

Bafang Yunji International
Co., Ltd.

Parent Company Only
Financial Statements
for the Years Ended December 31,
2022 and 2021 and Independent
Auditor's Report

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Independent Auditor's Report

The Board of Directors and Shareholders

Bafang Yunji International Co., Ltd.

Audit Opinion

We have audited the accompanying parent company only balance sheet of Bafang Yunji International Co., Ltd. (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and the notes to the parent company only financial statements, including the summary of significant accounting policies.

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

The basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the content of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters.

Key audit matter of the 2022 parent company only financial statements for the ended December 31, 2022 is stated as follows:

Authenticity of sales revenues from shipments to specific customers

The Company is principally engaged in food processing, food ingredients trading and providing food and restaurant services. Based on the materiality and the presumption of significant risk in revenue recognition in the Statement of Auditing Standards; Therefore, we believe that the authenticity of sales revenues from shipments to specific customers recognized by the Company has a significant impact on the financial statements. Therefore, the authenticity of the sales revenues from shipments to specific customers is listed as a key audit matter of this year. For a description of the revenue recognition policy, please refer to Note 4(11).

We conducted the following audit procedures:

1. Understand and test the design and implementation of internal control relevant to revenue recognition for specific customers.
2. Review a selected sample of the revenue details of the specific customers, review the supporting documentation and test the collection status to confirm that the sales transaction occurred.
3. Review whether significant sales returns and discounts have occurred for the specific customers since the balance sheet date to confirm whether there is any material misstatement of revenues.

Responsibilities of Management and Those in Charge with Governance of the parent company only Financial Statements

The responsibility of management is to prepare fairly presented parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintain necessary internal control related to the preparation of parent company only financial statements in order to ensure material misstatement caused by fraud or error does not exist in the parent company only financial statements.

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

Those in charge of governance (including member of The Audit Committee) are responsible for overseeing the reporting process of the financial statements of the Company.

Auditor's 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 auditor's report. 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. Misstatements are considered material, individually or in 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 countermeasures for assessed risks; and obtain evidence that is sufficient and appropriate to provide a basis of audit 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 internal control effective in the Company.
3. Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, 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 to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including disclosures, 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 or the entities or business activities of 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 of the Company. 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 in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to affect on our independence, and other matters (including related protective measures).

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's 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.

Deloitte Taiwan

CPA Kuo, Nai-Hua
Financial Supervisory Commission
approval document
Jin-Guan-Zheng-Shen-Zi No. 1070323246

CPA Lee, Li-Huang
Securities and Futures Commission
approval document
Tai-Cai-Zheng (6) Zi No. 0930128050

March 28, 2023

Bafang Yunji International Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2022 and 2021

Unit: In thousands of NT\$

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6, and 31)	\$ 104,308	2	\$ 790,679	21
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7, and 31)	110,228	3	94,302	2
1141	Financial assets measured at amortized cost - current (Notes 4, 8, 9, 31 and 33)	1,074,251	25	400,374	10
1170	Accounts receivable - unrelated parties (Notes 4, 10 and 31)	85,898	2	70,088	2
1180	Accounts receivable - related parties (Notes 4, 10, 31 and 32)	23,994	1	29,658	1
1200	Other receivables (Notes 4, 10, and 31)	3,778	-	2,566	-
1210	Other receivables - related parties (Notes 4, 10, 31 and 32)	1,413	-	29,406	1
1220	Current tax assets (Notes 4 and 25)	327	-	-	-
130X	Inventories (Notes 4 and 11)	189,425	4	168,426	4
1410	Prepayments (Note 16)	64,342	2	69,083	2
1470	Other current assets (Note 17, 31 and 33)	19,028	-	8,674	-
11XX	Total current assets	<u>1,676,992</u>	<u>39</u>	<u>1,663,256</u>	<u>43</u>
	Non-current assets				
1550	Investments accounted for using the equity method (Notes 4, 12 and 32)	1,011,540	24	820,136	21
1600	Property, plant and equipment (Notes 4, 13, 32 and 33)	1,107,712	26	1,019,787	27
1755	Right-of-use assets (Notes 4, 14 and 32)	325,293	8	243,976	6
1801	Intangible assets (Notes 4 and 15)	15,424	-	5,920	-
1840	Deferred income tax assets (Notes 4 and 25)	5,405	-	30,830	1
1915	Prepayments for equipment (Note 17)	69,028	2	39,690	1
1990	Other non-current assets (Notes 17 and 31)	48,528	1	42,856	1
15XX	Total non-current assets	<u>2,582,930</u>	<u>61</u>	<u>2,203,195</u>	<u>57</u>
1XXX	Total assets	<u>\$ 4,259,922</u>	<u>100</u>	<u>\$ 3,866,451</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 18, 31 and 32)	\$ -	-	\$ 27,000	1
2150	Notes payable (Notes 19 and 31)	-	-	1,000	-
2170	Accounts payable - unrelated parties (Notes 19 and 31)	171,042	4	162,388	4
2180	Accounts payable - related parties (Notes 19, 31 and 32)	3,532	-	3,101	-
2200	Other payables - unrelated parties (Notes 20 and 31)	374,797	9	336,940	9
2220	Other payables - related parties (Notes 20, 31 and 32)	10,622	-	10,942	-
2280	Lease liabilities - current (Notes 4, 14, 31 and 32)	58,598	2	53,838	2
2230	Current income tax liabilities (Notes 4 and 25)	86,813	2	62,697	2
2322	Long-term loans due within one year (Notes 18, 31 and 33)	-	-	9,996	-
2399	Other current liabilities (Note 20)	8,706	-	6,254	-
21XX	Total current liabilities	<u>714,110</u>	<u>17</u>	<u>674,156</u>	<u>18</u>
	Non-current liabilities				
2540	Long-term loans (Notes 18, 31 and 33)	-	-	25,823	1
2580	Lease liabilities - non-current (Notes 4, 14, 31 and 32)	245,725	6	167,042	4
2570	Deferred income tax liabilities (Notes 4 and 25)	3,237	-	594	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 21)	2,246	-	4,974	-
2645	Deposits received (Note 31)	12,290	-	1,500	-
25XX	Total non-current liabilities	<u>263,498</u>	<u>6</u>	<u>199,933</u>	<u>5</u>
2XXX	Total liabilities	<u>977,608</u>	<u>23</u>	<u>874,089</u>	<u>23</u>
	Equity (Notes 22 and 27)				
3110	Common stock	663,258	16	660,448	17
3200	Capital surplus	998,905	23	970,319	25
	Retained earnings				
3310	Legal reserve	405,884	9	348,629	9
3320	Special reserve	31,936	1	48,589	1
3350	Undistributed earnings	1,196,578	28	1,018,632	27
3300	Total retained earnings	<u>1,634,398</u>	<u>38</u>	<u>1,415,850</u>	<u>37</u>
3400	Other equity	(4,247)	-	(54,255)	(2)
3XXX	Total equity	<u>3,282,314</u>	<u>77</u>	<u>2,992,362</u>	<u>77</u>
	Total liabilities and equity	<u>\$ 4,259,922</u>	<u>100</u>	<u>\$ 3,866,451</u>	<u>100</u>

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

Chairperson: Lin, Hsin-Yi

President: Chang, Jui-Lien

Accounting Officer: Huang, Lee-Chi

Bafang Yunji International Co., Ltd.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: In thousands of NT\$
But earnings per share are in NT\$

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (Notes 4, 23 and 32)	\$ 4,544,860	100	\$ 4,015,944	100
5000	Operating costs (Notes 4, 11, 24 and 32)	(3,152,758)	(70)	(2,763,440)	(69)
5900	Gross profit	<u>1,392,102</u>	<u>30</u>	<u>1,252,504</u>	<u>31</u>
	Operating expenses (Notes 21, 24 and 32)				
6100	Selling and marketing	(373,650)	(8)	(362,150)	(9)
6200	General and administrative	(303,332)	(7)	(266,942)	(7)
6300	Research and development	(14,279)	-	(12,904)	-
6000	Total operating expenses	(691,261)	(15)	(641,996)	(16)
6900	Net operating profit	<u>700,841</u>	<u>15</u>	<u>610,508</u>	<u>15</u>
	Non-operating income and expenses (Notes 12, 24, 28 and 32)				
7100	Interest income	10,507	-	834	-
7010	Other income	29,961	1	17,375	-
7020	Other gains and losses	(4,125)	-	(1,145)	-
7050	Financial costs	(4,968)	-	(4,133)	-
7070	Share of profits of subsidiaries and associates	<u>90,480</u>	<u>2</u>	<u>60,906</u>	<u>2</u>
7000	Total non-operating income and expenses	<u>121,855</u>	<u>3</u>	<u>73,837</u>	<u>2</u>
7900	Net profit before tax	822,696	18	684,345	17
7950	Income tax expense (Notes 4 and 25)	(161,743)	(3)	(143,004)	(4)
8200	Net profit for the year	<u>660,953</u>	<u>15</u>	<u>541,341</u>	<u>13</u>
8310	Other comprehensive income				
8311	Items that will not be reclassified to profit or loss				
	Remeasurement of defined benefit plans (Notes 4 and 21)	2,358	-	18	-

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Code		2022		2021	
		Amount	%	Amount	%
8349	Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 25)	(\$ 472)	-	(\$ 3)	-
8360	Items that may subsequently be reclassified to profits or loss				
8361	Exchange differences arising on translation of foreign operations (Note 22)	62,466	1	(18,314)	-
8399	Income tax related to items that may subsequently be reclassified (Notes 4, 22 and 25)	(12,458)	-	3,664	-
8300	Total other comprehensive income (net)	51,894	1	(14,635)	-
8500	Total comprehensive income for the year	\$ 712,847	16	\$ 526,706	13
	Earnings per share (Note 26)				
9710	Basic	\$ 10.00		\$ 8.74	
9810	Diluted	\$ 9.92		\$ 8.68	

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

Chairperson: Lin, Hsin-Yi

President: Chang, Jui-Lien

Accounting Officer: Huang, Lee-Chi

Bafang Yunji International Co., Ltd.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: In thousands of NT\$

Code		Share capital		Capital surplus	Retained earnings			Other equity	Total equity
		Number of shares (in thousands of shares)	Amount		Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising on translation of foreign operations	
A1	Balance as of January 1, 2021	60,045	\$ 600,448	\$ 34,649	\$ 257,154	\$ 27,261	\$ 1,136,438	(\$ 39,605)	\$ 2,016,345
	Appropriation and distribution of earnings								
B1	Legal reserve	-	-	-	91,475	-	(91,475)	-	-
B3	Special reserve	-	-	-	-	21,328	(21,328)	-	-
B5	Shareholders' cash dividends	-	-	-	-	-	(540,403)	-	(540,403)
E1	Cash capital increase	6,000	60,000	912,967	-	-	-	-	972,967
N1	Share-based payment transaction	-	-	25,628	-	-	-	-	25,628
M5	Actual acquisition of partial interests in a subsidiary	-	-	(2,925)	-	-	(5,956)	-	(8,881)
D1	Net profit for 2021	-	-	-	-	-	541,341	-	541,341
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	15	(14,650)	(14,635)
D5	Total comprehensive income for 2021	-	-	-	-	-	541,356	(14,650)	526,706
Z1	Balance as of December 31, 2021	66,045	660,448	970,319	348,629	48,589	1,018,632	(54,255)	2,992,362
N1	Share-based payment transaction	-	-	13,562	-	-	-	-	13,562
	Appropriation and distribution of earnings								
B1	Legal reserve	-	-	-	57,255	-	(57,255)	-	-
B3	Special reserve	-	-	-	-	(16,653)	16,653	-	-
B5	Shareholders' cash dividends	-	-	-	-	-	(444,291)	-	(444,291)
E1	Cash capital increase	-	-	-	-	-	-	-	-
N1	Issuance of shares due to exercise of employee share options	281	2,810	4,833	-	-	-	-	7,643
M5	From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	-	-	191	-	-	-	-	191
D1	Net profits for 2022	-	-	-	-	-	660,953	-	660,953
D3	Other comprehensive income after tax for 2022	-	-	-	-	-	1,886	50,008	51,894
D5	Total comprehensive income for 2022	-	-	-	-	-	662,839	50,008	712,847
Z1	Balance as of December 31, 2022	66,326	\$ 663,258	\$ 988,905	\$ 405,884	\$ 31,936	\$ 1,196,578	(\$ 4,247)	\$ 3,282,314

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

Chairperson: Lin, Hsin-Yi

President: Chang, Jui-Lien

Accounting Officer: Huang, Lee-Chi

Bafang Yunji International Co., Ltd.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Unit: In thousands of NT\$

Code		2022	2021
	Cash flows from operating activities		
A10000	Net profit before tax from continuing operations	\$ 822,696	\$ 684,345
A20010	Adjustments for		
A20100	Depreciation expenses	172,625	149,944
A20200	Amortization expenses	2,832	1,726
A20400	Net losses on financial assets and liabilities measured at fair value through profit or loss	(702)	66
A22400	Share of profits of subsidiaries, affiliates and joint ventures accounted for using the equity method	(90,480)	(60,906)
A20900	Financial costs	4,968	4,133
A21200	Interest income	(10,507)	(834)
A21900	Share-based compensation	13,562	25,628
A22500	Loss on disposal of property, plant and equipment	403	316
A29900	Lease modification profit	(268)	-
A29900	Loss on disposal of intangible assets	6	-
A30000	Net change in operating assets and liabilities		
A31150	Accounts receivable	(15,810)	(6,339)
A31160	Accounts receivable - related parties	5,664	3,260
A31180	Other receivables	(1,212)	(1,282)
A31190	Other receivables - related parties	2,993	(1,402)
A31200	Inventories	(20,999)	(24,262)
A31230	Prepayments	4,740	(16,218)
A31240	Other current assets	(336)	(212)
A32130	Notes payable	(1,000)	1,000
A32160	Accounts payable - related parties	431	22,110
A32150	Accounts payable	8,654	(501)
A32180	Other payables	16,509	(6,510)
A32190	Other payables - related parties	(320)	183
A32230	Other current liabilities	2,452	4,153
A32240	Net defined benefit liabilities	(370)	(506)
A33000	Cash inflows from operations	916,531	777,892
A33100	Interest received	10,507	834
A33300	Interest paid	(405)	(1,159)
A33500	Income tax paid	(122,816)	(148,077)
AAAA	Net cash inflows from operating activities	<u>803,817</u>	<u>629,490</u>

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Code		2022	2021
	Cash flows from investing activities		
B00100	Purchase of financial assets at fair value through profit or loss	(\$ 450,539)	(\$ 138,924)
B00200	Proceeds from disposal of financial assets at fair value through profit or loss	435,315	44,556
B00040	Purchase of financial assets measured at amortized cost	(673,877)	(400,002)
B01800	Increase in long-term equity investments accounted for using the equity method	(537,802)	(21,216)
B02700	Payment for property, plant and equipment	(119,536)	(92,908)
B02800	Proceeds from disposal of property, plant and equipment	146	43
B03800	Increase in refundable deposits	(5,672)	(5,760)
B04400	Decrease in other receivables - related parties	25,000	5,000
B04500	Payments of intangible assets	(12,342)	(3,418)
B05350	Acquisition of right-of-use assets.	-	(6,996)
B06500	Increase in other financial assets	(10,018)	(8,363)
B07100	Increase in prepayments for equipment	(99,104)	(17,464)
B07600	Receipt of dividends from subsidiaries	27,021	38,476
B09900	Refund of share price for capital reduction by subsidiaries	<u>472,514</u>	<u>-</u>
BBBB	Net cash outflows from investing activities	(<u>948,894</u>)	(<u>606,976</u>)
	Cash flows from financing activities		
C00200	Decrease in short-term loans	(27,000)	(43,000)
C01700	Repayment of long-term loans	(35,819)	(59,996)
C03000	Increase in deposits received	10,790	1,240
C04020	Repayment of lease principals	(67,617)	(55,676)
C04500	Distribution of cash dividends	(429,291)	(390,291)
C04600	Cash capital increase	-	972,967
C04800	Employee share options executed	<u>7,643</u>	<u>-</u>
CCCC	Net cash (outflows) inflows from financing activities	(541,294)	<u>425,244</u>
EEEE	(Decrease) increase in cash and cash equivalents	(686,371)	447,758
E00100	Cash and cash equivalents at the beginning of the year	<u>790,679</u>	<u>342,921</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 104,308</u>	<u>\$ 790,679</u>

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

Chairperson: Lin, Hsin-Yi

President: Chang, Jui-Lien

Accounting Officer: Huang, Lee-Chi

Bafang Yunji International Co., Ltd.

