from the increase in deposit interest income and foreign currency exchange benefits. 2. Net operating profit, Pre-tax profit and Net profit for the current period: Mainly resulted from revenue growth, and benefit from the decrease in price of raw materials, energy, etc. 				

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
1,932,617	1,592,569	(1,234,995)	2,290,191	-	-

(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: Investment activities mainly included capital expenditures for the purchase of additional paper machines and processing production lines, as well as related equipment upgrades and maintenance. 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 invested NTD 1 billion to upgrade facility in Qingshui 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 2023 was from the company's continued price cutting to seize the market in the face of overcapacity and competitive products. Our operating profit turned into profit in the second half of the year by actively planning sales strategies and the best business model for production and sales, continuing stabilize high-margin customers and actively expanding customers.

Unit: NT\$1,000

Name of the invested enterprise	Gain/loss on investments - 2023
Yuen Foong Yu Consumer Products Investment Limited	37,567
Ever Growing Agriculture Bio-tech Co., Ltd.	38,724
Yuen Foong Shop Co., Ltd.	38,533

LIVEBRICKS Inc.	13,313
YFY Investment Co., Ltd.	(21,748)
YFY Family Care (Kunshan) Co., Ltd.	15,369
YFY Consumer Products (Yangzhou) Co., Ltd.	70,743

(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	2022 (Re-Prep.)	2023
Total operating revenues	10,124,793	10,264,803
Pre-tax profit	912,467	1,206,976
Net interest income (expense)	25,066	59,671
Ratio of interest income (expense) to operating revenue	0.25	0.58
Ratio of interest income (expense) to pre-tax profit	2.75	4.94
Net foreign exchange gains (losses)	-44,651	788
Ratio of foreign exchange gains (losses) to operating revenue	-0.44	0.01
Ratio of foreign exchange gains (losses) to pre-tax profit	-4.89	0.07

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

The Company's ratios of net interest income (expense) to operating revenue for 2022 and 2023 were 0.25% and 0.58%. The ratios of interest income (expense) to pre-tax profit were 2.75% and 4.94% 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 2022 and 2023 were (0.44)% and 0.01%. The ratio of foreign exchange gains (losses) to pre-tax profit were (4.89)% and 0.07% 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

The Company does not engage in high-risk and high-leverage investment activities. If there are short-term idle funds, they are mainly used to undertake notes (bonds) with repurchase transactions and subscribe for money market funds.

As of the date of publication, the company's fund loans to others are related parent and subsidiary companies, and are handled based on the company's financial and business needs. The company has established "operating procedures for lending funds to others", "operating procedures for endorsements and guarantees", "procedures for acquiring or disposing of

assets" and "procedures for engaging in derivatives transactions", and all relevant matters are handled in accordance with the standards.

(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, and 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\$45,953 thousand for R&D in 2024. 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 abroad, 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:

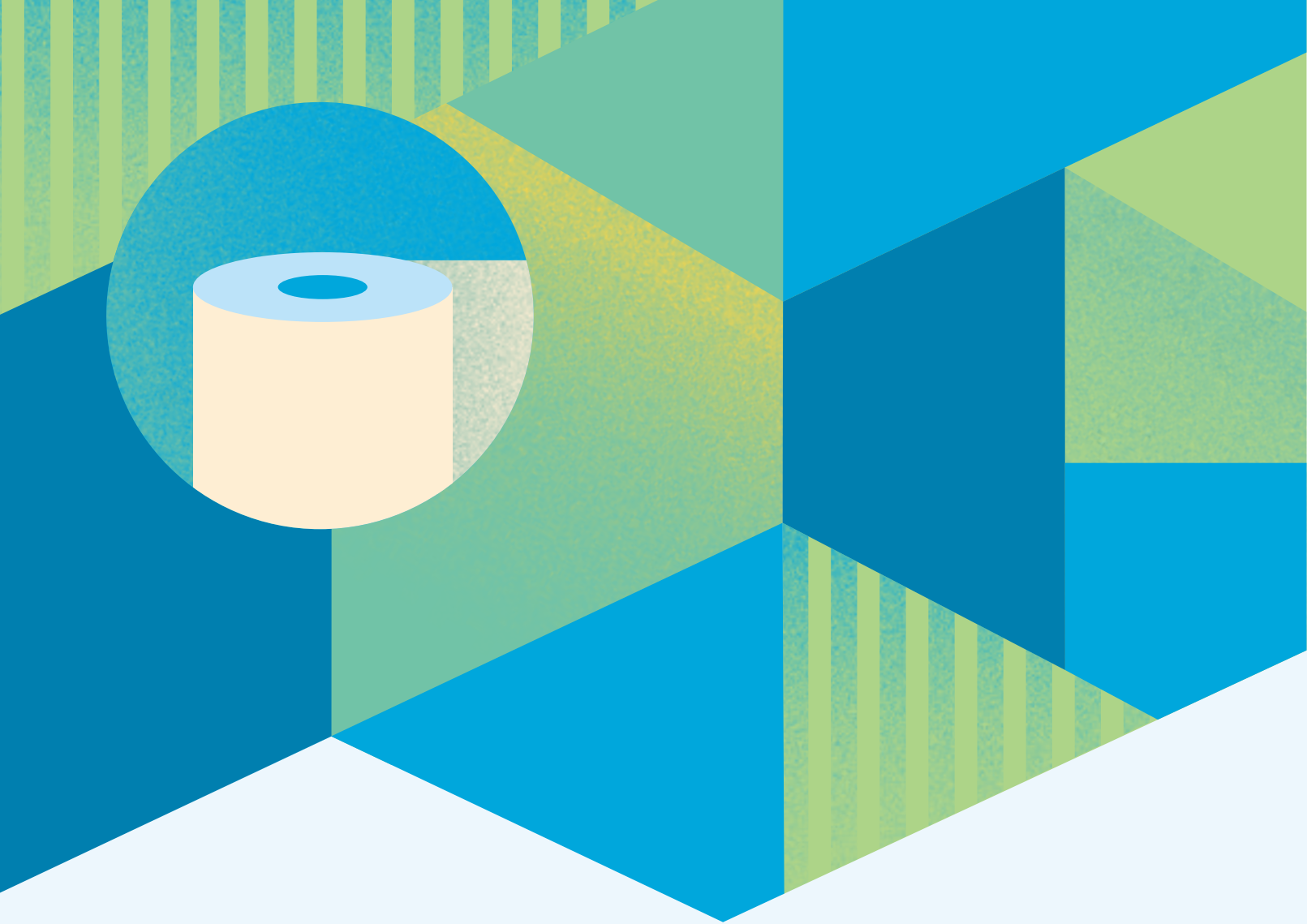
In 2020, the mass transfer of equity by directors, supervisors, or shareholders holding more than 10% equity of the Company was the result of the Company releasing shares to meet the regulations on shareholding distribution for future application for listing. There was no a significant negative influence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

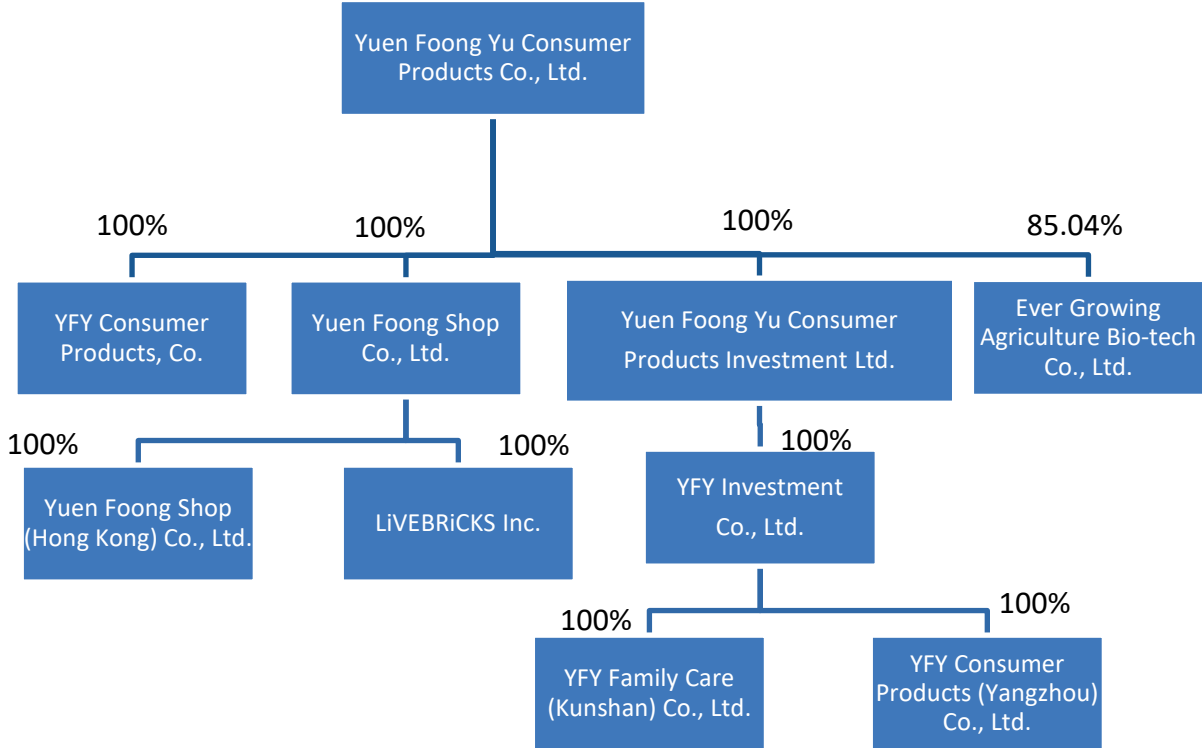
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Special disclosures

I. Information of Affiliates

(I) Organization chart of affiliates

December 31, 2023



(II) Basic information of the various affiliated enterprises

December 31, 2023; 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.
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
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
LiVEBRiCKs Inc.	2012/02/09	16F, No. 51, Chongqing S. Road Sec. 2, Taipei	2,000	Information processing services
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, 2023; 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.)	3,209,775	15.0
	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: Ronald Lee is the authorized signatory	-	-
LIVEBRICKS Inc.	Chairman	Felix Ho (Representative of Yuen Foong Shop Co., Ltd.)	200,002	100.0
	Director	Ronald Lee (Representative of Yuen Foong Shop Co., Ltd.)		
	Director	Stacey Yen (Representative of Yuen Foong Shop Co., Ltd.)	-	-
	Supervisor General	Daphne Chen (Representative of Yuen Foong Shop Co., Ltd.) Ronald Lee		

	Manager			
Yuen Foong Yu Consumer Products Investment Ltd.	Director Director	Felix Ho David Lo	-	-
YFY Investment Co., Ltd.	Chairman Director Director Supervisor General Manager	Felix Ho (Representative of YFY Consumer Products Investment Ltd.) Ronald Lee (Representative of YFY Consumer Products Investment Ltd.) Shien Xie (Representative of YFY Consumer Products Investment Ltd.) Daphne Chen (Representative of YFY Consumer Products Investment Ltd.) Shien Xie	Capital Contribution USD115,000,000	100.0
YFY Family Care (Kunshan) Co., Ltd.	Chairman Director Director Supervisor General Manager	Ronald Lee (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	Ronald Lee (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

2023 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	419,606	104,345	315,261	311,114	46,437	37,767	1.76
Yuen Foong Shop Co., Ltd.	50,000	363,487	261,256	102,231	984,039	30,032	37,715	7.54
Yuen Foong Shop (Hong Kong) Co., Ltd.	-	-	-	-	-	-	-	-
LIVEBRICKS Inc.	2,000	16,326	1,095	15,231	16,354	13,174	13,272	66.36
YFY Consumer Products, CO.	-	-	-	-	-	-	-	-
YFY Consumer Products Investment Ltd.	4,606,149	3,208,043	-	3,208,043	-	-	37,567	0.25
YFY Investment Co., Ltd.	3,238,793	3,025,834	939,490	2,086,344	5,065,641	-107,606	-21,478	-
YFY Family Care (Kunshan) Co., Ltd.	983,625	366,435	63,972	302,463	738,055	14,823	14,718	-
YFY Consumer Products (Yangzhou) Co., Ltd.	804,149	1,670,692	376,352	1,294,340	2,654,539	91,582	70,743	-

(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, 2023 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, 2023.

Very truly yours,

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

By:

Chairman of the board
Felix Ho

The image shows a handwritten signature in blue ink, which appears to be 'Felix Ho', followed by a red square seal. The seal contains Chinese characters in seal script, likely representing the company name 'Yuen Foong Yu Consumer Products Co., Ltd.'.

March 13, 2024

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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, 2023. 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 the 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 have been listed on the Taiwan Stock Exchange (TWSE) since September 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 13, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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 IFRS Accounting Standards in issue by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 MATERIAL ACCOUNTING POLICY INFORMATION

- 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 IFRS Accounting Standards 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).

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities. Prior period comparative information in the consolidated financial statements is restated as if a business combination involving entities under common control had already occurred in that period. The acquirer is disclosed as if it had occurred before January 1, 2022, and the Group's financial statements for the period are restated. The equity held by original shareholders is recorded as "Equity Attributable to Former Owner of Business Combination under Common Control". When preparing the comparative consolidated balance sheet. In the preparation of the consolidated statement of changes in equity, the profit or loss recognized by original shareholders is attributed to "Former Owner due to Business Combination under Common Control".

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

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.

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. 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. MATERIAL 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.

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>	
	2023	2022
Cash on hand	\$ 867	\$ 935
Checking accounts and demand deposits	1,055,400	592,828
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	1,122,882	1,302,854
Repurchase agreements collateralized by bonds	<u>111,042</u>	<u>36,000</u>
	<u>\$ 2,290,191</u>	<u>\$ 1,932,617</u>

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31</u>	
	2023	2022
Time deposits with original maturities between three months and a year	<u>\$ 28,000</u>	<u>\$ 6,271</u>
The market rate intervals	1.31%-1.57%	1.32%-2.20%

Refer to Note 24 for information relating to investments in financial assets at amortized cost pledged as security.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2023	2022
Notes receivable - operating	\$ 55,232	\$ 72,024
Accounts receivable - operating	1,121,245	1,232,579
Less: Allowance for impairment loss	<u>(606)</u>	<u>(3,093)</u>
	<u>\$ 1,175,871</u>	<u>\$ 1,301,510</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, 2023

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 1,165,613	\$ 9,109	\$ 1,152	\$ -	\$ 603	\$ 1,176,477
Loss allowance (Lifetime ECLs)	(3)	-	-	-	(603)	(606)
	<u>\$ 1,165,610</u>	<u>\$ 9,109</u>	<u>\$ 1,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175,871</u>

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)	(21)	(9)	(2)	-	(3,061)	(3,093)
	<u>\$ 1,289,032</u>	<u>\$ 12,367</u>	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301,510</u>

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

	2023	2022
Balance at January 1	\$ 3,093	\$ 905
Net remeasurement of loss allowance (gain on reversal)	(28)	2,185
Amounts written off	(2,456)	-
Foreign currency exchange gains and losses	(3)	3
Balance at December 31	<u>\$ 606</u>	<u>\$ 3,093</u>

9. INVENTORIES

	December 31	
	2023	2022
Finished and purchased goods	\$ 439,801	\$ 609,153
Work in process	136,392	220,330
Materials	<u>503,514</u>	<u>483,571</u>
	<u>\$ 1,079,707</u>	<u>\$ 1,313,054</u>

The cost of goods sold for the years ended December 31, 2023 and 2022 included reversal of inventory write-downs of \$40,041 thousand and \$8,858 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		
			December 31		Remark
			2023	2022	
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	
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.	Yuen Foong Shop (HK) Limited	General trade	100.0	100.0	
	Livebricks Inc.	Information processing service	100.0	0.0	a.

- a. On March 10, 2023, the Group's board of directors resolved to acquire 100% equity of Livebricks Inc. from a fellow subsidiary of YFY Inc. group through Yuen Foong Shop Co., Ltd. for \$1,879 thousand. The transaction was completed in the first quarter of 2023. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by the Accounting Research and Development Foundation, the acquisition resulted in a joint control restructuring. In the preparation of comparative consolidated financial statements, the acquisition is disclosed as if it has occurred before January 1, 2022 and the Group's consolidated financial statements as of and for the year ended December 31, 2022 are restated, please refer to Note 20 for information.
- b. 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
<u>Cost</u>								
Balance at January 1, 2023	\$ 675,822	\$ 1,140,852	\$ 4,053,445	\$ 455,297	\$ 240,840	\$ 310,014	\$ 72,723	\$ 6,948,993
Additions	-	37,528	232,690	46,886	29,695	12,367	664,910	1,024,076
Disposals	-	(7,462)	(28,723)	(3,231)	(4,266)	(9,991)	-	(53,673)
Effect of foreign currency exchange differences	-	(5,182)	(34,185)	(3,988)	(1,686)	(1,274)	(9)	(46,324)
Reclassifications	-	160,370	525,200	32,348	13,228	5,979	(737,125)	-
Balance at December 31, 2023	<u>\$ 675,822</u>	<u>\$ 1,326,106</u>	<u>\$ 4,748,427</u>	<u>\$ 527,312</u>	<u>\$ 277,811</u>	<u>\$ 317,095</u>	<u>\$ 499</u>	<u>\$ 7,873,072</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2023	\$ -	\$ 667,379	\$ 2,465,007	\$ 320,543	\$ 192,562	\$ 263,278	\$ -	\$ 3,908,769
Depreciation expenses	-	46,923	270,971	28,212	21,815	20,017	-	387,938
Disposals	-	(7,248)	(28,562)	(2,534)	(4,181)	(9,692)	-	(52,217)
Effect of foreign currency exchange differences	-	(3,781)	(23,768)	(3,855)	(1,546)	(1,020)	-	(33,970)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 703,273</u>	<u>\$ 2,683,648</u>	<u>\$ 342,366</u>	<u>\$ 208,650</u>	<u>\$ 272,583</u>	<u>\$ -</u>	<u>\$ 4,210,520</u>
Carrying amounts at December 31, 2023	<u>\$ 675,822</u>	<u>\$ 622,833</u>	<u>\$ 2,064,779</u>	<u>\$ 184,946</u>	<u>\$ 69,161</u>	<u>\$ 44,512</u>	<u>\$ 499</u>	<u>\$ 3,662,552</u>
<u>Cost</u>								
Balance at January 1, 2022	\$ 675,822	\$ 1,133,368	\$ 3,918,600	\$ 417,133	\$ 222,066	\$ 311,609	\$ 2,281	\$ 6,680,879
Additions	-	4,496	119,278	49,381	20,169	13,746	77,426	284,496
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>\$ 310,014</u>	<u>\$ 72,723</u>	<u>\$ 6,948,993</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 619,404	\$ 2,206,641	\$ 305,973	\$ 175,349	\$ 259,232	\$ -	\$ 3,566,599
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>\$ 263,278</u>	<u>\$ -</u>	<u>\$ 3,908,769</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>