Notes to parent company only financial statements

For the Years Ended December 31, 2022 and 2021

(Amounts in New Taiwan dollars thousands unless otherwise stated)

1. Company History

Bafang Yunji International Co., Ltd. (hereinafter referred to as "the Company") was established on January 19, 2000, and is currently engaged in restaurant business, wholesale of food and groceries, retail of beverages, manufacturing of processed bean products, and manufacturing of baked and steamed food products.

The Company's shares have been listed and traded on the Taiwan Stock Exchange since September 2021.

The parent company only financial statements are presented in NTD, which is the functional currency of the Company.

2. Date and Procedure for Approval of Financial Statements

The parent company only financial statements were approved by the Board of Directors on March 23, 2023.

3. Application of New and Revised Standards and Interpretation

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

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC will not result in significant changes in the Company's accounting policies.

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The Company applied the amendments to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards. Refer to Note 4 for information relating to the relevant accounting policies.

- (2) Amendments to the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2023.

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

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2023 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2023.

A. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a. The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b. The Company chose the accounting policy from options permitted by the standards.
- c. The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d. The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e. The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

B. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, 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.

- (3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: 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.

A. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments provides that if the Company sells or contributes an asset to an affiliated party (or joint venture), or if the Company loses control of a subsidiary but retains significant influence (or joint control) over the subsidiary, the Company recognizes all of the gains or losses resulting from such transactions if the aforementioned asset or former subsidiary meets the definition of "business combinations" for "business" under IFRS 3.

In addition, if the Company sells or contributes assets to affiliated companies (or joint ventures), or the Company losses the control over a subsidiary but retains significant influence on the subsidiaries (or joint control), and if the aforementioned assets or subsidiary not in compliance with the definition of IFRS 3 “Business,” the Company is to recognize the profit and loss of the transactions only within the equity scope of the affiliated companies (or joint ventures) irrelevant to the investors, in other words, the profit and loss attributable to the Company should be offset.

B. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments aim to clarify whether a liability is classified as noncurrent; the Company should assess whether it has the right to defer settlement at the end of the reporting period for at least 12 months after the reporting period. If the Company has such a right as of the end of the reporting period, the liability is classified as noncurrent whether or not the Company exercises its right to defer settlement of a liability.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the

Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments provide the purpose to clarify that settlement refers to the transfer to the counterparty of cash, other economic resources or equity instruments of the Company that results in the extinguishment of the liability. However, if the terms of the liability may result in transferring the Company's equity instruments at the option of the counterparty, and if the option is separately recognized in equity in accordance with IAS 32, "Financial Instruments: Presentation" the above-mentioned provisions do not affect the classification of the liability.

Except for the above impact, as of the date the parent company only financial statements are approved and released, the Company will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the Company, and will make appropriate disclosure after the evaluation.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and relevant laws and regulations.

(2) Basis of preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, the parent company only financial statements were compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

- A. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).

- B. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
- C. Level 3 input value: the unobservable input value of asset or liability.

In preparing its financial statements, the Company uses the equity method to account for its investment in subsidiaries and affiliates. In order to make the same the current profit or loss, other comprehensive income and equity in the parent company only financial statements as the current year's profit or loss, other comprehensive income and equity attributable to shareholders of the Company in the consolidated financial statements, certain accounting differences between the parent company only basis and consolidated basis are adjusted for "investments accounted for using the equity method", "profit or loss share of subsidiaries, affiliates and joint ventures accounted for using the equity method", "other comprehensive income share of subsidiaries, affiliates and joint ventures accounted for using the equity method" and related equity items.

(3) Standards in differentiating current and noncurrent assets and liabilities

Current assets include:

- A. Assets held primarily for trading purposes;
- B. Assets expected to be realized within 12 months of the balance sheet date; and
- C. Cash and cash equivalents (excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date).

Current liabilities include:

- A. Liabilities held primarily for trading purposes;
- B. Liabilities due for settlement within 12 months after the balance sheet date (current liabilities even if a long-term refinancing or rescheduling agreement is completed after the balance sheet date and before the financial statements are authorized for issuance), and
- C. Liabilities whose settlement deadline cannot be unconditionally deferred until at least 12 months after the balance sheet date. If the terms of the liability, at the option of the counterparty, result in the settlement of the liability by the issuance of equity instruments, the classification is not affected.

Those that are not current assets or liabilities above are classified as noncurrent assets or liabilities.

(4) Foreign currency

For the transactions conducted in a currency other than the Company's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when the Company prepares its financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in profit or loss in the period in which they occur.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as profit or loss in the period. However, for the changes in fair value recognized in other comprehensive income, the exchange difference is recorded in other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a retranslation.

Upon preparation of the parent company only financial reports, the assets and liabilities of overseas operating institutions (including the subsidiaries or affiliates in the countries of business operation or those using currencies different from the Company's) were converted to NTD based on the exchange rate quoted on every balance sheet date. Income and expense items are translated at the average exchange rate for the period and the exchange differences are booked in other comprehensive income.

(5) Inventories

Inventories include raw materials, supplies, semi-finished goods, finished goods, and merchandises. Inventories are valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventories is calculated using the weighted-average method.

(6) Investment in subsidiaries

The Company adopts the equity method for investment in subsidiaries.

A subsidiary is an entity over which the Company has control.

Under the equity method, investments in the subsidiaries were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive profit or loss by the Company.

Additionally, the change in the interests the Company holds in subsidiaries is recognized pro rata to the shareholding percentages.

When a change in the Company's ownership interest in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity

The Company assesses impairment based on the cash-generating units as a whole in the financial statements and compares their recoverable amounts with their carrying amounts. If the amount of recoverable assets increased in the future, the reversal of impairment shall be recognized as income. The book value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization. Impairment losses attributable to goodwill must not be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as if the Company had directly disposed of the related assets or liabilities.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses from upstream and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's equity interest in the subsidiary.

(7) Property, plant and equipment

Property, plant, and equipment shall be recognized based on cost. Subsequent costing shall be measured on the cost net of accumulated depreciations and accumulated impairments.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Costs include professional service expanses and loan costs that meet the capitalization conditions. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. If the lease period is shorter than the useful life, depreciation is provided over the lease period. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each

year and defers the effect of changes in applicable accounting estimates.

In removing property, plant, and equipment from book, the difference between the net proceeds of disposition and the book value shall be recognized as profit or loss.

(8) Intangible assets

A. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Depreciation is recognized using the straight-line method for intangible asset. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

B. Derecognition

In removing intangible assets from book, the difference between the net proceeds of disposition and the book value shall be recognized as profit or loss for the period.

(9) Impairment of property, plant and equipment, right-of-use assets, intangible assets (except for goodwill) and assets related to contract costs

The Company at each balance sheet date is to assess whether there is any indication of the impairment occurring to the tangible and intangible assets. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. Shared assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

An impairment loss is recognized for inventory, property, plant and equipment and intangible assets recognized under customer contracts in

accordance with the inventory impairment rules and the above rules. Then, an impairment loss is recognized for the amount by which the carrying amount of the contract cost-related assets exceeds the remaining balance of the consideration expected to be received for the provision of the related goods or services, less directly related costs. Next, the carrying amount of the contract cost-related assets is included in the respective cash-generating unit for the purpose of assessing the impairment of the cash-generating unit.

When the impairment loss was reversed subsequently, the carrying amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased carrying amount may not exceed the carrying amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(10) Financial instrument

When the Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

A. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

a. Types of measurement

The types of financial assets held by the Company are financial assets at fair value through profit or loss and financial assets at measured amortized cost.

I. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are mandatorily measured at fair value through profit or loss and those designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments investments not designated by the Company as being measured at fair value through other comprehensive income, and investments in

debt instruments not qualified for classification as being measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, while dividends, interests and gains or losses arising from remeasurement are recognized in other gains and losses. Please refer to Note 7 for the determination of fair value.

II. Financial assets measured at amortized cost

The Company's financial assets, if meeting both of the following conditions, are classified as financial assets at amortized cost:

- i. The financial assets held under a particular mode of operation and the purpose of holding is for the collection of contractual cash flows; and
- ii. The terms of the contracts give rise to cash flows at specified dates that are solely for the payment of principal and interest on the outstanding principal amount.

Financial assets (including cash and cash equivalents, accounts receivable measured at amortized cost), after initial recognition, are measured at their total carrying amount determined using the effective interest method, less amortized cost of any impairment loss, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two cases.

- i. Interest income on financial assets that are credit-impaired upon acquisition or creation is calculated using the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.
- ii. Interest income on financial assets that are not credit-impaired upon acquisition or creation but become credit-impaired subsequently is calculated using the effective interest rate multiplied by the amortized cost of the financial assets from the next reporting period after the impairment.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed amount of cash with minimal risk of changes in value within 3 months from the acquisition date and are used to meet short-term cash commitments.

- b. Impairment of financial assets and contract assets

The Company at each balance sheet date assesses the impairment loss of financial assets (including accounts receivable) at amortized cost and contract assets according to the expected credit loss.

An allowance is recognized for losses on accounts receivable and contract assets based on the expected credit losses over the duration other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If there is no significant increase, an allowance for loss is recognized based on the expected credit loss over 12 months, and if there is a significant increase, an allowance for loss is recognized based on the expected credit loss over the duration.

Expected credit loss is a weighted average credit loss based on the risk of default. Expected credit loss in a 12-month period represents the expected credit loss arising from possible defaults of the financial instruments within 12 months after the reporting date, and the ongoing expected credit loss represents the expected credit loss arising from all possible defaults of the financial instruments during the expected duration of the financial instruments.

The carrying amount of all financial assets is reduced through an allowance account, except for the allowance for losses on investments in debt instruments measured at fair value through other comprehensive income, which is recognized in other comprehensive income and does not reduce the carrying amount.

c. Derecognition of financial assets

The difference between the carrying amount of a financial asset carried at amortized cost and the consideration received is recognized in profit or loss when the financial asset is derecognized as a whole. When investments in debt instruments measured at fair value through other comprehensive income are derecognized as a whole, the difference between its carrying amount and the sum of the consideration received plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss. When an investment in an equity instrument that is measured at fair value through other comprehensive income is derecognized as a whole, the cumulative gain or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

B. Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity pursuant to the

contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The retrieval of the Company's own equity instruments is recognized and deducted under equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

C. Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the carrying amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(11) Recognition of revenue

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

A. Revenue from merchandise sales

Revenue from merchandise sales is derived from sales of food ingredients to franchisees, etc.

The Company recognizes revenue and accounts receivable at the point of delivery of the franchisee's food ingredients to the franchisee's designated location, when the franchisee has the right to set the price and use the merchandise and has the primary responsibility for the merchandise at the time of sale, and bears the risk of obsolescence of the merchandise.

B. Licensing revenue

The Company's licensing revenue is generated from the licensing of franchisee chain. The business practice of the Company is to continuously analyze consumers' preferences for products in order to launch new products, conduct pricing analysis and marketing activities, while the franchisee is required to launch new products. Since the aforementioned business practices do not transfer merchandises or services to the franchisee, the nature of the license is to provide the franchisee with access to intellectual property existing during the license period, and the

original license fee is recognized as licensing revenue on a straight-line basis over the license period.

(12) Leases

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

A. The Company is the lessor

A lease is classified as a capital lease when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the classification of the sublease is determined by the right-of-use asset (not the subject asset). If the primary lease is a short-term lease to which the Company applies the recognition exemption, the sublease is classified as an operating lease.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

B. The Company is the lessee

Right-of-use assets and lease liabilities are recognized at the lease inception date, except for leases of low-value underlying assets to which the recognition exemption applies and short-term leases for which lease payments are recognized as expenses on a straight-line basis over the lease period.

Right-of-use assets are measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made before the inception date of the lease less lease incentives received, original direct cost and estimated cost of restoration of the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment, and the remeasurement of the lease liability is adjusted.

The right-of-use assets are depreciated on a straight-line basis over the period starting from the lease inception date to the end of their useful lives or the expiration of the lease period, whichever is sooner. If ownership of the subject asset will be acquired at the end of the lease period, or if the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation is provided from the lease commencement date to the end of the useful life of the subject asset.

Lease liabilities are measured initially at the present value of lease payments (including fixed payments, effective fixed payments, variable lease payments dependent on indices or rates, and lease termination penalties reflected in the lease period, net of lease incentives received). If the implicit interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If that rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease period. If there is a change in future lease payments due to changes in the lease period, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. The lease liabilities are expressed separately in the balance sheet.

Rentals under leases that do not depend on changes in indices or rates are recognized as expense in the period in which they are incurred.

(13) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(14) Employee benefits

A. Short-term employee benefits

Liabilities related to short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employee services.

B. Retirement benefits

Under defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The defined benefit cost (including service cost, net interest and remeasurement) of defined benefit pension plan is actuarially

determined using the projected unit credit method. Service cost (including current and prior service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense as incurred. Remeasurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income and included in retained earnings as incurred and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the deficit (remaining) of the defined benefit pension plan appropriation. The net defined benefit asset may not exceed the present value of refunds of appropriations from the plan or reductions in future appropriations.