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Land	\$ 94,605	\$ 104,453
Buildings	176,658	197,900
Others	<u>21,678</u>	<u>24,313</u>
	<u>\$ 292,941</u>	<u>\$ 326,666</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 34,508</u>	<u>\$ 66,063</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,558	\$ 8,564
Buildings	51,065	44,505
Others	<u>6,874</u>	<u>6,241</u>
	<u>\$ 66,497</u>	<u>\$ 59,310</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, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 63,180</u>	<u>\$ 58,672</u>
Non-current	<u>\$ 156,860</u>	<u>\$ 190,176</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.08%	1.08%
Buildings	0.86%-2.37%	0.86%-2.37%
Others	0.86%-1.95%	0.86%-1.13%

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	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 115,297</u>	<u>\$ 110,948</u>
Total cash outflow for leases	<u>\$ 180,706</u>	<u>\$ 169,195</u>

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Bank credit loans	\$ <u> -</u>	\$ <u>268,000</u>
Interest rates	-	1.65%-1.68%

b. Long-term borrowings

	December 31	
	2023	2022
Bank credit loans	\$ <u>760,330</u>	\$ <u>198,620</u>
Interest rates of long-term borrowings	1.26%-1.35%	1.68%

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Yuen Foong Shop Co., Ltd., Ever Growing Agriculture Bio-tech Co., Ltd. and Livebricks Inc. 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	
	2023	2022
Present value of defined benefit obligation	\$ 90,610	\$ 102,023
Fair value of plan assets	<u>(96,647)</u>	<u>(101,083)</u>
Net defined benefit (assets) liabilities	<u>\$ (6,037)</u>	<u>\$ 940</u>

Movements in net defined benefit (assets) liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Assets) 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>
Balance at January 1, 2023	\$ <u>102,023</u>	\$ <u>(101,083)</u>	\$ <u>940</u>
Service cost			
Current service cost	2,419	-	2,419
Net interest expense (income)	<u>1,670</u>	<u>(1,747)</u>	<u>(77)</u>
Recognized in profit or loss	<u>4,089</u>	<u>(1,747)</u>	<u>2,342</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(373)	(373)
Actuarial loss - actuarial assumptions adjustments	1,029	-	1,029
Actuarial loss - experience adjustments	<u>2,912</u>	<u>-</u>	<u>2,912</u>
Recognized in other comprehensive income	<u>3,941</u>	<u>(373)</u>	<u>3,568</u>
Benefits paid	<u>(19,443)</u>	<u>19,443</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(12,887)</u>	<u>(12,887)</u>
Balance at December 31, 2023	\$ <u>90,610</u>	\$ <u>(96,647)</u>	\$ <u>(6,037)</u>

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

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

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

	December 31	
	2023	2022
Discount rate	1.50%	1.75%
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	
	2023	2022
Discount rate		
0.125% increase	<u>\$ (518)</u>	<u>\$ (634)</u>
0.125% decrease	<u>\$ 523</u>	<u>\$ 642</u>
Expected rate of salary increase		
0.125% increase	<u>\$ 525</u>	<u>\$ 646</u>
0.125% decrease	<u>\$ (521)</u>	<u>\$ (640)</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	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 2,145</u>	<u>\$ 2,342</u>
Average duration of the defined benefit obligation	4.9 years	5.1 years

15. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
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.

b. Capital surplus

	Differences Between Equity Purchase Price and Carrying Amount from Actual Acquisition or Disposal of Equity in Subsidiary (Note)	Share Premium (Note)	Others (Note)	Total
Balance at January 1 and December 31, 2023	<u>\$ 156,481</u>	<u>\$ 1,054,448</u>	<u>\$ 3,187</u>	<u>\$ 1,214,116</u>
Balance at January 1 and December 31, 2022	<u>\$ 156,481</u>	<u>\$ 1,054,448</u>	<u>\$ 3,187</u>	<u>\$ 1,214,116</u>

Note: 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).

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 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 2022 and 2021, which were approved by the shareholders in their meeting on June 28, 2023 and June 15, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Legal reserve	<u>\$ 68,825</u>	<u>\$ 106,042</u>
(Reversal) appropriation of special reserve	<u>\$ (139,073)</u>	<u>\$ 37,893</u>
Cash dividends	<u>\$ 614,397</u>	<u>\$ 801,387</u>
Cash dividends per share (NT\$)	<u>\$ 2.3</u>	<u>\$ 3</u>

The appropriations of earnings for 2023, which were proposed by the Company’s board of directors on March 13, 2024, were as follows:

	For the Year Ended December 31, 2023
Legal reserve	<u>\$ 96,314</u>
Special reserve	<u>\$ 36,679</u>
Cash dividends	<u>\$ 801,387</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>

The appropriations of earnings for 2023 will be approved by the Shareholders Meeting to be held in June 2024. 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	
	2023	2022
Balance at January 1	\$ 48,391	\$ 48,487
Attributable to non-controlling interests:		
Share of profit for the year	5,650	7,587
Employees’ compensation released by subsidiaries to the Company’s employees to adjust non-controlling interests	(41)	(44)
Cash dividends to non-controlling interests	<u>(6,837)</u>	<u>(7,639)</u>
Balance at December 31	<u>\$ 47,163</u>	<u>\$ 48,391</u>

- e. Equity attributable to former owner of business combination under common control

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 1,920	\$ 1,863
Net profit attributable to equity attributable to former owner of business combination under common control		
Net (loss) profit for the period	(41)	57
Equity attributable to former owner of business combination under common control transferred into owners of the company's equity	<u>(1,879)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 1,920</u>

16. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers - Sale of goods and rendering of services	<u>\$ 10,264,803</u>	<u>\$ 10,124,793</u>

Contract Balances

	December 31	
	2023	2022
Notes receivable and accounts receivable (including related parties)	<u>\$ 1,183,212</u>	<u>\$ 1,307,613</u>
Contract liabilities - sale of goods and rendering of services (under other current liabilities)	<u>\$ 44,540</u>	<u>\$ 46,788</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	
	2023	2022
Revenue from contracts with customers - sale of goods and rendering of services	<u>\$ 45,342</u>	<u>\$ 43,183</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

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 11,088	\$ 6,735
Interest on lease liabilities	2,530	2,451
Less: Capitalization amount of interest	<u>(4,214)</u>	<u>(507)</u>
	<u>\$ 9,404</u>	<u>\$ 8,679</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalization interest rates	1.29%-1.74%	0.80%-1.67%

b. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Right-of -use assets	\$ 66,497	\$ 59,310
Property, plant and equipment	387,938	373,362
Other non-current assets	<u>212</u>	<u>458</u>
	<u>\$ 454,647</u>	<u>\$ 433,130</u>
 An analysis of depreciation by function		
Operating costs	\$ 385,486	\$ 369,714
Operating expenses	<u>68,949</u>	<u>62,958</u>
	<u>\$ 454,435</u>	<u>\$ 432,672</u>
 An analysis of amortization by function		
Operating costs	\$ 6	\$ 215
Operating expenses	<u>206</u>	<u>243</u>
	<u>\$ 212</u>	<u>\$ 458</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 28,339	\$ 28,170
Defined benefit plans	<u>2,342</u>	<u>3,126</u>
	30,681	31,296
Other employee benefits	<u>1,169,905</u>	<u>1,103,460</u>
Total employee benefits expense	<u>\$ 1,200,586</u>	<u>\$ 1,134,756</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 615,861	\$ 569,392
Operating expenses	<u>584,725</u>	<u>565,364</u>
	<u>\$ 1,200,586</u>	<u>\$ 1,134,756</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, 2023 and 2022, which were approved by the Company's board of directors on March 13, 2024 and March 14, 2022, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 11,850	\$ 8,805
Remuneration of directors	12,150	8,627

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 14, 2023 and March 10, 2022, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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	
	2023	2022
Current tax		
In respect of the current year	\$ 250,224	\$ 220,714
Adjustments for prior years	<u>(26,078)</u>	<u>(2,052)</u>
	<u>224,146</u>	<u>218,662</u>
Deferred tax		
In respect of the current year	11,229	3,760
Adjustments for prior years	<u>-</u>	<u>481</u>
	<u>11,229</u>	<u>4,241</u>
Income tax expense recognized in profit or loss	<u>\$ 235,375</u>	<u>\$ 222,903</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 1,206,976</u>	<u>\$ 912,467</u>
Income tax expense calculated at the statutory rate (20%)	\$ 241,395	\$ 182,493
Permanent differences	(4,087)	(8,977)
Adjustments for prior years	(26,078)	(1,571)
Incurring (use) of unrecognized loss carryforwards	19,697	52,197
Effect of different tax rates of entities in the Group operating in other jurisdictions	<u>4,448</u>	<u>(1,239)</u>
Income tax expense recognized in profit or loss	<u>\$ 235,375</u>	<u>\$ 222,903</u>