(15) Share-based payment agreement

Equity Settled Share-based Payment Agreement to Employees

For equity-settled share-based payment agreement, expenses are recognized on a straight-line basis over the vesting period based on the fair value of the equity instruments at the date of grant and the best estimate of the number of shares expected to be vested, with a simultaneous adjustment to capital surplus - employee stock options. If gain is realized as of the day of transfer, recognize as expenses in full amount as of the transfer day. The equity-settled share-based payment agreements granted to employees are recognized on the grant date when the number of shares subscribed by employees is determined.

(16) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

A. Current income tax

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

B. Deferred income tax

Deferred income tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred

income tax assets are recognized when there are likely to have taxable income available for deductible temporary difference

All taxable provisional differences relevant to the investment in subsidiaries and affiliates were recognized as deferred income tax liabilities, except an event while the Consolidated Company' could control the time point of recovery of the control over the provisional difference or while the said provisional difference would be very likely not recoverable in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The carrying amount of deferred income tax asset must be reviewed at each balance sheet date. The carrying amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The carrying amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

C. Current and deferred income tax

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

5. **Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties**

When adopting accounting policies, the Company's management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources Actual results may differ from estimates.

The Company included the economic impact of the COVID-19 outbreak in the consideration of significant accounting estimates, and management will review the estimates and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period,

it is recognized in the period in which the estimate is revised; if a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which the estimate is revised and in the future period.

Estimations, and Main Sources of Assumption Uncertainties

A. Estimation of impairment on financial assets

The estimation of impairment on accounts receivable and debt instrument investments is based on assumptions regarding the probability of default and the loss rate upon default made by the consolidated company. The consolidated company considers historical experience, current market conditions, and forward-looking information to make these assumptions and select input values for impairment assessment. Please refer to Note 9 "Credit risk management of debt instrument investments" and Note 11 "Notes and accounts receivable and other receivables" for the significant assumptions and input values used. If actual cash flows in the future are less than the consolidated company's expectations, significant impairment losses may arise. In addition, the uncertainty of the effects caused by inflation and interest rate hikes, the uncertainty of the effects caused by fluctuations in inflation and market interest rates, and the effects of financial market volatility on credit risk of financial assets all contribute to significant uncertainty in the estimation of default probabilities.

B. Impairment of inventories.

The net realizable value of inventories is estimated as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Such estimates are made based on the current market conditions and historical sales experience of similar products, and changes in market conditions could significantly affect these estimates.

6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 692	\$ 518
Checking accounts and demand deposits	42,906	332,481
Cash equivalents (investments with original maturity of less than 3 months)		
Bonds with repurchase agreement	30,000	257,680
Bank time deposit	30,710	200,000
	<u>\$104,308</u>	<u>\$790,679</u>

The interest rate ranges at the balance sheet date for bank deposits and bonds with repurchase are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	0.105%~4.5%	0.001%~0.03%
Bonds with repurchase agreement	0.59%	0.26%~0.3%

7. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mandatorily measured at fair value through profit or loss		
Mixed financial assets		
- Structured deposits	<u>\$ 110,228</u>	<u>\$ 94,302</u>

The Company entered into structured time deposit contracts with financial institutions. The structured time deposit includes an embedded derivative that is not closely related to the host contract. As the host contract included in the hybrid contract is an IFRS 9 asset, it is assessed as a mandatory classification at fair value through profit or loss for the entire hybrid contract.

8. Financial assets measured at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with original maturity over 3 months	<u>\$1,074,251</u>	<u>\$400,374</u>

As of December 31, 2022 and 2021, the interest rate ranges for time deposits with original maturity over 3 months were 0.85% to 5.12% and 0.33% to 0.59% per annum, respectively. The Company set pledge as loan guarantee, please refer to Note 33.

9. Credit risk management of investments in debt instruments

The Company's investments in debt instruments are classified as financial assets at amortized cost.

December 31, 2022

	<u>Measured at amortized cost</u>
Total carrying amount	\$1,074,251
Allowance for losses	-
Amortized cost	<u>\$1,074,251</u>

December 31, 2021

	Measured at amortized cost
Total carrying amount	\$ 400,374
Allowance for losses	-
Amortized cost	<u>\$ 400,374</u>

The credit risk of the Company's bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since the Company's trade counterpart and performing party are banks, financial institutions with investment grade or higher, and corporate organizations with good credit ratings, there is no significant doubt about the performance of the contracts and therefore no significant credit risk.

The Company's current credit risk rating mechanism and the total carrying amounts of investments in debt instruments of each credit rating are as follows:

Credit rating	Definition	Recognition basis for expected credit loss	Expected credit loss rate	Total carrying amount as of December 31, 2022	Total carrying amount as of December 31, 2021
Normal	Debtors have low credit risk and sufficient ability to repay contractual cash flow obligations	12-month expected credit loss rate	0%~0.01%	<u>\$ 1,074,251</u>	<u>\$ 400,374</u>

10. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount - non-related parties	\$ 86,375	\$ 70,565
Less: Allowance for losses	(<u>477</u>)	(<u>477</u>)
	<u>\$ 85,898</u>	<u>\$ 70,088</u>
Total carrying amount - related parties (Note 32)	<u>\$ 23,994</u>	<u>\$ 29,658</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other receivables</u>		
Non-related parties (3)	<u>\$ 3,778</u>	<u>\$ 2,566</u>
Related parties (Note 32)		
Loan receivable - fixed interest rate (2)	\$ -	\$ 25,000
Others	<u>1,413</u>	<u>4,406</u>
	<u>\$ 1,413</u>	<u>\$ 29,406</u>

(1) Accounts and notes receivable

The Company's sales of merchandises to customers are based on the credit period agreed upon by both parties, and the credit period is 3 to 15 days. In determining the collectability of accounts receivable, the Company considers any changes in the credit quality of accounts receivable from the original credit date to the balance sheet date.

To mitigate credit risk, the Company's management assigns a dedicated team to determine credit limits, approve credit facilities and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been provided for uncollectible receivables. Accordingly, the Company's management believes that the credit risk of the Company has been significantly reduced.

The Company uses the simplified IFRS 9 method to recognize an allowance for losses on accounts receivable based on expected credit losses over the duration of the receivables. The expected credit losses for the duration are calculated using an allowance matrix, which takes into account the customer's past default history and current financial condition, the economic situation of the industry, as well as the GDP forecast and industry outlook. Since the credit loss history of the Company shows that there is no significant difference in the loss patterns of different customer groups, the allowance matrix does not further differentiate between customer groups and only uses the number of days to establish accounts receivable to determine the expected credit loss rate.

If there is evidence that the counterparty is in serious financial difficulty and the Company cannot reasonably expect to recover the amount, for example, if the counterparty is in liquidation or the debt has been outstanding for more than 120 days, the Company directly writes off the related receivables, but continues the recovery activities, and the amount recovered from the recovery is recognized in profit or loss.

The Company measures the allowance for losses on accounts receivable based on the allowance matrix as follows:

December 31, 2022

	0~30 days	31~60 days	61~90 days	91~120 days	120 days or more	Total
Expected credit loss rate	0.26%	45.13%	65.09%	76.66%	100%	
Total carrying amount	\$ 109,919	\$ 168	\$ 90	\$ -	\$ 192	\$ 110,369
Allowance for losses (Lifetime ECLs)	(150)	(76)	(59)	-	(192)	(477)
Amortized cost	<u>\$ 109,769</u>	<u>\$ 92</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,892</u>

December 31, 2021

	0~30 days	31~60 days	61~90 days	91~120 days	120 days or more	Total
Expected credit loss rate	0.18%	30.4%	65.39%	76.66%	100%	
Total carrying amount	\$ 99,888	\$ 6	\$ 180	\$ 90	\$ 59	\$ 100,223
Allowance for losses (Lifetime ECLs)	(145)	(3)	(180)	(90)	(59)	(477)
Amortized cost	<u>\$ 99,743</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,746</u>

The above is an aging analysis based on the posting date

The changes in the allowance for losses on accounts receivable were as follows:

	Year ended December 31,	
	2022	2021
Balance at the beginning of the year	<u>\$ 477</u>	<u>\$ 477</u>
Balance at the end of the year	<u>\$ 477</u>	<u>\$ 477</u>

(2) Other receivables - loan receivables

The interest rate exposure and contract maturities of the Company's loan receivables are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loan receivables		
No more than 1 year	<u>\$ -</u>	<u>\$ 25,000</u>

The following is the content of the loan receivables.

	<u>Maturity date</u>	<u>Collaterals</u>	<u>Effective interest rate</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loan receivables of NT\$25,000 thousand	April 19, 2022	None	-	<u>\$ -</u>	<u>\$ 25,000</u>

(3) Other receivables

To mitigate credit risk, the Company's management assigns a dedicated team to determine credit limits, approve credit facilities and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of other receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been provided for uncollectible other receivables.

11. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 143,024	\$ 126,786
Semi-finished products	8,662	9,939
Finished goods	20,511	15,011

	December 31, 2022	December 31, 2021
Merchandise inventories	<u>17,228</u>	<u>16,690</u>
	<u>\$ 189,425</u>	<u>\$ 168,426</u>

The nature of cost of goods sold is as follows:

	Year ended December 31,	
	2022	2021
Cost of inventories sold	\$ 3,152,758	\$ 2,763,440
Loss on decline in value of inventories	<u>-</u>	<u>-</u>
	<u>\$ 3,152,758</u>	<u>\$ 2,763,440</u>

12. Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Investment in subsidiaries	<u>\$ 1,011,540</u>	<u>\$ 820,136</u>

Investment in subsidiaries

	December 31, 2022	December 31, 2021
Bafang Yunji Restaurant Co., Ltd.	\$ 212,627	\$ 192,468
Bafang Yunji (Samoa) International Co., Ltd.	27,794	420,472
Fang Sin International Trading Co., Ltd.	46,803	43,960
Bafang Co., Ltd.	56,112	59,035
Bafang Yunji International (USA) Limited	129,630	59,896
Dante Coffee & Foods Co., Ltd.	<u>886</u>	<u>44,305</u>
Bafang Yunji International Company Limited	<u>537,688</u>	<u>-</u>
	<u>\$ 1,011,540</u>	<u>\$ 820,136</u>

Name of subsidiary	Percentage of ownership and voting rights		Note
	December 31, 2022	December 31, 2021	
Bafang Yunji Restaurant Co., Ltd.	100%	100%	-
Bafang Yunji (Samoa) International Co., Ltd.	100%	100%	(1) 、(3)
Fang Sin International Trading Co., Ltd.	100%	100%	-
Bafang Co., Ltd.	100%	100%	-
Bafang Yunji International (USA) Limited	100%	100%	(2)
Dante Coffee & Foods Co., Ltd.	85.29%	85.29%	(4)
Bafang Yunji International Company Limited	100%	-	(3)

Remarks:

- A. Bafang Yunji (Samoa) International Co., Ltd. executed the capital reduction and refunded cash \$472,514 thousand (US dollars 14,859 thousand) in September 2022.
- B. The Company invested \$76,833 thousand (USD 2,480 thousand) in Bafang Yunji International (USA) Limited on January 26 and October 17, 2022, respectively, with a 100% ownership in both cases.
- C. The board of directors of the Consolidated Company passed a resolution on August 9, 2022 to adjust the internal organization for better support of operational and management requirements. As part of the re-organization, the Company paid \$460,969 thousand in cash to Bafang Yunji (Samoa) International Co., Ltd. to acquire 100% equity ownership in Bafang Yunji International Company Limited. The Consolidated Company had applied accounting treatment for re-organization and valued the net worth of Bafang Yunji International Company Limited at \$476,538 thousand (HKD 119,618 thousand) as of July 31, 2022; this transaction resulted in an increase and decrease to the capital surplus of the Company and Bafang Yunji (Samoa) International Co., Ltd. by \$15,569 thousand, respectively.
- D. On July 15, 2021, the Company acquired 16.27% of the shares of Dante Coffee & Foods Co., Ltd. with \$21,216 thousand. For information on the Equity transactions with non-controlling interests, please refer to Note 32.

For the details of the indirect investment in subsidiaries, please refer to Notes 37, Exhibits 6.

13. Property, plant and equipment

	December 31, 2022						December 31, 2021		
Self-use	<u>\$ 1,107,712</u>						<u>\$ 1,019,787</u>		
<u>Self-use</u>									
	Land	Building and construction	Machinery equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost									
Balance at January 1, 2022	\$ 368,741	\$ 417,676	\$ 424,389	\$ 42,923	\$ 32,184	\$ 39,964	\$ 71,795	\$ 12,893	\$ 1,410,565
Addition	-	2,655	8,206	1,492	160	68,432	15,459	29,480	125,884
Reclassification	-	130	69,844	475	-	-	6,055	(6,737)	69,767
Disposal	-	-	(1,259)	(1,181)	(1,189)	(857)	(171)	-	(4,652)
Balance at December 31, 2022	<u>\$ 368,741</u>	<u>\$ 420,461</u>	<u>\$ 501,180</u>	<u>\$ 43,709</u>	<u>\$ 31,155</u>	<u>\$ 107,539</u>	<u>\$ 93,138</u>	<u>\$ 35,636</u>	<u>\$ 1,601,559</u>
Accumulated depreciation									
Balance at January 1, 2022	\$ -	\$ 76,844	\$ 204,180	\$ 26,500	\$ 16,593	\$ 29,368	\$ 37,293	\$ -	\$ 390,778
Depreciation expenses	-	19,857	59,223	6,282	3,794	6,685	11,336	-	107,177
Reclassification	-	-	-	-	-	-	-	-	-
Disposal	-	-	(1,173)	(1,105)	(861)	(857)	(112)	-	(4,108)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 96,701</u>	<u>\$ 262,230</u>	<u>\$ 31,677</u>	<u>\$ 19,526</u>	<u>\$ 35,196</u>	<u>\$ 48,517</u>	<u>\$ -</u>	<u>\$ 493,847</u>
Net amount at December 31, 2022	<u>\$ 368,741</u>	<u>\$ 323,760</u>	<u>\$ 238,950</u>	<u>\$ 12,032</u>	<u>\$ 11,629</u>	<u>\$ 72,343</u>	<u>\$ 44,621</u>	<u>\$ 35,636</u>	<u>\$ 1,107,712</u>

	Land	Building and construction	Machinery equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost									
Balance at January 1, 2021	\$ 368,741	\$ 356,039	\$ 365,089	\$ 34,284	\$ 31,939	\$ 34,184	\$ 68,331	\$ 43,839	\$ 1,302,446
Addition	-	7,867	41,663	7,652	245	5,648	2,928	24,795	90,798
Reclassification	-	53,770	19,982	2,344	-	847	2,034	(55,741)	23,236
Disposal	-	-	(2,345)	(1,357)	-	(715)	(1,498)	-	(5,915)
Balance at December 31, 2021	\$ 368,741	\$ 417,676	\$ 424,389	\$ 42,923	\$ 32,184	\$ 39,964	\$ 71,795	\$ 12,893	\$ 1,410,565
Accumulated depreciation									
Balance at January 1, 2021	\$ -	\$ 58,069	\$ 156,066	\$ 21,925	\$ 11,806	\$ 23,559	\$ 29,003	\$ -	\$ 300,428
Depreciation expenses	-	18,775	50,391	5,886	4,787	6,482	9,585	-	95,906
Reclassification	-	-	-	-	-	-	-	-	-
Disposal	-	-	(2,277)	(1,311)	-	(673)	(1,295)	-	(5,556)
Balance at December 31, 2021	\$ -	\$ 76,844	\$ 204,180	\$ 26,500	\$ 16,593	\$ 29,368	\$ 37,293	\$ -	\$ 390,778
Net amount at December 31, 2021	\$ 368,741	\$ 340,832	\$ 220,209	\$ 16,423	\$ 15,591	\$ 10,596	\$ 34,502	\$ 12,893	\$ 1,019,787

There was no indication of impairment of property, plant and equipment listed above in 2022 and 2021 as assessed by management.

Depreciation expense is provided on a straight-line basis over the following useful lives:

Building and construction	
Plant main building	22 to 50 years
Wastewater treatment equipment	10 years
Renovation construction	4 to 5 years
Machinery equipment	1 to 7 years
Office equipment	1 to 10 years
Transportation equipment	1 to 7 years
Leasehold improvements	2 to 7 years
Other equipment	3 to 15 years

For property, plant and equipment pledged as collateral for loans by the Company, please refer to Note 33.

14. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Land	\$156,567	\$ 58,186
Building	35,873	60,681
Transportation equipment	132,853	125,109
	<u>\$325,293</u>	<u>\$243,976</u>
	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets.		
Land	\$106,772	\$ 24,515
Building	1,082	8,054
Transportation equipment	52,844	58,522
	<u>\$160,698</u>	<u>\$ 91,091</u>
Depreciation expenses of right-of-use assets		

	Year ended December 31,	
	2022	2021
Land	\$ 8,391	\$ 2,408
Building	12,543	13,202
Transportation equipment	44,514	38,428
	<u>\$ 65,448</u>	<u>\$ 54,038</u>

(2) Lease liabilities

	December 31, 2022	December 31, 2021
Carry amount of lease liabilities		
Current	<u>\$ 58,598</u>	<u>\$ 53,838</u>
Non-current	<u>\$245,725</u>	<u>\$167,042</u>

The discount rate range for lease liabilities is as follows

	December 31, 2022	December 31, 2021
Land	1.42%	1.42%
Building	1.25%~1.7%	1.25%~1.7%
Transportation equipment	1.25%~1.7%	1.25%~1.7%

(3) Significant lease activities and terms

The Company leases certain land and buildings as plants and offices with lease periods from 2018 to 2041, upon termination of which, the Company has no bargain purchase option for the leased buildings.

(4) Information on other leases

	Year ended December 31,	
	2022	2021
Lease expenses for low-value assets	<u>\$ 229</u>	<u>\$ 275</u>
Total cash (outflows) from leases	<u>(\$ 67,846)</u>	<u>(\$ 55,951)</u>

The Company elected to apply the exemption from recognition to certain office equipment leases that qualify as low-value asset leases and did not recognize the related right-of-use assets and lease liabilities for these leases.

All lease commitments with lease periods beginning after the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Lease commitments	<u>\$ 4,008</u>	<u>\$121,800</u>

15. Other intangible assets

	Year ended December 31,	
	2022	2021
<u>Cost</u>		
Balance at the beginning of the year	\$ 17,538	\$ 14,127
Acquired separately	12,342	3,418
Disposal	(22)	(7)
Balance at the end of the year	<u>\$ 29,858</u>	<u>\$ 17,538</u>
<u>Accumulated depreciations</u>		
Balance at the beginning of the year	\$ 11,618	\$ 9,899
Amortization expenses	2,832	1,726
Disposal	(16)	(7)
Balance at the end of the year	<u>\$ 14,434</u>	<u>\$ 11,618</u>
Net amount at the end of the year	<u>\$ 15,424</u>	<u>\$ 5,920</u>

Amortization expense is provided on a straight-line basis over the following useful lives:

Computer software costs 5 to 10 years

16. Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepaid rental	\$ 423	\$ 468
Prepayments for goods	44,208	56,158
Prepaid insurance	884	920
Others	18,827	11,537
	<u>\$ 64,342</u>	<u>\$ 69,083</u>

17. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other financial assets (1)	\$ 18,381	\$ 8,363
Temporary payments	278	252
Payments for others	<u>369</u>	<u>59</u>
	<u>\$ 19,028</u>	<u>\$ 8,674</u>
 <u>Non-current</u>		
Prepayments for equipment (2)	<u>\$ 69,028</u>	<u>\$ 39,690</u>
Refundable deposits (3)	<u>\$ 48,528</u>	<u>\$ 42,856</u>

(1) Other financial assets - restricted bank deposits

The Company's other financial assets-restricted bank demand deposits are mainly trust lodgments for gift certificates, as described in Note 33.

(2) Prepayments for equipment

The Company's prepayments for equipment are advanced payments for the purchase of property, plant and equipment used in the production of products or services.

(3) Refundable deposits

The refundable deposits are cash pledges provided by the Company under lease agreements.

18. Short-term loans

(1) Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans (Note 33)</u>		
Bank loans	<u>\$ -</u>	<u>\$ 27,000</u>

The bank loans were secured by pledges of the Company's own land and buildings, with effective interest rates ranging from 1.16% per annum as of December 31, 2021. The amount drawn was used for short-term operating turnover and material purchases.

(2) Long-term loans

	<u>Maturity date</u>	<u>Material terms</u>	<u>Effective interest rate</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mega International Commercial Bank Mortgaged loans	2018.7.5-2025.7.4	The total borrowing amount is \$70,000 thousand and the principal is repayable in 84 equal installments from the date of borrowing (2018.7.5), with interest charged monthly. Redeemed in advance as of 2022.07.20	1.17%	\$ -	\$ 35,819
Less: current portion				-	(9,996)
Long-term bank loans				<u>\$ -</u>	<u>\$ 25,823</u>

Bank loans are secured by pledges of the Company's own land, buildings and construction and equipment.

19. Notes payable and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes payable</u>		
Incurred as a result of operations - non-related parties	\$ <u>-</u>	\$ <u>1,000</u>
<u>Accounts payable</u>		
Incurred as a result of operations - non-related parties	\$ 171,042	\$ 162,388
Incurred as a result of operations - related parties	<u>3,532</u>	<u>3,101</u>
	<u>\$ 174,574</u>	<u>\$ 165,489</u>

The average credit period for the purchase of raw materials is 30 to 60 days.

20. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Salaries payable and bonus	\$ 107,566	\$ 110,432
Remuneration payable to employees and directors and supervisors	17,980	15,000
Insurance premiums payable	8,418	7,745
Retirement benefits payable	5,015	4,898
Equipment payables	10,877	4,529
Business tax payable	22,368	18,398
Service expenses payable	2,455	1,242
Dividends payable	165,112	150,112
Others	<u>35,006</u>	<u>24,584</u>
	<u>\$ 374,797</u>	<u>\$ 336,940</u>
 Other payables - related parties		
Marketing and advertising expenses payable	\$ 7,816	\$ 8,474
Others	<u>2,806</u>	<u>2,468</u>
	<u>\$ 10,622</u>	<u>\$ 10,942</u>
 Other liabilities - current		
Financial liabilities	\$ 3,106	\$ 2,575
Advanced receipts	-	11
Temporary receipts	388	1,082
Receipts under custody	<u>5,212</u>	<u>2,586</u>
	<u>\$ 8,706</u>	<u>\$ 6,254</u>

21. Retirement benefit plans

(1) Defined contribution plan

The Company's pension plan under the Labor Pension Act is a government-administered defined contribution pension plan, which requires the Company to contribute 6% of employees' monthly salaries to the individual accounts of the Bureau of Labor Insurance. The Company recognized pension costs of \$19,737 thousand and \$19,310 thousand for 2022 and 2021, respectively.

(2) Defined benefit plan

The pension plan of the Company under the Labor Standards Act of the ROC is a government-administered defined benefit pension plan. Employees' pension payments are based on the average salary for the six months before the date of retirement. The Company contributes 4% of the employees' monthly salaries to the pension fund, which is deposited in the name of the Supervisory Committee of Labor Retirement Reserve in a dedicated account in the Bank of Taiwan. Before the end of the year, if the estimated balance in the account is not sufficient to pay the employees who are expected to meet the retirement criteria in the following year, the difference will be made up in one lump sum by the end of March of the following year. The Company does not have the right to influence the investment management strategy as the dedicated account is entrusted to be administered by the Bureau of Labor Funds of the Ministry of Labor.

The amounts of defined benefit plan included in the parent company only balance sheet are shown as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 11,498	\$ 13,034
Fair value of plan assets	(<u>9,252</u>)	(<u>8,060</u>)
Net defined benefit liabilities	<u>\$ 2,246</u>	<u>\$ 4,974</u>

Changes in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
January 1, 2021	<u>\$ 12,896</u>	(<u>\$ 7,398</u>)	<u>\$ 5,498</u>
Service costs			
Interest expenses (income)	<u>64</u>	(<u>38</u>)	<u>26</u>
Recognized in profit or loss	<u>64</u>	(<u>38</u>)	<u>26</u>
Remeasurement			
Actuarial gains (losses) from changes in demographic assumptions	440	-	440
Return on planned assets (other than the amount included in net interest)	-	(92)	(92)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Actuarial gains - changes in financial assumptions	(767)	-	(767)
Actuarial gains - adjustments through experience	<u>401</u>	<u>-</u>	<u>401</u>
Recognized in other comprehensive income	<u>74</u>	(<u>92</u>)	(<u>18</u>)
Contribution from the employer	<u>-</u>	(<u>532</u>)	(<u>532</u>)
December 31, 2021	<u>\$ 13,034</u>	(<u>\$ 8,060</u>)	<u>\$ 4,974</u>
January 1, 2022	<u>\$ 13,034</u>	(<u>\$ 8,060</u>)	<u>\$ 4,974</u>
Service costs			
Interest expenses (income)	114	(73)	41
Current service cost	<u>117</u>	<u>-</u>	<u>117</u>
Recognized in profit or loss	<u>231</u>	(<u>73</u>)	<u>158</u>
Remeasurement			
Actuarial gains (losses) from changes in demographic assumptions	-	-	-
Return on planned assets (other than the amount included in net interest)	-	(591)	(591)
Actuarial gains - changes in financial assumptions	(1,302)	-	(1,302)
Actuarial gains - adjustments through experience	(465)	<u>-</u>	(465)
Recognized in other comprehensive income	(<u>1,767</u>)	(<u>591</u>)	(<u>2,358</u>)
Contribution from the employer	<u>-</u>	(<u>528</u>)	(<u>528</u>)
December 31, 2022	<u>\$ 11,498</u>	(<u>\$ 9,252</u>)	<u>\$ 2,246</u>

The amounts recognized in profit or loss for defined benefit plan are summarized by function as follows:

	Year ended December 31,	
	2022	2021
Operating expenses	<u>\$ 158</u>	<u>\$ 26</u>

The Company is exposed to the following risks as a result of the pension system under the “Labor Standards Act”:

- A. Investment risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank deposits through its own

management or entrusted third parties, but the amount allocated to the Company's plan assets is based on the income at a rate no less than the local bank's 2-year time deposit rate.

- B. Interest rate risk: A decrease in interest rates on government bonds will increase the present value of the defined benefit obligation, but the return on debt investment in plan assets will also increase, which will have a partially offsetting effect on the net defined benefit obligation.
- C. Salary Risk: The present value of the defined benefit obligation is calculated by reference to the future salary of the plan member. Therefore, increases in plan member's salary will result in an increase in the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligation was actuarially determined by a qualified actuary and the significant assumptions at the measurement date were as follows.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.625%	0.875%
Expected rate of salary increase	3%	3%

The amount by which the present value of the defined benefit obligation would increase (decrease) if there are reasonable possible changes in significant actuarial assumptions, with all other assumptions held constant, is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	<u>(\$ 393)</u>	<u>(\$ 486)</u>
Decrease by 0.25%	<u>\$ 412</u>	<u>\$ 513</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 400</u>	<u>\$ 494</u>
Decrease by 0.25%	<u>(\$ 383)</u>	<u>(\$ 472)</u>

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation because the actuarial assumptions may be correlated and changes in only one assumption are not feasible.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The expected contributions to the plan for the next year	<u>\$ 539</u>	<u>\$ 550</u>
Average duration to maturity of defined benefit obligations	16.2 years	17.6 years

22. Equity

(1) Share capital

Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (in thousands)	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>66,326</u>	<u>66,045</u>
Issued share capital	<u>\$ 663,258</u>	<u>\$ 660,448</u>

The issued common stock has a par value of \$10 per share and each share has one voting right and is entitled to receive dividends.

On July 20, 2021, the Board of Directors resolved to increase capital by cash with issuance of 6,000 thousand shares of common stock at a par value of \$10 per share and at a premium of \$155 per share, resulting in a paid-in capital of NT\$660,448 thousand after the capital increase. The registration of the aforementioned cash capital increase was approved into effect by the Taiwan Stock Exchange Corporation on August 4, 2021, and the Board of Directors authorized the Chairperson to decide on September 7, 2021 as the base date for the capital increase and the change registration was approved by the Department of Commerce, Ministry of Economic Affairs on September 30, 2021.

The main reason for the Company's capital changes in 2022 was due to the issuance of 281 thousand shares for \$2,810 thousand, converted from employee share options. The changes were registered on October 24, 2022 and February 3, 2023, respectively. Please refer to Note 27.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>For loss make-up, payment in cash or capitalization as equity (A)</u>		
Share issue premium	\$ 950,069	\$ 924,436
Difference between the actual acquisition price and the book value of the subsidiary	191	-
Employee share-based payment remuneration costs	22,735	22,735
Lapsed employee stock options	<u>132</u>	<u>132</u>
	<u>973,127</u>	<u>947,303</u>
<u>Not for any purpose</u>		
Employee stock options	<u>15,778</u>	<u>23,016</u>
	<u>\$ 988,905</u>	<u>\$ 970,319</u>

- A. Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(3) Retained Earnings and Dividend Policy

In accordance with the earnings distribution policy of the Company's Articles of Incorporation, the surplus earning distribution or losses make-up proposal may be made after the end of each semi-annual fiscal year. The Board of Directors shall resolve the distribution of earnings in cash, and the shareholders' meeting shall resolve the distribution of earnings by issuing new shares.