In July 2019, the President of our country announced an amendment to the Statute for Industrial Innovation, which specifies that the construction or acquisition of certain assets or technologies from unappropriated earnings in 2018 onwards may be recorded as deductions from the calculation of unappropriated earnings. When the Company calculated the additional levy on unappropriated earnings, the amount of capital expenditures actually invested were deducted from the calculation.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ 714</u>	<u>\$ (1,583)</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, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 15,144	\$ (8,165)	\$ -	\$ (48)	\$ 6,931
Defined benefit obligation	189	(189)	-	-	-
Others	<u>1,960</u>	<u>3,340</u>	<u>-</u>	<u>(99)</u>	<u>5,201</u>
	<u>\$ 17,293</u>	<u>\$ (5,014)</u>	<u>\$ -</u>	<u>\$ (147)</u>	<u>\$ 12,132</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ -	\$ 57,133
Net defined benefit assets	-	1,921	(714)	-	1,207
Others	<u>-</u>	<u>4,294</u>	<u>-</u>	<u>(86)</u>	<u>4,208</u>
	<u>\$ 57,133</u>	<u>\$ 6,215</u>	<u>\$ (714)</u>	<u>\$ (86)</u>	<u>\$ 62,548</u>

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>

- 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>	
	<u>2023</u>	<u>2022</u>
Loss carryforwards		
Expiry in 2023	\$ -	\$ 69,446
Expiry in 2027	214,360	218,031
Expiry in 2028	<u>101,847</u>	<u>-</u>
	<u>\$ 316,207</u>	<u>\$ 287,477</u>

YFY Family Care (Kunshan) Co., Ltd.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Loss carryforwards		
Expiry in 2025	<u>\$ 82,061</u>	<u>\$ 104,726</u>

Livebricks Inc.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Loss carryforwards		
Expiry in 2023	\$ -	\$ 11,782
Expiry in 2024	43,443	44,934
Expiry in 2025	18,612	18,612
Expiry in 2026	6,152	6,152
Expiry in 2031	<u>622</u>	<u>622</u>
	<u>\$ 68,829</u>	<u>\$ 82,102</u>

- e. Income tax assessments

The tax filings of the Company, Yuen Foong Shop Co., Ltd., Ever Growing Agriculture Bio-tech Co., Ltd. and Livebricks Inc. through 2021 have been approved by the tax authorities.

19. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings per share (NT\$)	<u>\$ 3.62</u>	<u>\$ 2.55</u>
Diluted earnings per share (NT\$)	<u>\$ 3.61</u>	<u>\$ 2.55</u>

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

Net profit for the year:

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	<u>\$ 965,992</u>	<u>\$ 681,920</u>

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	267,129	267,129
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>326</u>	<u>303</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>267,455</u>	<u>267,432</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be 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. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Reorganization	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Livebricks Inc.	Note 10	The first quarter, 2023	100	<u>\$ 1,879</u>

The acquisition of Livebricks Inc. from YFY Paradigm Investment Co., Ltd. is the Group's operating strategy to continue the expansion of its business activities. So the Group expands its information processing services.

b. Consideration transferred

	Livebricks Inc.
Cash	<u>\$ 1,879</u>

- c. Assets acquired and liabilities assumed at the date of acquisition

	Livebricks Inc.
Current assets	
Cash and cash equivalents	\$ 393
Financial assets at amortized cost	1,500
Other current assets	49
Current liabilities	<u>(63)</u>
	<u>\$ 1,879</u>

21. 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.

22. 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

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 3,581,407	\$ 3,353,358
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,684,093	2,362,926

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, accounts receivable from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other current assets and other non-current assets).
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, 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 authority and responsibility are delegated according to the operating procedures. Internal auditors also regularly or irregularly review the compliance of the policy. The Group did not enter into or trade financial instruments for speculative purposes.

1) Market risk

a) Foreign currency risk

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

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	
	2023	2022
Profit or loss at 5% variance		
USD	\$ 571	\$ 2,289
RMB	\$ 53	\$ 247

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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 1,261,924	\$ 1,345,125
Financial liabilities	\$ 980,370	\$ 715,468
Cash flow interest rate risk		
Financial assets	\$ 1,048,680	\$ 591,318

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

Sensitivity analysis

For the Group’s floating interest rate financial assets and liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group’s pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Increase/decrease	\$ 1,049	\$ 591

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, 2023 and 2022, the Group’s unused financing facilities were \$8,980,094 thousand and \$6,668,779 thousand, respectively.

23. TRANSACTIONS WITH RELATED PARTIES

YFY Inc. is the parent company of the Company, which held 59.14% of the ordinary shares of the Company as of December 31, 2023 and 2022.

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
Union Paper Corp.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary
YFY Jupiter US, Inc.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Genovella Renewables Inc.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong)	Fellow subsidiary
Kunshan YFY Jupiter Green Packaging Ltd.	Fellow subsidiary
Effion Enertech Co., Ltd.	Fellow subsidiary
Fengchuan Green Technology Co., Ltd.	Fellow subsidiary
Ensilience Co., Ltd.	Fellow subsidiary
Hsinex International Corp.	Substantive related party
E Ink Holdings Inc.	Substantive related party
SinoPac Financial Holdings Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Bank SinoPac Co., Ltd.	Substantive related party
YFY Biotech Co., Ltd.	Substantive related party
YFY BioTechnology (Kunshan) 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 Corporation	Substantive related party
Chen Yu Co., Ltd.	Substantive related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
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	
	2023	2022
Fellow subsidiaries	\$ 50,266	\$ 48,501
Substantive related parties	11,083	10,125
Parent company	<u>257</u>	<u>275</u>
	<u>\$ 61,606</u>	<u>\$ 58,901</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	
	2023	2022
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 536,505	\$ 753,927
Others	<u>259,667</u>	<u>471,870</u>
	796,172	1,225,797
Substantive related parties	<u>534</u>	<u>655</u>
	<u>\$ 796,706</u>	<u>\$ 1,226,452</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	
	2023	2022
Fellow subsidiaries		
Guangdong Dingfung Pulp & Paper Co., Ltd.	\$ 3,180	\$ 1,929
Others	<u>1,563</u>	<u>1,606</u>
	4,743	3,535
Substantive related parties		
Yuen Foong Paper Co., Ltd	1,996	1,893
Others	<u>602</u>	<u>661</u>
	2,598	2,554
Parent company	<u>-</u>	<u>14</u>
	<u>\$ 7,341</u>	<u>\$ 6,103</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	
	2023	2022
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 110,471	\$ 225,434
YFY Packaging Inc.	19,143	12,999
Others	<u>14,391</u>	<u>29,297</u>
	144,005	267,730
Substantive related parties	<u>46</u>	<u>2</u>
	<u>\$ 144,051</u>	<u>\$ 267,732</u>

The outstanding accounts payable to related parties are unsecured.

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

Related Party Category	December 31	
	2023	2022
Fellow subsidiaries		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 27,816	\$ 39,153
Others	<u>4,934</u>	<u>3,404</u>
	32,750	42,557
Substantive related parties	<u>1,780</u>	<u>1,822</u>
	<u>\$ 34,530</u>	<u>\$ 44,379</u>

g. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries	<u>\$ 5,505</u>	<u>\$ 971</u>

h. Acquisitions of investment properties

Refer to Note 20.

i. Lease arrangements

Lease Liabilities	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries		
YFY Packaging Inc.	<u>\$ 19,220</u>	<u>\$ 25,000</u>

	For the Year Ended December 31	
	2023	2022

Interest Paid

Fellow subsidiaries	\$ <u>241</u>	\$ <u>303</u>
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	For the Year Ended December 31	
	2023	2022

Lease Paid

Fellow subsidiaries		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 35,466	\$ 35,552
Others	<u>3,636</u>	<u>3,643</u>
	39,102	39,195
Substantive related parties	<u>10,363</u>	<u>12,643</u>
	<u>\$ 49,465</u>	<u>\$ 51,838</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

	Miscellaneous Expenses	
	(Accounted for as Operating	
	Costs and Expenses)	
	For the Year Ended December 31	
	2023	2022

Related Party Category

Fellow subsidiaries		
YFY Paper Mfg. (Yangzhou) Co., Ltd.	\$ 270,841	\$ 329,738
Others	<u>20,679</u>	<u>15,130</u>
	291,520	344,868
Substantive related parties	<u>10,305</u>	<u>10,519</u>
	<u>\$ 301,825</u>	<u>\$ 355,387</u>

	Other Income (Accounted for as	
	Non-operating Income)	
	For the Year Ended December 31	
	2023	2022

Related Party Category

Fellow subsidiaries	\$ <u>38</u>	\$ <u>-</u>
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	Prepayments (Accounted for as	
	Other Current Assets)	
	December 31	
	2023	2022

Related Party Category

Fellow subsidiaries	\$ 582	\$ 614
Substantive related parties	<u>42</u>	<u>44</u>
	<u>\$ 624</u>	<u>\$ 658</u>

k. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 53,389	\$ 57,270
Others	<u>1,120</u>	<u>3,069</u>
	<u>\$ 54,509</u>	<u>\$ 60,339</u>

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

24. ASSETS PLEDGED

As of December 31, 2023, the Group provided the pledged deposits \$15,000 thousand (accounted as financial assets at amortized cost - current) as collateral for purchases of goods.

25. 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, 2023		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 578	30.705	\$ 17,747
RMB	244	4.335	1,058
<u>Financial liabilities</u>			
Monetary items			
USD	206	30.705	6,325
	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

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

Foreign Currency	For the Year Ended 2023		For the Year Ended 2022	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	30.705 (USD:NTD)	\$ 544	30.71 (USD:NTD)	\$ 276
USD	7.0827 (USD:RMB)	206	6.965 (USD:RMB)	(45,041)
RMB	4.335 (RMB:NTD)	<u>33</u>	4.409 (RMB:NTD)	<u>80</u>
		<u>\$ 783</u>		<u>\$ (44,685)</u>

26. SEPARATELY DISCLOSED ITEMS

Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

- a. Financing provided: See Table 1 attached;
- b. Endorsements/guarantees provided: None;
- c. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities): None;
- d. Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 2 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3 attached;
- i. Trading in derivative instruments: None;
- j. Intercompany relationships and significant intercompany transactions: See Table 6 attached;
- k. Information on investees: See Table 4 attached;
- l. 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: See Table 5 attached.

- 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: See Table 2 attached.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: See Tables 2 and 6 attached.
 - 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: See Table 1 attached.
 - 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.
- m. 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: See Table 7 attached.

27. SEGMENT INFORMATION

- a. Segment revenue and results are as follows:

	Taiwan	Mainland China	Adjustment and Elimination	Total
For the year ended <u>December 31, 2023</u>				
Revenue from external customers	<u>\$ 6,967,408</u>	<u>\$ 3,297,395</u>	<u>\$ -</u>	<u>\$ 10,264,803</u>
Revenue from other internal operating segments	<u>\$ 982,990</u>	<u>\$ 5,160,839</u>	<u>\$ (6,143,829)</u>	<u>\$ -</u>
Segment profit before income tax	<u>\$ 1,144,429</u>	<u>\$ 62,547</u>	<u>\$ -</u>	<u>\$ 1,206,976</u>
For the year ended <u>December 31, 2022</u>				
Revenue from external customers	<u>\$ 6,827,463</u>	<u>\$ 3,297,330</u>	<u>\$ -</u>	<u>\$ 10,124,793</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 before income tax	<u>\$ 997,944</u>	<u>\$ (85,477)</u>	<u>\$ -</u>	<u>\$ 912,467</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	
	2023	2022	2023	2022
Taiwan	\$ 6,967,408	\$ 6,827,463	\$ 3,161,917	\$ 2,392,119
Mainland China	<u>3,297,395</u>	<u>3,297,330</u>	<u>855,426</u>	<u>1,030,261</u>
	<u>\$ 10,264,803</u>	<u>\$ 10,124,793</u>	<u>\$ 4,017,343</u>	<u>\$ 3,422,380</u>

c. Information on major customers

The single customer contributed 10% or more to the Group's revenue for both 2023 and 2022 was as follows:

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Company A	\$ 2,693,152	26.24	\$ 2,619,714	25.87

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

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 292,411	\$ 288,040	\$ 158,891	3.25	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 576,081	\$ 576,081	Note 6
2	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Other receivables from related parties	Yes	1,243,606	1,225,017	273,062	3.25	Short-term financing	-	Operating capital	-	-	-	2,450,033	2,450,033	Note 6
3	YFY Investment Co., Ltd.	YFY Family Care (Kunshan) Co., Ltd.	Other receivables from related parties	Yes	2,213,541	2,059,760	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,119,520	4,119,520	Note 6
		Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	2,213,541	2,059,760	-	3.50	Short-term financing	-	Operating capital	-	-	-	4,119,520	4,119,520	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 RMB1=\$4.335211 as of December 31, 2023.

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, 2023
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Chung Hwa Pulp Corporation Yuen Foong Shop Co., Ltd.	b.	Purchases	\$ 536,479	16	In agreed terms	\$ -	-	\$ (110,444)	(21)	Note 2
		a.	Sales	(658,977)	(10)	In agreed terms	-	-	144,828	15	
Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	a.	Sales	(308,537)	(99)	In agreed terms	-	-	108,926	99	Note 2
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd. Guangdong Dingfung Pulp & Paper Co., Ltd.	a.	Sales	(1,779,304)	(35)	In agreed terms	-	-	222,511	44	Note 2
		b.	Purchases	149,535	3	In agreed terms	-	-	-	-	
YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	a.	Sales	(724,313)	(98)	In agreed terms	-	-	62,656	95	Note 2
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd. YFY Family Care (Kunshan) Co., Ltd.	a.	Sales	(2,335,297)	(88)	In agreed terms	-	-	219,650	88	Note 2
		a.	Sales	(319,242)	(12)	In agreed terms	-	-	29,234	12	Note 2

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.

TABLE 3**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2023****(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	\$ 144,828	4.45	\$ -	-	\$ 144,828	\$ -
Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	Parent company	108,926	2.54	-	-	80,771	-
YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	222,511	9.97	-	-	222,511	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	219,650	9.21	-	-	219,650	-

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

TABLE 4**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	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	\$ 3,208,043	\$ 37,567	\$ 37,567	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	261,901	37,767	38,724	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	96,668	37,715	38,533	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.
	Livebricks Inc.	Taipei, Taiwan	Information processing service	1,879	-	200,002	100.0	15,231	13,272	13,313	a., b. and c.

- Note:
- Subsidiaries.
 - In preparing the consolidated financial statements, the transaction has been eliminated.
 - Yuen Foong Shop Co., Ltd. acquired shares of Livebricks Inc. from a fellow subsidiary, YFY Paradigm Investment Co., Ltd., in March 2023.
 - 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, 2023
(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, 2023 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (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, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,531,075 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 2,903,925 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,903,925 (US\$ 94,575 thousand)	\$ (21,478) (Note 2,b.)	100.0	\$ (21,478) (Note 2,b.)	\$ 2,086,344	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,150 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	14,718 (Note 2,b.)	100.0	15,369 (Note 2,b.)	299,892	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,150 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	70,743 (Note 2,b.)	100.0	70,743 (Note 2,b.)	1,294,340	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$3,210,975 (Notes 1 and 4)	\$3,210,975 (Notes 1 and 4)	(Note 3)

Note 1: The exchange rates were US\$1=\$30.705 and RMB1=\$4.335211 as of December 31, 2023.

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

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

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

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

TABLE 6**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ 658,977 144,828	By market price By market price	6.42 1.63
2	Ever Growing Agriculture Bio-tech Co., Ltd.	The Company	Parent company	Sales Accounts receivable	308,537 108,926	By market price By market price	3.01 1.22
3	YFY Investment Co., Ltd.	Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Subsidiary	Sales Accounts receivable	1,779,304 222,511	By market price By market price	17.33 2.50
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	2,335,297 219,650 319,242	By market price By market price By market price	22.75 2.47 3.11
5	YFY Family Care (Kunshan) Co., Ltd.	YFY Investment Co., Ltd.	Parent company	Sales	724,313	By market price	7.06

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, 2023**

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 PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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, 2023. 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 the 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 have been listed on the Taiwan Stock Exchange (TWSE) since September 2021.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on March 13, 2024.

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

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

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

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the parent company only 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 IFRS Accounting Standards in issue by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The parent company only 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 parent company only 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 (liabilities).

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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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 parent company only 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 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 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. 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.

o. Business construction

Business combinations involving entities under common control are accounted for at the carrying amounts of the Company. Comparative information of the prior period in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period. When the income attributable to the former shareholders of the Group prepare the balance sheets, the shares held by the former shareholders of the entities under common control belong to “Equity Attributable to Former Owner of Business Combination under Common Control”. When the Group prepares the statements of changes in equity, the income attributable to the former shareholders of the entities under common control belongs to “Retrospective Adjustments of Equity Attributable to Former Owner due to Business Combination under Common Control”.

5. MATERIAL 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 on 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.

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

	December 31	
	2023	2022
Cash on hand	\$ 233	\$ 208
Checking accounts and demand deposits	332,478	174,668
Cash equivalents (investments with original maturities of three months or less)		
Repurchase agreements collateralized by bonds	55,042	-
Time deposits	-	60,499
	<u>\$ 387,753</u>	<u>\$ 235,375</u>

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
Notes receivable - operating	\$ 23,524	\$ 18,918
Accounts receivable - operating	792,931	855,279
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>
	<u>\$ 816,455</u>	<u>\$ 874,197</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, 2023

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Gross carrying amount	\$ 811,793	\$ 4,662	\$ -	\$ -	\$ -	\$ 816,455
Loss allowance (Lifetime ECLs)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 811,793</u>	<u>\$ 4,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,455</u>

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> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 867,655</u>	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,197</u>

There is no change in the loss of allowance loss of trade receivables in 2023 and 2022.