In accordance with the earnings distribution policy of the Company's Articles of Incorporation, if there are any surplus earnings as indicated in the final accounting results, the Company shall first pay tax and make up for the accumulated losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the amount of the Company's paid-in capital, and the rest shall be set aside as special reserve or offset by reversal of special reserve as required by law; If there are still remaining earnings, the Board of Directors shall prepare a proposal for the distribution of the remainder together with the accumulated undistributed earnings, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders. In accordance with the earnings distribution policy of the Company's Articles of Incorporation, the Board of Directors is authorized to distribute dividends and bonuses, or all or part of the legal reserve and capital surplus as provided in paragraph 1, Article 241 of the Company Act, to shareholders in cash by a resolution with the attendance of a majority of the directors and the approval of at least two-thirds of the directors present and report to the shareholders' meeting.

The Company's policy on the distribution of remuneration to employees and remuneration to directors as stipulated in the Company's Articles of Incorporation is described in Note 24(7) Remuneration to Employees, Directors and Supervisors

The Company is in a growth stage and its dividend policy is based on the different stages of Company's business development, profitability, medium- and long-term financial capital budget planning, and shareholders' interests, and other factors. Dividends are paid in the form of stock dividends or cash dividends as appropriate. No less than 20% of the available-for-distribution earnings is appropriated annually as stockholders' dividends, of which no less than 20% of the total dividends should be in cash.

The legal reserve should be appropriated until the balance reaches the total paid-in capital of the Company. The legal reserve may be used to make up for losses. If the Company has no losses, the excess of legal

reserve over 25% of the paid-in capital may be capitalized as equity or distributed in cash

According to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses. When the Company appropriates special capital reserve for the net debit balance of the other components of stockholders' equity, it only sets aside the reserve against the accumulated balance of undistributed earnings in the prior periods.

The Board of Directors resolved the earnings distribution for 2022 and 2021 as follows:

	January 1 to June 30, 2022	July 1 to December 31, 2021	January 1 to June 30, 2021
Board of Directors' resolution date	August 9, 2022	March 22, 2022	August 10, 2021
Legal reserve	<u>\$ 31,971</u>	<u>\$ 25,284</u>	<u>\$ 28,256</u>
Provision for (Reversed) Special reserve	<u>(\$ 22,319)</u>	<u>\$ 5,666</u>	<u>\$ 8,984</u>
Cash dividends	<u>\$ 165,112</u>	<u>\$ 279,179</u>	<u>\$ 150,112</u>
Cash dividends per share (NT\$)	<u>\$ 2.49</u>	<u>\$ 4.23</u>	<u>\$ 2.27</u>

The Board of Directors' meeting on March 23, 2023 proposed the following earnings distribution for the second half of 2022.

	July 1 to December 31, 2022
Legal reserve	<u>\$ 34,313</u>
Reversed Special reserve	<u>(\$ 27,689)</u>
Cash dividends	<u>\$ 332,427</u>
Cash dividends per share (NT\$)	<u>\$ 5.01</u>

The above cash dividends have been approved by the Board of Directors, and the rest are subject to the resolution of the shareholders' meeting scheduled to be held on June 15, 2023

(4) Special reserve

	Year ended December 31,	
	2022	2021
Balance at the beginning of the year	\$ 48,589	\$ 27,261
Provision for special reserve		
Provision for deductions to other equity items	-	21,328
Reversed special reserve		
Reversed deductions to other	<u>(16,653)</u>	<u>-</u>

	Year ended December 31,	
	2022	2021
equity items		
Balance at the end of the year	<u>\$ 31,936</u>	<u>\$ 48,589</u>

(5) Other equity items

Exchange differences on translation of financial statements of foreign operations

	Year ended December 31,	
	2022	2021
Balance at the beginning of the year	(\$ 54,255)	(\$ 39,605)
Exchange differences on translation of financial statements of foreign operations	62,466	(18,314)
Income tax related to translation of financial statements of foreign operations	(12,458)	3,664
Balance at the end of the year	<u>(\$ 4,247)</u>	<u>(\$ 54,255)</u>

23. Revenue

	Year ended December 31,	
	2022	2021
<u>Revenue from customer contracts</u>		
Revenue from merchandise sales	\$ 4,527,446	\$ 4,004,912
Licensing revenue	<u>17,414</u>	<u>11,032</u>
	<u>\$ 4,544,860</u>	<u>\$ 4,015,944</u>

(1) Description of customer contracts

A. Revenue from merchandise sales

The revenue from merchandise sales is derived from the sale of food ingredients used by franchisees to manufacture and sell related products. The Company recognizes revenue and accounts receivable at the point when the products and the food ingredients delivered to the franchisee's designated location, as the customer has the right to set the price and use the merchandise and has the primary responsibility for the merchandise at the time of resale, and bears the risk of obsolescence of the merchandise. Revenue from merchandise sales is based on contract agreements with fixed prices.

B. Licensing revenue

Licensing revenue is the licensing revenue received by the Company from franchisees. The nature of licensing is to provide

franchisees with access to intellectual property that exists during the licensing period.

(2) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and accounts receivable (Note 10)	<u>\$ 109,892</u>	<u>\$ 99,746</u>	<u>\$ 96,667</u>

(3) Disaggregation of revenue from contracts with customers

	Year ended December 31,	
	2022	2021
<u>Revenue from customer contracts</u>		
Revenue from merchandise sales	\$ 4,527,446	\$ 4,004,912
Licensing revenue	<u>17,414</u>	<u>11,032</u>
	<u>\$ 4,544,860</u>	<u>\$ 4,015,944</u>

24. Net profit from continuing operations

(1) Interest income

	Year ended December 31,	
	2022	2021
Bank deposits	\$ 10,201	\$ 593
Other interest income	<u>306</u>	<u>241</u>
	<u>\$ 10,507</u>	<u>\$ 834</u>

(2) Other income

	Year ended December 31,	
	2022	2021
Rental income		
Other operating Rental	\$ 940	\$ 940
Manpower dispatch income	4,004	3,872
Government subsidies (Note 28)	8,100	-
Others	<u>16,917</u>	<u>12,563</u>
	<u>\$ 29,961</u>	<u>\$ 17,375</u>

(3) Other gains and losses

	Year ended December 31,	
	2022	2021
Loss on disposal of property, plant and equipment	(\$ 403)	(\$ 316)
Net foreign currency exchange loss	(4,568)	(548)
Lease modification losses	268	-
Loss on financial assets at fair value through profit or loss	702	(66)
Others	(124)	(215)
	<u>(\$ 4,125)</u>	<u>(\$ 1,145)</u>

(4) Financial costs

	Year ended December 31,	
	2022	2021
Interest on bank loans	\$ 405	\$ 1,159
Interest on lease liabilities	4,563	2,974
	<u>\$ 4,968</u>	<u>\$ 4,133</u>

No interest was capitalized in 2022 and 2021 of the Company.

(5) Depreciation and amortization

	Year ended December 31,	
	2022	2021
Depreciation expenses summarized by function		
Operating costs	\$ 101,867	\$ 89,731
Operating expenses	70,758	60,213
	<u>\$ 172,625</u>	<u>\$ 149,944</u>
Amortization expenses summarized by function		
Operating costs	\$ 127	\$ 113
Selling expenses	26	34
Administrative expenses	2,679	1,579
	<u>\$ 2,832</u>	<u>\$ 1,726</u>

(6) Employee benefit expenses

	Year ended December 31,	
	2022	2021
Short-term employee benefits	\$ 586,366	\$ 537,180
Retirement benefits (Note 21)		
Defined contribution plan	19,737	19,310
Defined benefit plan	158	26

	Year ended December 31,	
	2022	2021
Share-based payment		
Equity settlement	13,562	25,628
Total employee benefit expenses	<u>\$ 619,823</u>	<u>\$ 582,144</u>
Summarized by function		
Operating costs	\$ 257,948	\$ 246,955
Operating expenses	<u>361,875</u>	<u>335,189</u>
	<u>\$ 619,823</u>	<u>\$ 582,144</u>

(7) Remuneration to employees, directors and supervisors

In accordance with the provision of the Articles of Incorporation, the Company shall use the current year's pre-tax profit before the distribution of the remuneration to employees and directors to make up for the accumulated loss, and if there is any remaining balance, the Company shall appropriate not less than 1% as employees' remuneration and not more than 1% as directors' remuneration. The remuneration to employees, directors and supervisors for 2022 and 2021 were resolved by the Board of Directors on March 23, 2023 and March 22, 2022, respectively, as follows

Estimated percentage

	Year ended December 31,	
	2022	2021
Remuneration to employees	1.43%	1.43%
Remuneration to directors and supervisors	0.71%	0.71%

Amount

	Year ended December 31,	
	2022	2021
	Cash	Cash
Remuneration to employees	\$ 12,000	\$ 10,000
Remuneration to directors and supervisors	5,980	5,000

If there is any change in the amount after the publication of the annual parent company only financial statements, it will be handled as a change in accounting estimate and the adjustment will be posted in the next year.

The actual amounts of remuneration to employees, directors and supervisors in 2021 and 2020 did not differ from the amounts recognized in the financial statements in 2021 and 2020.

For information on remuneration to employees, directors and supervisors resolved by the Board of Directors, please visit the Market Observation Post System.

25. Income tax for continuing operations

(1) Major components of income tax expense recognized in profit or loss

	Year ended December 31,	
	2022	2021
Income tax for the current year		
Generated in the current year	\$ 148,116	\$ 124,595
Surtax on undistributed earnings	1,896	8,317
Adjustments to prior years	(3,407)	(3,005)
	<u>146,605</u>	<u>129,907</u>
Deferred income tax		
Generated in the current year	<u>15,138</u>	<u>13,097</u>
Income tax expense recognized in profit or loss	<u>\$ 161,743</u>	<u>\$ 143,004</u>

The reconciliation of accounting income to income tax expense is as follows:

	Year ended December 31,	
	2022	2021
Net income before tax from continuing operations	<u>\$ 822,696</u>	<u>\$ 684,345</u>
Income tax expense at statutory tax rate on net profit before tax	\$ 164,539	\$ 136,869
Non-taxable income	(1,285)	823
Surtax on undistributed earnings	1,896	8,317
Current income tax expense of prior years is adjusted in the current year.	(3,407)	(3,005)
Income tax expense recognized in profit or loss	<u>\$ 161,743</u>	<u>\$ 143,004</u>

(2) Income tax recognized in other comprehensive income

	Year ended December 31,	
	2022	2021
<u>Deferred income tax</u>		
Generated in the current year		
- Exchange differences from foreign operations	(\$ 12,458)	\$ 3,664

- Remeasurement of defined benefit plan	(<u>472</u>)	(<u>3</u>)
Income tax recognized in other comprehensive income	(<u>\$ 12,930</u>)	<u>\$ 3,661</u>

(3) Current income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax assets		
Tax refund receivable	<u>\$ 327</u>	<u>\$ -</u>
Current income tax liabilities		
Income tax payable	<u>\$ 86,813</u>	<u>\$ 62,697</u>

(4) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

For the year ended December 31, 2022

	<u>Balance at the beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance at the end of the year</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized loss on decline in value of inventories	\$ 1,714	\$ -	\$ -	\$ 1,714
Unrealized doubtful accounts expense	22	-	-	22
Undistributed earnings of subsidiaries	14,214	(14,214)	-	-
Unrealized exchange gain	-	1,719	-	1,719
Exchange differences from foreign operations	13,566	-	(12,458)	1,108
Defined benefit plan	<u>1,314</u>	<u>-</u>	<u>(472)</u>	<u>842</u>
	<u>\$ 30,830</u>	<u>(\$ 12,495)</u>	<u>(\$ 12,930)</u>	<u>\$ 5,405</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Payment differences of defined contribution plan	(\$ 566)	(\$ 74)	\$ -	(\$ 640)
Unrealized exchange gains	(<u>28</u>)	<u>28</u>	<u>-</u>	<u>-</u>
Undistributed earnings of subsidiaries	<u>-</u>	<u>(2,597)</u>	<u>-</u>	<u>(2,597)</u>
	<u>(\$ 594)</u>	<u>(\$ 2,643)</u>	<u>\$ -</u>	<u>(\$ 3,237)</u>

For the year ended December 31, 2021

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of the year
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized loss on decline in value of inventories	\$ 1,714	\$ -	\$ -	\$ 1,714
Unrealized doubtful accounts expense	22	-	-	22
Undistributed earnings of subsidiaries	27,218	(13,004)	-	14,214
Exchange differences from foreign operations	9,902	-	3,664	13,566
Defined benefit plan	<u>1,317</u>	<u>-</u>	<u>(3)</u>	<u>1,314</u>
	<u>\$ 40,173</u>	<u>(\$ 13,004)</u>	<u>\$ 3,661</u>	<u>\$ 30,830</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Payment differences of defined contribution plan	(\$ 464)	(\$ 102)	\$ -	(\$ 566)
Unrealized exchange gains	(<u>36</u>)	<u>8</u>	<u>-</u>	(<u>28</u>)
	(<u>\$ 500</u>)	(<u>\$ 94</u>)	<u>\$ -</u>	(<u>\$ 594</u>)

(5) Income tax assessment status

The income tax returns of the Company had been assessed by the tax authorities through 2020.

26. Earnings per share (EPS)

	Unit: NT\$ per share	
	Year ended December 31,	
	2022	2021
Basic earnings per share	<u>\$ 10.00</u>	<u>\$ 8.74</u>
Diluted earnings per share	<u>\$ 9.92</u>	<u>\$ 8.68</u>

Earnings and the weighted-average number of shares of common stock used to calculate earnings per share were as follows:

Net profit for the year

	Year ended December 31,	
	2022	2021
Net profit used to calculate diluted earnings per share	\$ 660,953	\$ 541,341
Impact of potential common stock with dilutive effect:		
Remuneration to employees	-	-
Net profit used to calculate diluted earnings per share	<u>\$ 660,953</u>	<u>\$ 541,341</u>

Number of shares

	Unit: In thousands of shares	
	Year ended December 31,	
	2022	2021
Weighted-average number of shares of common stock used to calculate basic earnings per share	66,127	61,952
Impact of potential common stock with dilutive effect:		
Remuneration to employees	71	98
Employee stock options	<u>409</u>	<u>302</u>
Weighted-average number of shares of common stock used to calculate diluted earnings per share	<u>66,607</u>	<u>62,352</u>

If the Company has the option to pay remuneration to employees in stock or cash, the calculation of diluted earnings per share will adopt the assumption that employee remuneration will be paid in stock and is included in the weighted-average number of shares of common shares outstanding for the purpose of calculating diluted earnings per share when the potential common shares have a dilutive effect. The dilutive effect of these potential common shares will continue to be considered in the calculation of diluted earnings per share prior to the issuance of shares in the following year's resolution for remuneration to employees.

27. Share-based payment agreement

(1) The Company's employee stock option plan

In September 2020, the Company granted 600 thousand units of stock options to employees, each unit of which is entitled to one share of common stock. The grant was made to employees of the Company and its subsidiaries who meet certain criteria. The stock options are granted for a duration of 5 years, and the holders of the stock options can exercise a certain percentage of the stock options granted after 2 years from the date of grant. The exercise price of the stock options is the closing price of the Company's common stock on the date of issuance. In the event of a change in the Company's common stock after the issuance of the stock options, the exercise price of the stock options shall be adjusted in accordance with the prescribed formula.

Information on employee stock options is as follows:

	Year ended December 31,			
	2022		2021	
Employee stock options	Unit: (In thousands)	Weighted average exercise price (NT\$)	Unit: (In thousands)	Weighted average exercise price (NT\$)
Outstanding at the beginning of the year	600	\$ 28	600	\$ 30
Granted in the year	(281)	27.2	-	-
Outstanding at the end of the year	319	26.9	600	28
Exercisable at the end of the year	19	26.9	-	-
Weighted average fair value of options granted in the year (NT\$)	\$ -		\$ -	

Information on employee stock options outstanding is as follows:

	December 31, 2022	December 31, 2021
Range of exercise price (NT\$)	\$ 26.9	\$ 28
Weighted average remaining contract period (years)	2.67 years	3.67 years

The Company used the Black-Scholes valuation model for all employee stock options granted in September 2020, and the input values used in the valuation model were as follows:

	September 2020
Share price on grant date	NT\$124.2
Exercise price	NT\$30
Expected volatility	19.74-20.76%
Duration	3.5/4/4.5 years
Expected dividend yield	5.14%
Risk-free interest rate	0.24%/0.27%/0.29%

The Company recognized remuneration costs of \$13,562 thousand and \$17,262 thousand in 2022 and 2021, respectively, for share-based payment agreements.

(2) Cash capital increase reserved for employee stock options in 2021

On July 20, 2021, the Board of Directors resolved to increase capital by cash with issuance of 6,000 thousand shares of common stock at \$10 per share, amounting to \$60,000 thousand. The employee stock options for the cash capital increase were granted on August 26, 2021. According to Article 267 of the Company Law, 15% of the stock options were reserved for employee stock options, with a total of 900 thousand shares and a recognized remuneration cost of \$8,366 thousand.

28. Government subsidies

In 2022, the Company received subsidies from the Ministry of Economic Affairs for the "Data Sharing and Innovative Service Program for Retailers and Service Providers" and from the Council of Agriculture, Executive Yuan, for the slaughterhouse support program for a sum of \$8,100 thousand, which was included in non-operating income and expenses - other income in the consolidated statement of comprehensive income.

29. Non-cash transaction

(1) Non-cash transaction

- A. The Company entered into the following non-cash transactions of investing activities in 2022 and 2021.

	Year ended December 31,	
	2022	2021
Acquisition of property, plant and equipment		
Increase in property, plant and equipment	\$ 125,884	\$ 90,798
Add: Equipment payables at the beginning of the period	4,529	6,639
Less: Equipment payables at the end of the period	(10,877)	(4,529)
Cash paid	<u>\$ 119,536</u>	<u>\$ 92,908</u>

- B. The Company reclassified prepayments for equipment to property, plant and equipment of \$69,767 thousand and \$23,236 thousand in 2022 and 2021, respectively.

(2) Changes in liabilities from financing activities

For the year ended December 31, 2022

	January 1, 2022	Cash flow	Non-cash changes		December 31, 2022
			New/amended contracts	Interest expenses	
Short-term loans	\$ 27,000	(\$ 27,000)	\$ -	\$ -	\$ -
Long-term loans	35,819	(35,819)	-	-	-
Lease liabilities	<u>220,880</u>	<u>(67,617)</u>	<u>146,497</u>	<u>4,563</u>	<u>304,323</u>
	<u>\$ 283,699</u>	<u>(\$ 130,436)</u>	<u>\$ 146,497</u>	<u>\$ 4,563</u>	<u>\$ 304,323</u>

For the year ended December 31, 2021

	January 1, 2021	Cash flow	Non-cash changes		December 31, 2021
			New/amended contracts	Interest expenses	
Short-term loans	\$ 70,000	(\$ 43,000)	\$ -	\$ -	\$ 27,000
Long-term loans	95,815	(59,996)	-	-	35,819
Lease liabilities	<u>189,487</u>	<u>(55,676)</u>	<u>84,095</u>	<u>2,974</u>	<u>220,880</u>
	<u>\$ 355,302</u>	<u>(\$ 158,672)</u>	<u>\$ 84,095</u>	<u>\$ 2,974</u>	<u>\$ 283,699</u>

30. **Capital risk management**

The Company conducts capital management to ensure it is able to maximize shareholder returns by optimizing debt and equity balances while continuing to operate.

The Company's capital structure consists of the Company's net debt (i.e., borrowings less cash and cash equivalents) and equity (i.e., share capital, capital surplus, and retained earnings).

The Company is not subject to other external capital requirements.

The Group's capital structure is reviewed annually by the Company's key management, which includes consideration of the cost of each type of capital and the related risks. The Company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debt or paying off old debt, as recommended by key management.

31. **Financial instrument**

(1) Fair value information - financial instruments not measured at fair value

The Company's management considers that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate their fair values.

(2) Fair value information - financial instruments measured at fair value on a repeated basis

The Company did not hold any financial instruments measured at fair value as of December 31, 2022 and 2021.

(3) Type of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Measured at amortized cost		
(Note 1)	\$ 1,360,551	\$ 1,373,990
Measured at fair value through profit or loss	110,228	94,302

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Measured at amortized cost		
(Note 2)	575,389	581,265

Note 1: The balances include financial assets measured at amortized cost such as cash and cash equivalents, accounts receivable, financial assets at amortized cost, other receivables, and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables, long-term loans and deposits received.

(4) Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable and accounts payable. The Company's financial management department provides services to each business unit, coordinates access to domestic and international financial markets, and monitors and manages the financial risks associated with the Company's operations through internal risk reports that analyze the risk of violence according to the level and breadth of risk. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

A. Market risk

The Company's major financial risks arising from its operating activities are foreign currency exchange rate risk (see a. below) and interest rate risk (please refer to b. below).

a. Exchange rate risk

The Company engages in foreign currency-denominated import transactions that result in monetary assets (bank deposits) and monetary liabilities that are not in a functional currency, which expose the Company to exchange rate fluctuations.

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date are disclosed in Note 36.

Sensitivity analysis

The Company is mainly affected by the fluctuation of the USD exchange rate.

The following table details the sensitivity analysis of the Company when the exchange rate of the New Taiwan dollar (functional currency) changes 1% against each relevant foreign currency. 1% is the sensitivity ratio used by the Company for internal reporting of exchange rate risk to key management and represents management's assessment of the

reasonably possible range of changes in foreign currency exchange rates. The positive numbers below represent the increase in net profit before tax if the NTD depreciates by 1% against the respective currencies, and the negative number for the same amount if the NTD appreciates by 1% against the respective currencies.

	Impact of USD	
	Year ended December 31,	
	2022	2021
Profit or loss	\$ 4,199	\$ 800

b. Interest rate risk

Interest rate risk arises because the Company borrow funds at both fixed and floating interest rates and maintain bank deposits. However, because interest rates do not fluctuate significantly, the impact of changes in market interest rates on the Company's revenue and operating cash flows is limited.

The carrying amounts of the Company's financial assets and liabilities exposed to interest rate risk as of the balance sheet date were as follows

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
- Financial assets	\$ 1,245,189	\$ 952,356
Cash flow interest rate risk		
- Financial assets	42,906	332,481
- Financial liabilities	-	62,819

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk of derivative and non-derivative instruments as of the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the balance sheet date is outstanding at the reporting date. The rate of change used in reporting interest rates internally to key management of the Company is an increase or decrease in interest rates by 1%, which represents management's assessment of the range of reasonably possible changes in interest rates.

If interest rates had increased or decreased by 1%, with all other variables held constant, the Company's net profit before tax would have increased/decreased by \$429 thousand and \$2,697 thousand for fiscal years 2022 and 2021, respectively, mainly due to the exposure to changes in interest rates on the Company's floating-rate bank deposits and loans.

B. Credit risk

Credit risk refers to the risk of financial loss resulting from the default of contractual obligations by the counterparties. As of the balance sheet date, the maximum exposure to credit risk of the Company to financial loss due to non-performance of counterparties' obligations and financial guarantees provided by the Company mainly arises from the carrying amount of financial assets recognized in the Consolidated Balance Sheet.

The Company's policy is to transact only with creditworthy counterparties and to obtain adequate guarantees, if necessary, to mitigate the risk of financial loss arising from default. The Company continuously monitors credit risk and the creditworthiness of counterparties, and controls credit risk through credit limits on counterparties that are reviewed and approved by management on an annual basis. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been provided for uncollectible receivables.

The Company's customer base is large and unrelated, so the concentration of credit risk is not high.

C. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Company's management monitors the use of bank financing facilities and ensures compliance with the terms of the loan agreements.

The ultimate responsibility for liquidity risk management rests with the Company's Board of Directors, which has established an appropriate liquidity risk management framework to address the Company's short-, medium- and long-term funding and liquidity management needs.

Bank loans are an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company had unutilized financing facilities, as described in (2) Financing Facilities below.

a. Liquidity and interest rate risk of non-derivative financial liabilities

The analysis of the remaining contract maturities of non-derivative financial liabilities was prepared based on the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Company could be required to make repayment. Accordingly, the Company's bank loans that may be required to be repaid immediately are listed in the table below at the earliest possible date, without considering the probability that the bank will immediately enforce the

right; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

The undiscounted interest amount of interest cash flows paid at floating interest rates is derived from the yield rate at the balance sheet date.

December 31, 2022

	Less than 1 year	1 to 2 years	2 to 5 years	5 years or more
Lease liabilities	\$ 66,805	\$ 55,911	\$ 86,166	\$ 115,611
No interest-bearing liabilities				
Accounts payable	174,574	-	-	-
Other payables	385,419	-	-	-
	<u>\$ 626,798</u>	<u>\$ 55,911</u>	<u>\$ 86,166</u>	<u>\$ 115,611</u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	20 years or more
Lease liabilities	<u>\$ 66,805</u>	<u>\$142,078</u>	<u>\$ 43,208</u>	<u>\$ 42,174</u>	<u>\$ 30,228</u>	<u>\$ -</u>

December 31, 2021

	Less than 1 year	1 to 2 years	2 to 5 years	5 years or more
Floating interest rate instrument				
Short-term loans	\$ 27,021	\$ -	\$ -	\$ -
Long-term loans	10,113	20,226	5,899	-
Lease liabilities	56,578	54,209	83,305	39,598
No interest-bearing liabilities				
Notes payable	1,000			
Accounts payable	165,489	-	-	-
Other payables	347,882	-	-	-
	<u>\$ 608,083</u>	<u>\$ 74,435</u>	<u>\$ 89,204</u>	<u>\$ 39,598</u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	20 years or more
Lease liabilities	<u>\$ 56,578</u>	<u>\$137,514</u>	<u>\$ 20,561</u>	<u>\$ 11,274</u>	<u>\$ 7,763</u>	<u>\$ -</u>

The above non-derivative financial assets and liabilities with floating rate instruments are subject to change because the floating rate differs from the interest rate estimated at the balance sheet date.

b. Financing Facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank short-term loan facilities (renewable by mutual consent)		
- Amount drawn	\$ -	\$ 27,000
- Amount undrawn	<u>250,000</u>	<u>40,000</u>
	<u>\$ 250,000</u>	<u>\$ 67,000</u>
Bank long-term loan facilities		
- Amount drawn	\$ -	\$ 35,819
- Amount undrawn	<u>100,000</u>	<u>100,000</u>
	<u>\$ 100,000</u>	<u>\$ 135,819</u>

32. Related party transactions

Except as disclosed in other notes, the transactions between the Company and its related parties are as follows.

(1) Name of related party and the relationship

<u>Name of related party</u>	<u>Relationship with the Company</u>
Bafang Yunji Restaurant Co., Ltd. (Bafang Restaurant Company)	Subsidiary
Fang Sin International Trading Co., Ltd. (Fang Sin Company)	Subsidiary
Dante Coffee & Foods Co., Ltd. (Dante Coffee Company)	Subsidiary
Dante Creative CO., LTD. (Dante Creative Company)	Subsidiary
Bafang Yunji International (USA) Limited	Subsidiary
Bafang Yunji (Samoa) International Co., Ltd.	Subsidiary
Meide Eatery	Substantive related party
Taiyuan Eatery	Substantive related party
Chengde Eatery	Substantive related party
Wuhua Eatery	Substantive related party
Taimanhan Diner	Substantive related party
Taimanji Diner	Substantive related party
Yutingyuan Enterprise	Substantive related party
Su, Hsiao-Chi	Substantive related party
Lung, Chia-Hui	Substantive related party
New Taipei City Private Bafang Yunji Social Welfare Charitable Foundation (hereinafter referred to as Bafang Yunji Foundation)	Substantive related party

(2) Operating revenue

Account	Type of related party/Name	2022	2021
Operating revenue	Subsidiary		
	Bafang Restaurant Company	\$ 620,398	\$ 567,074
	Fang Sin Company	<u>1,074</u>	<u>1,071</u>
		<u>621,472</u>	<u>568,145</u>
	Substantive related party		
	Others	<u>45,630</u>	<u>40,083</u>
		<u>\$ 667,102</u>	<u>\$ 608,228</u>

The Company's sales price and collection period to related parties are the same as those to regular customers.

(3) Purchases

Type of related party/Name	2022	2021
Subsidiary		
Fang Sin Company	\$ 67,361	\$ 239,490
Bafang Restaurant Company	330	788
Others	<u>-</u>	<u>10</u>
	<u>\$ 67,691</u>	<u>\$ 240,288</u>

The Company's purchase price and payment period to related parties are the same as those to regular vendors.