8. INVENTORIES

	December 31	
	2023	2022
Finished and purchased goods	\$ 229,110	\$ 282,154
Work in process	65,084	122,588
Materials	<u>91,339</u>	<u>84,685</u>
	<u>\$ 385,533</u>	<u>\$ 489,427</u>

The cost of goods sold for the years ended December 31, 2023 and 2022 included reversal of inventory write-downs of \$41,553 thousand and \$678 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	
	2023	2022 (After Restatement)
Non-listed (public) companies		
Yuen Foong Yu Consumer Products Investment Limited	\$ 3,208,043	\$ 3,207,155
Ever Growing Agriculture Bio-tech Co., Ltd.	261,901	262,273
Yuen Foong Shop Co., Ltd.	96,668	101,460
YFY Consumer Products Co.	<u>-</u>	<u>-</u>
	<u>\$ 3,566,612</u>	<u>\$ 3,570,888</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	
	2023	2022
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.	100%	100%

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

On March 10, 2023, the board of directors of the Company's subsidiaries, Yuen Foong Shop Co., Ltd. resolved to acquire 100% equity of Livebricks Inc. from a fellow subsidiary of YFY Inc. group through Yuen Foong Shop Co., Ltd. for \$1,879 thousand. The transaction was completed in the first quarter of 2023. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by the Accounting Research and Development Foundation, the acquisition resulted in a joint control restructuring. In the preparation of comparative parent company only financial statements, the acquisition is disclosed as if it has acquired before January 1, 2022 and the Company's parent company only financial statements as of and for the years ended December 31, 2023 are restated.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2023	\$ 675,822	\$ 541,974	\$ 1,857,204	\$ 220,185	\$ 137,775	\$ 215,123	\$ 72,723	\$ 3,720,806
Additions	-	37,425	197,207	44,545	25,748	5,705	664,401	975,031
Disposals	-	(6,227)	(26,881)	(2,402)	(1,577)	(4,625)	-	(41,712)
Reclassifications	-	160,369	525,200	32,348	13,228	5,979	(737,124)	-
Balance at December 31, 2023	<u>\$ 675,822</u>	<u>\$ 733,541</u>	<u>\$ 2,552,730</u>	<u>\$ 294,676</u>	<u>\$ 175,174</u>	<u>\$ 222,182</u>	<u>\$ -</u>	<u>\$ 4,654,125</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2023	\$ -	\$ 338,674	\$ 1,119,818	\$ 106,557	\$ 102,134	\$ 191,101	\$ -	\$ 1,858,284
Depreciation expenses	-	20,105	115,246	14,763	15,182	11,927	-	177,223
Disposals	-	(6,173)	(26,881)	(1,731)	(1,577)	(4,624)	-	(40,986)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 352,606</u>	<u>\$ 1,208,183</u>	<u>\$ 119,589</u>	<u>\$ 115,739</u>	<u>\$ 198,404</u>	<u>\$ -</u>	<u>\$ 1,994,521</u>
Carrying amounts at December 31, 2023	<u>\$ 675,822</u>	<u>\$ 380,935</u>	<u>\$ 1,344,547</u>	<u>\$ 175,087</u>	<u>\$ 59,435</u>	<u>\$ 23,778</u>	<u>\$ -</u>	<u>\$ 2,659,604</u>
<u>Cost</u>								
Balance at January 1, 2022	\$ 675,822	\$ 539,098	\$ 1,761,160	\$ 175,408	\$ 119,466	\$ 214,412	\$ -	\$ 3,485,366
Additions	-	4,496	100,628	49,121	18,546	6,931	72,723	252,445
Disposals	-	(1,620)	(4,584)	(4,344)	(237)	(6,220)	-	(17,005)
Balance at December 31, 2022	<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>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 320,658	\$ 1,018,762	\$ 98,164	\$ 90,667	\$ 182,919	\$ -	\$ 1,711,170
Depreciation expenses	-	19,636	105,640	12,737	11,704	14,402	-	164,119
Disposals	-	(1,620)	(4,584)	(4,344)	(237)	(6,220)	-	(17,005)
Balance at December 31, 2022	<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>

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

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Buildings	\$ 159,855	\$ 174,777
Others	<u>21,277</u>	<u>23,730</u>
	<u>\$ 181,132</u>	<u>\$ 198,507</u>
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 34,508</u>	<u>\$ 66,063</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 45,014	\$ 38,935
Others	<u>6,674</u>	<u>6,039</u>
	<u>\$ 51,688</u>	<u>\$ 44,974</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, 2023 and 2022.

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Current	<u>\$ 51,122</u>	<u>\$ 46,837</u>
Non-current	<u>\$ 133,172</u>	<u>\$ 154,197</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Buildings	0.86%-1.29%	0.86%-1.06%
Others	0.86%-1.29%	0.86%-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	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 48,939</u>	<u>\$ 45,710</u>
Total cash outflow for leases	<u>\$ 101,793</u>	<u>\$ 92,069</u>

12. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Bank credit loans	<u>\$ -</u>	<u>\$ 248,000</u>
Interest rates	-	1.65%

b. Long-term borrowings

	December 31	
	2023	2022
Bank credit loans	<u>\$ 760,330</u>	<u>\$ 198,620</u>
Interest rates of long-term borrowings	1.26%-1.35%	1.68%

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	
	2023	2022
Present value of defined benefit obligation	\$ 90,610	\$ 102,023
Fair value of plan assets	<u>(96,647)</u>	<u>(101,083)</u>
Net defined benefit (assets) liabilities	<u>\$ (6,037)</u>	<u>\$ 940</u>

Movements in net defined benefit (assets) liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Assets) 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 loss - 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>
Balance at January 1, 2023	<u>\$ 102,023</u>	<u>\$ (101,083)</u>	<u>\$ 940</u>
Service cost			
Current service cost	2,419	-	2,419
Net interest expense (income)	<u>1,670</u>	<u>(1,747)</u>	<u>(77)</u>
Recognized in profit or loss	<u>4,089</u>	<u>(1,747)</u>	<u>2,342</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(373)	(373)
Actuarial loss - actuarial assumptions adjustments	1,029	-	1,029
Actuarial loss - experience adjustments	<u>2,912</u>	<u>-</u>	<u>2,912</u>
Recognized in other comprehensive income	<u>3,941</u>	<u>(373)</u>	<u>3,568</u>
Benefits paid	<u>(19,443)</u>	<u>19,443</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(12,887)</u>	<u>(12,887)</u>
Balance at December 31, 2023	<u>\$ 90,610</u>	<u>\$ (96,647)</u>	<u>\$ (6,037)</u>

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

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

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

	December 31	
	2023	2022
Discount rate	1.50%	1.75%
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	
	2023	2022
Discount rate		
0.125% increase	<u>\$ (518)</u>	<u>\$ (634)</u>
0.125% decrease	<u>\$ 523</u>	<u>\$ 642</u>
Expected rate of salary increase		
0.125% increase	<u>\$ 525</u>	<u>\$ 646</u>
0.125% decrease	<u>\$ (521)</u>	<u>\$ (640)</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	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 2,145</u>	<u>\$ 2,342</u>
Average duration of the defined benefit obligation	4.9 years	5.1 years

14. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
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.

b. Capital surplus

	Differences Between Equity Purchase Price and Carrying Amount from Actual Acquisition or Disposal of Equity in Subsidiary (Note)	Share Premium (Note)	Others (Note)	Total
Balance at January 1 and December 31, 2023	<u>\$ 156,481</u>	<u>\$ 1,054,448</u>	<u>\$ 3,187</u>	<u>\$ 1,214,116</u>
Balance at January 1 and December 31, 2022	<u>\$ 156,481</u>	<u>\$ 1,054,448</u>	<u>\$ 3,187</u>	<u>\$ 1,214,116</u>

Note: 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).

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 2022 and 2021, which were approved by the shareholders in their meeting on June 28, 2023 and June 15, 2022, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 68,825	\$ 106,042
(Reversal) appropriation of special reserve	\$ (139,073)	\$ 37,893
Cash dividends	\$ 614,397	\$ 801,387
Cash dividends per share (NT\$)	\$ 2.3	\$ 3

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on March 13, 2024, were as follows:

	<u>For the Year Ended December 31, 2023</u>
Legal reserve	\$ 96,314
Special reserve	\$ 36,679
Cash dividends	\$ 801,387
Cash dividends per share (NT\$)	\$ 3

The appropriations of earnings for 2023 will be approved by the Shareholders Meeting to be held in June 2024. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Equity attributable to former owner of business combination under common control

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 1,920	\$ 1,863
Net profit attributable to equity attributable to former owner of business combination under common control		
Net (loss) profit for the period	(41)	57
Equity attributable to former owner of business combination under common control transferred into owners of the company's equity	<u>(1,879)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 1,920</u>

15. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers - sale of goods	<u>\$ 6,638,892</u>	<u>\$ 6,513,546</u>

Contract Balances

	December 31	
	2023	2022
Notes receivable and accounts receivable (including related parties)	<u>\$ 965,054</u>	<u>\$ 1,028,900</u>
Contract liabilities - sale of goods (under other current liabilities)	<u>\$ 13,549</u>	<u>\$ 14,156</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	
	2023	2022
Revenue from contracts with customers - sale of goods	<u>\$ 13,111</u>	<u>\$ 13,158</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	
	2023	2022
Interest on lease liabilities	\$ 1,803	\$ 1,534
Interest on bank loans	10,720	4,791
Less: Capitalization amount of interest	<u>(4,206)</u>	<u>(504)</u>
	<u>\$ 8,317</u>	<u>\$ 5,821</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalization interest rates	1.29%-1.74%	0.8%-1.38%
b. Depreciation	For the Year Ended December 31	
	2023	2022
Right-of-use assets	\$ 51,688	\$ 44,974
Property, plant and equipment	<u>177,223</u>	<u>164,119</u>
	<u>\$ 228,911</u>	<u>\$ 209,093</u>
An analysis of depreciation by function		
Operating costs	\$ 174,604	\$ 160,514
Operating expenses	<u>54,307</u>	<u>48,579</u>
	<u>\$ 228,911</u>	<u>\$ 209,093</u>
c. Employee benefits expense	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 25,514	\$ 24,953
Defined benefits plans	<u>2,342</u>	<u>3,126</u>
	27,856	28,079
Other employee benefits	<u>773,301</u>	<u>705,750</u>
Total employee benefits expense	<u>\$ 801,157</u>	<u>\$ 733,829</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 409,154	\$ 369,312
Operating expenses	<u>392,003</u>	<u>364,517</u>
	<u>\$ 801,157</u>	<u>\$ 733,829</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, 2023 and 2022, which were approved by the Company's board of directors on March 13, 2024 and March 14, 2023, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 11,850	\$ 8,805
Remuneration of directors	12,150	8,627