(4) Manufacturing expenses and operating expenses

Account	Type of related party/Name	2022	2021
Manufacturing expenses	Subsidiary		
Meal expenses, etc.	Bafang Restaurant Company	\$ 1,684	\$ 1,216
Others	Others	<u>218</u>	<u>1</u>
		<u>\$ 1,902</u>	<u>\$ 1,217</u>
Operating expenses	Subsidiary		
Training expenses	Bafang Restaurant Company	\$ 18,684	\$ 21,005
Advertising expenses	Bafang Restaurant Company	49,641	43,099
Miscellaneous expense	Bafang Restaurant Company	43,506	39,704
Others	Bafang Restaurant Company	981	900
Others	Others	<u>1,199</u>	<u>138</u>

Account	Type of related party/Name	2022	2021
		<u>114,011</u>	<u>104,846</u>
	Substantive related party		
Service expenses	Others	3,360	3,090
Donation	Bafang Yunji Foundation	<u>3,000</u>	<u>3,000</u>
		<u>6,360</u>	<u>6,090</u>
		<u>\$ 120,371</u>	<u>\$ 110,936</u>

(5) Receivable from related parties (excluding loans to related parties)

Account	Type of related party/Name	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiary		
	Bafang Restaurant Company	\$ 22,676	\$ 28,411
	Fang Sin Company	<u>64</u>	<u>107</u>
		<u>22,740</u>	<u>28,518</u>
	Substantive related party		
	Others	<u>1,254</u>	<u>1,140</u>
		<u>\$ 23,994</u>	<u>\$ 29,658</u>
Other receivables	Subsidiary		
	Bafang Restaurant Company	\$ 183	\$ 675
	Fang Sin Company	55	56
	Dante Coffee Company	2	291
	Dante Creative Company	288	-
	Bafang Yunji International (USA) Limited	<u>885</u>	<u>3,383</u>
		<u>1,413</u>	<u>4,405</u>
	Substantive related party		
	Others	<u>-</u>	<u>1</u>
		<u>\$ 1,413</u>	<u>\$ 4,406</u>

The outstanding receivables due from related parties were not guaranteed. No impairment loss on receivables due from related parties was recognized in 2022 and 2021.

(6) Payable to related parties

Account	Type of related party/Name	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary		
	Bafang Restaurant	\$ 41	\$ 29

Account	Type of related party/Name	December 31, 2022	December 31, 2021
	Company		
	Fang Sin Company	<u>3,491</u>	<u>3,072</u>
		<u>\$ 3,532</u>	<u>\$ 3,101</u>
Other payables	Subsidiary		
	Bafang Restaurant Company	\$ 10,351	\$ 10,676
	Dante Company	<u>11</u>	<u>6</u>
		<u>10,362</u>	<u>10,682</u>
	Substantive related party		
	Others	<u>260</u>	<u>260</u>
		<u>\$ 10,622</u>	<u>\$ 10,942</u>

The outstanding payables due to related parties were not guaranteed.

(7) Price for acquisition of property, plant and equipment

Type of related party/Name	Acquisition price	
	2022	2021
Subsidiary		
Dante Coffee Company	\$ 61	\$ -
Dante Creative Company	630	-
Bafang Restaurant Company	<u>\$ 691</u>	<u>\$ -</u>

(8) Lease agreement - the Consolidated Company is lessee

Account	Type of related party	December 31, 2022	December 31, 2021
Lease liabilities	Subsidiary		
	Bafang Restaurant Company	<u>\$ 2,436</u>	<u>\$ 17,869</u>

Type of related party	Lease subject matter	2022		
		Lease period	Rental determination	Monthly rental
Subsidiary				
Bafang Restaurant Company	No. 153, Cihui 3rd Street, Zhongli City, Taoyuan County	2018.12.20~2023.12.19	Bargain	\$ 50
	2nd Floor, No. 205, Jieshou Village, Nangan Township, Lianjiang County	2018.10.1~2025.9.30	"	57

2021				
Type of related party	Lease subject matter	Lease period	Rental determination	Monthly rental
<u>Subsidiary</u>				
Bafang Restaurant Company	No. 153, Cihui 3rd Street, Zhongli City, Taoyuan County	2018.12.20~2023.12.19	Bargain	\$ 50
	2nd Floor, No. 205, Jieshou Village, Nangan Township, Lianjiang County	2018.10.1~2025.9.30	"	57
	2nd and 3rd Floor, No. 355, Boai Street, Zhubei City, Hsinchu County	2016.8.1~2021.7.31	"	20
	2F, No. 242, Wujia 2nd Road, Fengshan District, Kaohsiung City	2016.1.1~2030.12.31	"	118

(9) Lease agreement - the Consolidated Company is lessor

Operating lease

The Company leases its assets under operating leases. As of December 31, 2022 and 2021, the total amount of future lease payments to be received was \$6,797 thousand and \$7,737 thousand, respectively. The lease income recognized in 2022 and 2021 were as follows:

Account	Type of related party/Name	2022	2021
Rental income	Subsidiary		
	Bafang Restaurant Company	\$ 103	\$ 103
	Fang Sin Company	60	60
	Dante Coffee Company	<u>720</u>	<u>720</u>
		<u>883</u>	<u>883</u>
	Substantive related party		
	Others	<u>57</u>	<u>57</u>
		<u>\$ 940</u>	<u>\$ 940</u>

(10) Loans to related parties

Type of related party	2022	2021
<u>Other receivables</u>		
Subsidiary		
Fang Sin Company	<u>\$ -</u>	<u>\$ 25,000</u>

The Company's funds lent to subsidiaries are all unsecured loans with 0% interest rate.

(11) Other income

Account	Type of related party/Name	2022	2021
Other income	Subsidiary		
	Bafang Restaurant Company	\$ 2,734	\$ 784

Account	Type of related party/Name	2022	2021
	Dante Creative Company	3,304	-
	Others	630	155
	Substantive related party		
	Others	166	8
		<u>\$ 6,834</u>	<u>\$ 947</u>

(12) Other related party transactions

Account	Type of related party	2022	2021
Using the equity method	Subsidiary		
Investments - cash dividends received	Bafang Restaurant Company	\$ 24,479	\$ 37,754
	Fang Sin Company	<u>2,542</u>	<u>722</u>
		<u>\$ 27,021</u>	<u>\$ 38,476</u>
Using the equity method	Subsidiary		
Investments - stocks	Bafang Yunji (Samoa) International Co., Ltd	\$ 460,969	\$ -
Investments-cash	Bafang Yunji International (USA) Limited	<u>76,833</u>	<u>-</u>
		<u>\$ 537,802</u>	<u>\$ -</u>

(13) Remuneration to key management

	2022	2021
Short-term employee benefits	\$ 66,551	\$ 70,954
Retirement benefits		
Defined contribution plan	959	1,085
Share-based payment		
Equity settlement	<u>7,911</u>	<u>9,254</u>
	<u>\$ 75,421</u>	<u>\$ 81,293</u>

Salary and remuneration to directors and other key management is determined by the Remuneration Committee based on individual performance and market trends.

33. Pledged assets

The following assets of the Company have been pledged as collaterals for loans from financial institutions, payments for Taipei Agricultural Products Marketing Corporation, and the issuance of gift certificates, with the book value of each account as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets measured at amortized cost - current		
Bank time deposit	\$ 376	\$ 374
Other financial assets - current	18,381	8,363
Property, plant and equipment		
Land	93,474	230,500
Building and construction	8,785	149,335
	<u>\$ 121,016</u>	<u>\$ 388,572</u>

34. **Significant Contingent Liabilities and Unrecognized Contract Commitments**

In addition to those described in other notes, the Company had the following significant commitments and contingencies as of the balance sheet date.

- (1) As a result of the plant expansion plan approved by the Board of Directors in March 2022 and September 2021, the Company entered into contracts for the construction and purchase of related plant and equipment for a total amount of \$70,431 thousand and \$64,289 thousand as of December 31, 2022 and 2021, and paid \$30,546 thousand and \$5,637 thousand.
- (2) Except for the plant expansion plan, the Company had the following unrecognized contractual commitments:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase of property, plant and equipment	<u>\$ 87,994</u>	<u>\$ 12,319</u>

35. **Significant Subsequent Events: None.**

36. **Information on foreign currency assets and liabilities with significant effect**

The following information is presented in foreign currencies other than the functional currency of the Company, and the exchange rates disclosed are the rates at which the foreign currencies were translated into the functional currency. Information on foreign currency assets and liabilities with significant effect as follows:

December 31, 2022

	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary items</u>			
CNY (RMB)	\$ 45	4.408 (CNY: NTD)	\$ 198
USD	13,674	30.71 (USD: NTD)	<u>419,926</u>
			<u>\$ 420,124</u>

	Foreign currency (in thousands)	Exchange rate	Carrying amount
<u>Non-monetary items</u>			
Subsidiary accounted for using the equity method			
USD	5,126	30.71 (USD: NTD)	\$ 157,424
HKD	136,538	3.938 (HKD: NTD)	<u>537,688</u>
JPY	241,444	0.2324 (JPY: NTD)	<u>56,112</u>
			<u>\$ 751,224</u>

December 31, 2021

	Foreign currency (in thousands)	Exchange rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
CNY (RMB)	\$ 45	4.344 (CNY: NTD)	\$ 195
USD	2,891	27.68 (USD: NTD)	80,009
			<u>\$ 80,204</u>

<u>Non-monetary items</u>			
Subsidiary accounted for using the equity method			
USD	17,354	27.68 (USD: NTD)	\$ 480,368
JPY	245,470	0.2405 (JPY: NTD)	<u>59,035</u>
			<u>\$ 539,403</u>

The Company's realized and unrealized foreign currency exchange gain or loss for 2022 and 2021 were exchange loss of \$4,568 thousand and \$548 thousand, respectively.

37. Additional Disclosure

(1) Information on Significant Transactions

- A. Financing provided to others. (Exhibit 1)
- B. Endorsements/guarantees to others. (Exhibit 2)
- C. Marketable securities held at the end of the period. (Exhibit 3)
- D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Exhibit 5)
- E. Acquisition of real estate amounting to NT\$300 million or 20% of the paid-in capital. (None)
- F. Disposal of real estate amounting to NT\$300 million or 20% of the paid-in capital. (None)
- G. Purchase or sale of goods from or to related parties amounting to NT100 million or 20% of the paid-in capital. (Exhibit 4)

- H. Receivables due from related parties amounting to NT\$100 million or 20% of the paid-in capital. (None)
 - I. Trading in derivative instruments. (Note 7)
- (2) Information on Investees (Exhibit 6)
- (3) Information on investment in Mainland China:
- A. The name of the investees in Mainland China, principal business, paid-in capital, investment methods, capital outward and inward remittances, shareholding percentage, profit or loss for the period and investment income and loss recognized, investment carrying amount at the end of the period, repatriated investment income and losses, and investment limit for Mainland China. (Exhibit 7)
 - B. Significant transactions with Mainland China investees directly or indirectly through third regions, as well as their prices, payment terms, and unrealized profits or losses: (Exhibit 7)
 - a. The amount and percentage of purchases and the related ending balance and percentage of payables.
 - b. The amount and percentage of sales and the related ending balance and percentage of receivables.
 - c. The amount of property transactions and the amount of resulting gains or losses.
 - d. The ending balance of endorsement guarantee of notes or the provision of collateral and its purpose.
 - e. The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation (Exhibit 1)
 - f. Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.
- (4) Information on major shareholders: Name, number and percentage of shares held by shareholders with 5% or more of the shares. (Exhibit 8)

38. Segment information

The Company has made the required disclosures of operating segment financial information in the consolidated financial statements for 2022.

Bafang Yunji International Co., Ltd.
Financing provided to others
For the year ended December 31, 2022

Exhibit 1 Unit: In thousands of NT\$/foreign currency

No. (Note 1)	Lender	Borrower	Financial statement account	Related party or not	Maximum amount for the period	Ended Balance	Actual amount drawn	Interest rate range	Nature of Financing (Note 2)	Amount of business transactions	Reasons for short-term financing	allowance for doubtful accounts	Collaterals		Financing limit for each borrower (Note 3)	Aggregate financing limit (Note 3)	Note
													Irem	Value			
0	Bafang Yunji International Co., Ltd.	Fang Sin International Trading Co., Ltd.	Other receivables - related parties	Yes	\$ 30,000	\$ -	\$ -	0%	the need for short-term financing	\$ -	Operating turnover	\$ -	—	\$ -	\$ 656,463	\$ 656,463	
0	Bafang Yunji International Co., Ltd.	Dante Coffee & Foods Co., Ltd.	Other receivables - related parties	Yes	50,000	-	-	1.165%	the need for short-term financing	-	Operating turnover	-	—	-	656,463	656,463	
0	Bafang Yunji International Co., Ltd.	Bafang Yunji Restaurant Co., Ltd.	Other receivables - related parties	Yes	100,000	100,000	-	1.165%	the need for short-term financing	-	Operating turnover	-	—	-	656,463	656,463	
1	Fujian Bafang Yunji Foods Co., Ltd.	Fujian Bafang Yunji Restaurant & Management Co., Ltd.	Other receivables - related parties	Yes	4,130 RMB 915,918	4,039 RMB 915,918	4,039 RMB 915,918	0%	the need for short-term financing	-	Operating turnover	-	—	-	5,801	5,801	

Note 1: The number column is filled out as follows:
(1) Fill in 0 for the issuer.
(2) Each invested company is numbered in sequential order starting from 1.

Note 2: For nature of funds lending, fill in if it is for business transaction or there is a need for short-term financial accommodation

Note 3: The limit of funds lent to individual recipients is \$3,282,314 thousand * 20% of the net worth of the company that lends funds (Bafang Yunji International Co., Ltd.) = \$656,463 thousand; the total limit of funds lent is \$3,282,314 thousand * 20% of the net worth of the company that lends funds (Bafang Yunji International Co., Ltd.) = \$656,463 thousand.
The limit of funds lent to individual recipients is \$14,504 thousand * 40% of the net worth of the company that lends funds (Fujian Bafang Yunji Foods Co., Ltd.) = \$5,801 thousand; the total limit of funds lending is \$14,504 thousand * 40% of the net worth of the company that lends funds (Fujian Bafang Yunji Foods Co., Ltd.) = \$5,801 thousand.

Bafang Yunji International Co., Ltd.
Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Exhibit 2

Unit: In thousands of NT\$, unless otherwise specified

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Company name	Nature of Relationship (Note 2)											
0	Bafang Yunji International Co., Ltd.	Dante Coffee & Foods Co., Ltd.	(2)	\$ 656,463	\$ 110,000	\$ 110,000	\$ 30,000	\$ -	3.35	\$ 1,312,926	Y	N	N	

Note 1: The number column is filled out as follows:

- (1) Fill in 0 for the issuer.
- (2) Each invested company is numbered in sequential order starting from 1.

Note 2: Relationship with the Company:

- (1) The companies with which it has business relations.
- (2) Subsidiaries in which the company directly holds more than 50% of its total outstanding common stocks.
- (3) Companies in which the total outstanding common stocks held by the parent company and its subsidiaries, calculated on a combined basis, exceed 50%.
- (4) The parent company that directly or indirectly holds more than 50% of the total outstanding common stocks through its subsidiaries.
- (5) Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.

Note 3: Limit on endorsements/ guarantees provided for a single party: not exceeding 20% of the Company's net assets as of December 31, 2022: \$3,282,314 thousand * 20%= \$656,463 thousand.
Ceiling on total amount of endorsements/ guarantees provided: not exceeding 40% of the Company's net assets as of December 31,2022: \$3,282,314 thousand * 40%= \$1,312,926 thousand.