If there is a change in the amounts after the annual parent company only 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 14, 2023 and March 10, 2022, and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

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	
	2023	2022
Current tax		
In respect of the current year	\$ 210,641	\$ 174,079
Adjustments for prior years	<u>(25,593)</u>	<u>(10)</u>
	<u>185,048</u>	<u>174,069</u>
Deferred tax		
In respect of the current year	<u>10,504</u>	<u>2,157</u>
Income tax expense recognized in profit or loss	<u>\$ 195,552</u>	<u>\$ 176,226</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 1,161,503</u>	<u>\$ 858,203</u>
Income tax expense calculated at the statutory rate (20%)	\$ 233,301	\$ 171,641
Permanent differences	(22,965)	4,595
Income tax on Controlled Foreign Company	11,809	-
Adjustments for prior years	<u>(25,593)</u>	<u>(10)</u>
Income tax expense recognized in profit or loss	<u>\$ 195,552</u>	<u>\$ 176,226</u>

In July 2019, the President of our country announced an amendment to the Statute for Industrial Innovation, which specifies that the construction or acquisition of certain assets or technologies from unappropriated earnings in 2018 onwards may be recorded as deductions from the calculation of unappropriated earnings. When the Company calculated the additional levy on unappropriated earnings, the amount of capital expenditures actually invested were deducted from the calculation.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ 714</u>	<u>\$ (1,583)</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, 2023

	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	\$ 9,621	\$ (8,310)	\$ -	\$ 1,311
Defined benefit obligation	189	(189)	-	-
Others	<u>154</u>	<u>(77)</u>	<u>-</u>	<u>77</u>
	<u>\$ 9,964</u>	<u>\$ (8,576)</u>	<u>\$ -</u>	<u>\$ 1,388</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 57,133	\$ -	\$ -	\$ 57,133
Net defined benefit assets	-	1,921	(714)	1,207
Others	-	7	-	7
	<u>\$ 57,133</u>	<u>\$ 1,928</u>	<u>\$ (714)</u>	<u>\$ 58,347</u> (Concluded)
<u>For the year ended December 31, 2022</u>				

	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	624	(470)	-	154
	<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	13	(13)	-	-
	<u>\$ 57,146</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 57,133</u>

d. Income tax assessments

The tax filings of the Company through 2021 have been approved by the tax authorities.

18. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings per share (NT\$)	<u>\$ 3.62</u>	<u>\$ 2.55</u>
Diluted earnings per share (NT\$)	<u>\$ 3.61</u>	<u>\$ 2.55</u>

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

Net profit for the year

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Profit for the year attributable to owners of the Company	<u>\$ 965,992</u>	<u>\$ 681,920</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	267,129	267,129
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>326</u>	<u>303</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>267,455</u>	<u>267,432</u>

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be 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. 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.

20. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,383,593	\$ 1,336,577
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,266,546	1,831,357

- 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 (including related parties) (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, 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 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. The Company follows the movement of foreign exchange rates and adjusts the exposure position respond to it to minimize the effects of these risks.

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	
	2023	2022
Profit or loss at 5% variance		
USD	\$ (115)	\$ 1,717

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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 55,042	\$ 60,499
Financial liabilities	\$ 944,624	\$ 647,654
Cash flow interest rate risk		
Financial assets	\$ 325,760	\$ 173,163

Due to the close and long-term relationship with banks, the Company obtained better and flexible interest rates from banks. The impact of changing 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, 2023 and 2022 would have increased/decreased as follows:

	For the Year Ended December 31	
	2023	2022
Increase/decrease	\$ 326	\$ 173

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, 2023 and 2022, the Company's unused financing facilities were \$7,847,210 thousand and \$5,505,000 thousand, respectively.

21. TRANSACTIONS WITH RELATED PARTIES

YFY Inc. is the parent company of the Company, which held 59.14% of the ordinary shares of the Company as of December 31, 2023 and 2022.

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
Livebricks Inc.	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.	Fellow subsidiary
YFY Jupiter Limited Taiwan Branch (Hong Kong)	Fellow subsidiary
Effion Enertech Co., Ltd.	Fellow subsidiary
Fengchuan Green Technology Co., Ltd.	Fellow subsidiary
Ensilience Co., Ltd.	Fellow subsidiary
Hsinex International Corp.	Substantive related party
E Ink Holdings Inc.	Substantive related party
SinoPac Financial Holdings Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
Bank SinoPac Co., Ltd	Substantive related party
YFY Biotech Co., Ltd.	Substantive related party
Hsin Yuan Investment Co., Ltd.	Substantive related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
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 Corporation	Substantive related party
Chen Yu Co., Ltd.	Substantive related party
Hoi Toy & Play Corporation	Substantive related party
Synmax Biochemical Co., Ltd.	Substantive related party
	(Concluded)

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 658,977	\$ 885,362
Others	<u>95</u>	<u>506</u>
	659,072	885,868
Substantive related parties	10,606	9,763
Fellow subsidiaries	4,814	4,694
Parent company	<u>255</u>	<u>271</u>
	<u>\$ 674,747</u>	<u>\$ 900,596</u>

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

c. Purchases of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Fellow subsidiaries		
Chung Hwa Pulp Corporation	\$ 536,479	\$ 753,927
Others	<u>31,439</u>	<u>33,910</u>
	567,918	787,837
Subsidiaries	308,769	331,675
Substantive related parties	<u>162</u>	<u>195</u>
	<u>\$ 876,849</u>	<u>\$ 1,119,707</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	
	2023	2022
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 144,828	\$ 151,214
Others	<u>24</u>	<u>3</u>
	144,852	151,217
Substantive related parties	2,478	2,439
Fellow subsidiaries	1,269	1,033
Parent company	<u>-</u>	<u>14</u>
	<u>\$ 148,599</u>	<u>\$ 154,703</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	
	2023	2022
Subsidiaries		
Ever Growing Agriculture Bio-tech Co., Ltd.	\$ 109,054	\$ 133,987
Fellow subsidiaries		
Chung Hwa Pulp Corporation	110,444	225,434
Others	<u>16,514</u>	<u>9,121</u>
	126,958	234,555
Substantive related parties	<u>34</u>	<u>-</u>
	<u>\$ 236,046</u>	<u>\$ 368,542</u>

The outstanding accounts payable to related parties are unsecured.

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

Related Party Category	December 31	
	2023	2022
Fellow subsidiaries		
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	\$ 2,772	\$ 1,667
YFY Corporate Advisory & Services Co., Ltd.	1,118	794
Others	<u>317</u>	<u>207</u>
	4,207	2,668
Substantive related parties		
Hsin-Yi Enterprise Co., Ltd.	898	1,022
Others	<u>384</u>	<u>335</u>
	1,282	1,357
Subsidiaries		
Ever Growing Agriculture Bio-tech Co., Ltd.	1,404	720
Livebricks Inc.	<u>1,198</u>	<u>-</u>
	<u>2,602</u>	<u>720</u>
	<u>\$ 8,091</u>	<u>\$ 4,745</u>

- g. Acquisition of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries	<u>\$ 5,505</u>	<u>\$ 971</u>

- h. Lease arrangements

Lease Paid	For the Year Ended December 31	
	2023	2022
Substantive related parties		
Hsin-Yi Enterprise Co., Ltd.	\$ 8,249	\$ 8,249
Others	<u>114</u>	<u>1,371</u>
	8,363	9,620
Fellow subsidiaries	<u>1,314</u>	<u>1,314</u>
	<u>\$ 9,677</u>	<u>\$ 10,934</u>

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

- i. Other transactions with related parties

Related Party Category	Miscellaneous Expenses (Accounted for as Operating Costs and Expenses)	
	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries	\$ 20,673	\$ 15,119
Substantive related parties	4,240	3,962
Subsidiaries	<u>8,996</u>	<u>3,621</u>
	<u>\$ 33,909</u>	<u>\$ 22,702</u>

Related Party Category	Other Income (Accounted for as Non-operating Income)	
	For the Year Ended December 31	
	2023	2022
Subsidiaries	<u>\$ 1,373</u>	<u>\$ 1,412</u>

Related Party Category	Other Receivables (Excluding Loans to Related Parties) (Accounted for as Other Current Assets)	
	For the Year Ended December 31	
	2023	2022
Subsidiaries		
Yuen Foong Shop Co., Ltd.	\$ 24	\$ 27,470
Ever Growing Agriculture Bio-tech Co., Ltd.	<u>3</u>	<u>7</u>
	<u>\$ 27</u>	<u>\$ 27,477</u>

Related Party Category	Prepayments (Accounted for as Other Current Assets)	
	December 31	
	2023	2022
Substantive related parties	\$ 42	\$ 44
j. Remuneration of key management personnel		
	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 44,836	\$ 47,827
Others	836	959
	\$ 45,672	\$ 48,786

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

22. 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, 2023		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 131	30.705	\$ 4,022
<u>Financial liabilities</u>			
Monetary items			
USD	206	30.705	6,325
	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

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

Foreign Currency	For the Year Ended 2023		For the Year Ended 2022	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	30.705 (USD:NTD)	\$ 359	30.71 (USD:NTD)	\$ 254

23. SEPARATELY DISCLOSED ITEMS

Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

- a. Financing provided: None;
- b. Endorsements/guarantees provided: None;
- c. Marketable securities held: None;
- d. Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 1 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 2 attached;
- i. Trading in derivative instruments: None;
- j. Information on investees: See Table 3 attached;
- k. 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: See Table 4 attached.
 - 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
1. 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: See Table 5 attached.

TABLE 1**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, 2023
(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. Ever Growing Agriculture Bio-tech Co., Ltd. Chung Hwa Pulp Corporation	a.	Sale	\$ (658,977)	(10)	In agreed terms	-	-	\$ 144,828	15	
		a.	Purchase	308,769	9	In agreed terms	-	-	(109,054)	(20)	
		b.	Purchase	536,479	16	In agreed terms	-	-	(110,444)	(21)	

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 NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2023****(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	\$ 144,828	4.45	\$ -	-	\$ 144,828	\$ -

TABLE 3**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.****INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	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	\$ 3,208,043	\$ 37,567	\$ 37,567	a.
	Ever Growing Agriculture Bio-tech Co., Ltd.	Taipei, Taiwan	Wholesale of agriculture products	107,595	107,595	18,245,944	85.0	261,901	37,767	38,724	a.
	Yuen Foong Shop Co., Ltd.	Taipei, Taiwan	E-commerce of selling consumer products	55,041	55,041	5,000,000	100.0	96,668	37,715	38,533	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, 2023
(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, 2023 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (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, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
YFY Investment Co., Ltd.	Investment and holding and sale of paper	\$ 3,531,075 (US\$ 115,000 thousand)	Investment in mainland China through companies set up in another country.	\$ 2,903,925 (US\$ 94,575 thousand)	\$ -	\$ -	\$ 2,903,925 (US\$ 94,575 thousand)	\$ (21,478) (Note 2. b.)	100.0	\$ (21,478) (Note 2. b.)	\$ 2,086,344	\$ -
YFY Family Care (Kunshan) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,150 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	14,718 (Note 2. b.)	100.0	15,369 (Note 2. b.)	299,892	-
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Manufacture and sale of tissue paper and napkins	921,150 (US\$ 30,000 thousand)	Investment in mainland China through companies set up in another country.	-	-	-	-	70,743 (Note 2. b.)	100.0	70,743 (Note 2. b.)	1,294,340	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$3,210,975 (Notes 1 and 4)	\$3,210,975 (Notes 1 and 4)	(Note 3)

Note 1: The exchange rates were US\$1=NT\$30.705 and RMB1=NT\$4.335211 as of December 31, 2023.

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

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

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

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

TABLE 5**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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

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STATEMENT 1

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Cash		
Cash on hand		\$ 233
Demand deposits		324,454
Foreign currency deposits	US\$43 thousand @30.705	1,306
Checking accounts		6,718
Cash equivalents		
Repurchase agreements collateralized by bonds	Gradually expiring before the end of January 29, 2024, interest rate is 1.28%	<u>55,042</u>
		<u>\$ 387,753</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Costco President Taiwan Inc.	\$ 244,122
Chuan Lian Enterprise Co., Ltd.	114,097
Presicarre Corporation	77,817
Others (Note)	380,419
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 816,455</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Investee	Balance, January 1, 2023		Additions in Investment		Decrease in Investment		Share of Profit of Subsidiaries (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2023			Market Value or Net Asset Value
	Shares	Amount	Shares	Amount	Shares	Amount (Note 3)			Shares	%	Amount	
Yuen Foong Yu Consumer Products Investment Limited	150,013,000	\$ 3,207,155	-	\$ -	-	\$ -	\$ 37,567	\$ (36,679)	150,013,000	100	\$ 3,208,043	\$ 3,208,043
Ever Growing Agriculture Bio-tech Co., Ltd.	18,245,944	262,273	-	-	-	39,096	38,724	-	18,245,944	85	261,901	268,098
Yuen Foong Shop Co., Ltd.	5,000,000	101,460	-	-	-	43,325	38,533	-	5,000,000	100	96,668	102,231
		<u>\$ 3,570,888</u>		<u>\$ -</u>		<u>\$ 82,421</u>	<u>\$ 114,824</u>	<u>\$ (36,679)</u>			<u>\$ 3,566,612</u>	<u>\$ 3,578,372</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 \$(36,679) thousand.

Note 3: Including cash dividends collected of \$80,172 thousand, employee compensation paid by subsidiaries to the Company's employees of \$370 thousand and equity attributable to former owner of business combination under common control transferred into owners of the company's equity of \$1,879 thousand.

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Payables on wages and employee benefits	\$ 149,812
Payables on channel marketing expense	104,955
Payables on equipment	263,822
Others (Note)	<u>426,441</u>
	<u>\$ 945,030</u>

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

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2023

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

Name	Contract Period	Repayment Agreement	Interest Rates (%)	Expired within A Year	Expired after A Year	Total Amount	Collateral	Note
Credit borrowings								
Bank of Taiwan	2023.05.15-2028.05.25	Principal repayable on maturity, interest payable on a monthly basis	1.30	\$ -	\$ 222,440	\$ 222,440	-	-
Yuanta Commercial Bank	2023.03.27-2028.03.27	Principal repayable on maturity, interest payable on a monthly basis	1.35	-	14,300	14,300	-	-
The Export-Import Bank of the Republic of China	2023.05.04-2028.05.04	Principal repayable on maturity, interest payable on a monthly basis	1.26	-	526,050	526,050	-	-
				-	762,790	762,790		
Less: Arrangement fees of syndicated bank loans				-	(2,460)	(2,460)		
				\$ -	\$ 760,330	\$ 760,330		

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Tons)	Amount
Paper	85,491	\$ 5,772,755
Others (Note)	-	<u>866,137</u>
		<u>\$ 6,638,892</u>

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

STATEMENT 7**YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	\$ 2,711,065
Direct labor	271,492
Manufacturing expenses	<u>729,188</u>
Manufacturing cost	3,711,745
Add (less):	
Work in process, beginning of year	123,671
Transferred to other accounts	(889)
Work in process, end of year	<u>(65,470)</u>
Cost of finished goods	3,769,057
Add (less):	
Finished goods, beginning of year	237,207
Finished goods, end of year	(177,399)
Transferred to other accounts	(14,197)
Reversal of write-down of inventories	<u>(1,184)</u>
Cost of homemade products sold	3,813,484
Purchased goods, beginning of year	89,573
Finished goods purchased	723,080
Add (less):	
Transferred to other accounts	(27,502)
Reversal of write-down of inventories	(40,369)
Purchased goods, end of year	<u>(56,500)</u>
	<u>\$ 4,501,766</u>

YUEN FOONG YU CONSUMER PRODUCTS CO., LTD.

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits expense	\$ 172,432	\$ 195,916	\$ 23,655	\$ 392,003
Freight expense	363,841	-	-	363,841
Advertising and marketing expense	149,658	-	-	149,658
Remuneration expense	10,963	36,165	58	47,186
Depreciation	46,673	5,705	1,929	54,307
Others (Note)	<u>58,314</u>	<u>29,379</u>	<u>5,786</u>	<u>93,479</u>
	<u>\$ 801,881</u>	<u>\$ 267,165</u>	<u>\$ 31,428</u>	<u>\$ 1,100,474</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 AND DEPRECIATION EXPENSES BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment benefits expense						
Salary expense	\$ 330,944	\$ 306,185	\$ 637,129	\$ 301,964	\$ 291,569	\$ 593,533
Insurance expense	35,154	26,104	61,258	31,331	26,390	57,721
Pension expense	14,523	13,333	27,856	14,333	13,746	28,079
Remuneration of directors	-	12,150	12,150	-	8,627	8,627
Other expense	<u>28,533</u>	<u>34,231</u>	<u>62,764</u>	<u>21,684</u>	<u>24,185</u>	<u>45,869</u>
	<u>\$ 409,154</u>	<u>\$ 392,003</u>	<u>\$ 801,157</u>	<u>\$ 369,312</u>	<u>\$ 364,517</u>	<u>\$ 733,829</u>
Depreciation expense	<u>\$ 174,604</u>	<u>\$ 54,307</u>	<u>\$ 228,911</u>	<u>\$ 160,514</u>	<u>\$ 48,579</u>	<u>\$ 209,093</u>

1. As of December 31, 2023 and 2022, the Company had 744 and 729 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, 2023 and 2022, the average employment benefit expense was \$1,066 thousand and \$1,000 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, 2023 and 2022, the average salary expense was \$861 thousand and \$819 thousand, respectively. (“Total Salary Expense”/“Number of Employees” - “Number of Directors Not Classified as Employees”).
 - c. Average salary adjustment was 5.13% (“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 stylized cursive characters that appear to read 'Felix Ho'.





 **YFYCPG**

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