Bafang Yunji International Co., Ltd.
Marketable securities held at the end of the period
December 31, 2022

Exhibit 3

Unit: In thousands of NT\$, unless otherwise specified

Holding company name	Type and name of marketable securities	Relationship with the issuers of the marketable securities	Financial statement Account	End of the period				Note
				Number of shares	Carrying amount	Shareholding percentage	Fair value	
Bafang Yunji International Co., Ltd.	<u>Structured deposits</u>							
	President DSU NTD 100% Capital Protected Structured Instrument	-	Financial assets at fair value through profit or loss - current	-	<u>\$ 110,228</u>	-	<u>\$ 110,228</u>	
	<u>Bonds with repurchase agreement</u>							
	Yulon Finance Corporation	-	Cash and cash equivalents	-	<u>\$ 30,000</u>	-	<u>\$ 30,000</u>	
Bafang Yunji Restaurant Co., Ltd.	<u>Bonds with repurchase agreement</u>							
	Yulon Finance Corporation	-	Cash and cash equivalents	-	<u>\$ 20,000</u>	-	<u>\$ 20,000</u>	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Cash and cash equivalents	-	<u>15,000</u>	-	<u>15,000</u>	
					<u>\$ 35,000</u>	-	<u>\$ 35,000</u>	
Fang Sin International Trading Co., Ltd.	<u>Stocks of domestic non-listed companies</u>							
	La Fresh Information Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	150,000	<u>\$ 3,750</u>	3.7%	<u>\$ 3,750</u>	

Note: For information on investment in subsidiaries, affiliates and joint venture interests, please refer to Exhibits 4 and 5.

Bafang Yunji International Co., Ltd.
Purchase or sale of goods from or to related parties amounting to NT100 million or 20% of the paid-in capital
For the year ended December 31, 2022

Exhibit 4

Unit: In thousands of NT\$, unless otherwise specified

Purchaser/Seller	Counterparty	Relationship	Transaction				Difference in transaction terms compared to third party transactions		Notes and accounts receivable (payable)		Note
			purchases (sales)	Amount	percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	percentage of total notes and accounts receivable (payable)	
Bafang Yunji International Co., Ltd.	Bafang Yunji Restaurant Co., Ltd.	subsidiary	Sales	\$ 620,398	13.65%	Semi-monthly settlement	Same transaction price as with regular customers	Same credit term as with regular customers	\$ 22,676	20.63%	Note 1

Note 1: The above transactions have been eliminated in the consolidated financial statements.

Bafang Yunji International Co., Ltd.
Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2022

Exhibit 5

Unit: In thousands of NT\$, unless otherwise specified

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition (Note)		Disposal				Balance as at December 31, 2022	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain(loss) on disposal	Number of shares	Amount
Bafang Yunji International Company Limited	Stocks	Investments accounted for under the equity method	Bafang Yunji (Samoa) International Co., Ltd.	subsidiary	-	\$ -	17,500,000	\$ 476,538	-	\$ -	\$ -	\$ -	17,500,000	\$ 476,538

Note: The Consolidated Company had applied accounting treatment for re-organization and valued the net worth of Bafang Yunji International Company Limited at \$476,538 thousand (HKD 119,618 thousand) as of July 31, 2022.

Bafang Yunji International Co., Ltd. and subsidiaries
Information on investees, locations, etc.
For the year ended December 31, 2022

Exhibit 6

Unit: In thousands of NT\$, unless otherwise specified

Name of investor	Name of investee	Location	Principal business	Original investment amount		Holding at the end of the period			Profit or loss of investee for the period	Investment income or loss recognized in the period	Note
				End of the period	End of last year	Number of shares	Ratio	Carrying amount			
Bafang Yunji International Co., Ltd.	Bafang Yunji (Samoa) International Co., Ltd.	Samoa	Investment management	\$ 50,055	\$ 522,568	1,833,048	100	\$ 27,794	\$ 31,818	\$ 31,818	Note 1
				USD 1,833,048	USD 16,691,980			USD 905,040	USD 1,119,196	USD 1,119,196	
	Bafang Yunji Restaurant Co., Ltd.	Taiwan	Food and beverage services	150,727	150,727	15,000,000	100	212,627	44,638	44,638	Note 1
	Fang Sin International Trading Co., Ltd.	Taiwan	Food trading	40,000	40,000	4,000,000	100	46,803	5,385	5,385	Note 1
	Bafang Co., Ltd.	Japan	Food processing and food and beverage services	81,621	81,621	30,000	100	56,112	(916)	(916)	Note 1
				JPY 300,000,000	JPY 300,000,000			JPY 241,444,240	(JPY 4,025,745)	(JPY 4,025,745)	
	Bafang Yunji International (USA) Limited	United States	Investment management	150,947	74,114	996	100	129,630	(12,787)	(12,787)	Note 1
				USD 4,980,000	USD 2,500,000			USD 4,221,115	(USD 429,002)	(USD 429,002)	
	Bafang Yunji International Company Limited	Hong Kong	Food processing and food and beverage services	476,538	-	17,500,000	100	537,688	114,450	65,938	Note 1
				HKD 119,617,830	HKD -			HKD 136,538,404	HKD 30,070,960	HKD 16,920,574	
Bafang Yunji (Samoa) International Co., Ltd.	Dante Coffee & Foods Co., Ltd.	Taiwan	Food and beverage services	86,920	86,920	8,120,000	85.29	886	(51,115)	(43,596)	Note 1
	Bafang Yunji Restaurant Group Limited	Hong Kong	Investment management	397,549	408,301	5,250,000	100	17,295	(16,117)	(16,117)	Note 1
				USD 12,940,438	USD 13,290,438			USD 563,192	(USD 540,743)	(USD 540,743)	
	Bafang Yunji International Company Limited	Hong Kong	Food processing and food and beverage services	-	140,000	-	-	-	114,450	48,512	Note 1
				USD -	USD 4,280,035			HKD -	HKD 30,070,960	HKD 13,150,386	
	Bafang Yunji (Samoa) Investment Company Limited	Samoa	Investment management	-	-	-	-	-	-	-	Note 1
Bafang Yunji Restaurant Group Limited	Fujian Bafang Yunji Foods Co., Ltd.	Mainland China	Food processing	105,941	105,941	-	100	14,504	(31,291)	(31,291)	Notes 1, 2
				USD 3,500,000	USD 3,500,000			RMB 3,289,239	(RMB 7,055,878)	(RMB 7,055,878)	
	Fujian Bafang Yunji Restaurant & Management Co., Ltd.	Mainland China	Food and beverage services	113,129	113,129	-	100	709	15,411	15,411	Notes 1, 2
Bafang Yunji International Company Limited	Hsin Chiao International Co. Limited	Hong Kong	Transportation	3,700,000	3,700,000			RMB 160,734	RMB 3,475,012	RMB 3,47,012	
				-	-	1	100	26,948	12,265	12,265	Note 1
	Long Success (HK) Industrial Limited	Hong Kong	Food and beverage services	HKD 1	HKD 1	1	100	6,843,158	HKD 3,222,471	HKD 3,222,471	
				-	-	1	100	79,266	22,710	22,710	Note 1
	Rich Grade Limited	Hong Kong	Food and beverage services	HKD 1	HKD 1	1	100	20,128,482	HKD 5,966,928	HKD 5,966,928	
				-	-	1	100	11,130	1,056	1,056	Note 1
	Wise Success Enterprise Limited	Hong Kong	Transportation	HKD 1	HKD 1	1	100	2,826,365	HKD 277,486	HKD 277,486	
				-	-	1	100	459	(291)	(291)	Note 1
Jiashide Limited	Jiashide Limited	Hong Kong	Investment management	HKD 1	HKD 1			HKD 116,549	(HKD 76,584)	(HKD 76,584)	
				6,891	6,891	10,000	100	-	-	-	Note 1
				RMB 1,500,000	RMB 1,500,000						
Bafang Yunji International (USA) Limited	Heng Yue Feng Trading (Shenzhen) Co., Ltd.	Mainland China	Food trading	6,891	6,891	-	100	-	-	-	Notes 1, 2
				RMB 1,500,000	RMB 1,500,000						
Bafang Yunji Restaurant Group LLC	Bafang Yunji Foods LLC	United States	Food processing	76,454	35,575	-	59.25	57,745	(24,206)	(14,469)	Note 1
				USD 2,547,750	USD 1,200,000			USD 1,880,379	(USD 812,134)	(USD 485,445)	
	Bafang Yunji Restaurant Group LLC	United States	Food and beverage services	64,008	26,681	-	59.25	61,693	3,831	2,334	Note 1
Dante Coffee & Foods Co., Ltd.				USD 2,073,750	USD 900,000			USD 2,008,886	USD 128,533	USD 78,298	
	Sound Sino Group Limited	Samoa	Investment management	23,034	23,034	710,000	71	(349)	(408)	(290)	Note 1
				USD 710,000	USD 710,000			(USD 11,372)	(USD 13,705)	(USD 9,731)	
Sound Sino Group Limited	Dante Creative CO., LTD.	Taiwan	Food processing	30,000	30,000	3,000,000	100	28,511	(1,389)	(1,389)	Note 1
	Shanghai Dante Coffee Co., Ltd	Mainland China	Food and beverage services	-	43,797	-	-	-	-	-	Notes 1, 2
				USD -	USD 1,350,000			RMB -	RMB -	RMB -	

Note 1: The above investment income or loss of the investee for 2022 was recognized based on the investee's financial statements for the same period audited by CPAs.

Note 2: Please refer to Exhibit 7 for the information on investees in Mainland China.

Bafang Yunji International Co., Ltd. and subsidiaries
Information on investment in Mainland China
For the year ended December 31, 2022

Exhibit 7

Unit: In thousands of NT\$, unless otherwise specified

1. The name of the investees in Mainland China, main business, paid-in capital, investment methods, capital outward and inward remittances, shareholding, investment income and losses, investment book value, repatriated investment income and loss.

Name of investee in Mainland China	Main business	Paid-in capital	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of investee for the period	Shareholding percentage of the Company's direct or indirect investment	Investment income or loss recognized in the period	Carrying amount of investments at the end of the period	Investment income remitted back as of the end of the period	Note
					Remittance	Recovery							
Fujian Bafang Yunji Foods Co., Ltd.	Food processing	\$ 105,941	(2)	\$ 105,941	\$ -	\$ -	\$ 105,941	(\$ 31,291)	100	(\$ 31,291)	\$ 14,504	\$ -	
Fujian Bafang Yunji Restaurant & Management Co., Ltd.	Food and beverage services	113,129	(2)	USD 3,500,000 113,129 USD 3,700,000	-	-	USD 3,500,000 113,129 USD 3,700,000	(RMB 7,055,878) 15,411 RMB 3,475,012	100	(RMB 7,055,878) 15,411 RMB 3,475,012	RMB 3,289,239 709 RMB 160,734	-	
Heng Yue Feng Trading (Shenzhen) Co., Ltd.	Food trading	6,891	(2)	6,891	-	-	6,891	-	100	-	-	-	
Shanghai Dante Coffee Co., Ltd.	Food and beverage services	-	(2)	RMB 1,500,000 31,096 USD 958,500	-	-	RMB 1,500,000 - USD -	- - RMB -	-	- - RMB -	- - RMB -	-	

2. Investment quota for Mainland China.

Accumulated amount of investment from Taiwan to mainland China at the end of the period	Amount of investment approved by the Investment Commission, MOEA	Investment quota for mainland China as stipulated by the Investment Commission, MOEA
\$ 502,428 (USD 16,341,534)	\$ 502,428 (USD 16,341,534)	\$ 2,018,682

Note 1: The investment methods can be divided into the following three types, and just indicate as such.

- (1) Invest in mainland China directly.
- (2) Invest in Mainland China through companies in third regions. (Please specify the investment company of the third region).
- (3) Other methods

Note 2: In the column of investment income or loss recognized in the current period.

- (1) If the investment is under preparation and there is no investment income or loss, it should be noted.
- (2) The basis for recognizing investment income or losses is divided into the following three categories, which should be specified.
 - A. The financial statements have been audited by an international CPA firm with which CPA firms in the ROC. has a cooperative relationship.
 - B. The financial statements have been audited by the attesting CPA of the parent company in Taiwan.
 - C. Others: Unaudited financial statements.

Note 3: In accordance with the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" of the Investment Commission dated 2008.8.29, the higher of 60% of the net worth of the investor company or the consolidated net worth shall be the limit.

Note 4: Including the deregistration of Zhejiang Fuyu Foods Co., Ltd. in July 2020, Xiamen Fuyu Bafang Equity Investment Co., Ltd. in February 2021, and Zhejiang Fuyu Foods Co., Ltd. and Zhejiang Fuyu Restaurant & Management Co., Ltd. in March 2021, and Shanghai Dante Coffee Co., Ltd was deregistered in September 2022.the accumulated investment amount of \$253,433 thousand remitted from Taiwan was not repatriated back.

3. Significant transactions with investees in Mainland China directly or indirectly through third-region businesses: None.
4. Endorsement, guarantee or provision of collaterals provided to investees in Mainland China directly or indirectly through third-region businesses: None.
5. For financial accommodation provided to investees in Mainland China directly or indirectly through third-region businesses, please refer to Exhibit 1 for details of the relevant circumstances.
6. Other transactions that have a significant effect on the current profit or loss or financial position: None.

Bafang Yunji International Co., Ltd.
Information on major shareholders
December 31, 2022

Exhibit 8

Name of major shareholders	Shares	
	Shareholding	Shareholding percentage
Fu Yu Investment Co., Ltd.	10,418,966	15.70%
Lin, Chia-Yu	5,105,963	7.69%
Su, Shu-Hsin	4,572,784	6.89%
Lin, Yi- Hsien	3,336,988	5.03%

Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

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Bafang Yunji International Co., Ltd.
Schedule of cash and cash equivalents
December 31, 2022

Schedule 1

Unit: In thousands of NT\$

Item	Summary	Amount
Cash on hand		\$ 692
Checking deposits	Bank A	14
Demand deposits	Bank A	34,708
	Others	2,869
Foreign currency deposits	Bank A (including USD 9,000@30.71)	263
	Bank B (including USD 74,000@30.71)	2,261
	Others (including USD 91,000@30.71, etc.)	2,791
Cash equivalents (original maturity of less than 3 months)		
Bonds with repurchase agreement		30,000
Time deposit	(including USD 1,000,000@30.71, etc.)	<u>30,710</u>
		<u>\$ 104,308</u>

Bank	Period	Interest rate	Amount
Taishin Bank	2022.11.30~2023.01.30	4.5%	\$15,355(USD 500,000@30.71
Mega International Commercial Bank	2022.11.30~2023.01.09	3.9%	\$15,355(USD 500,000@30.71

Bafang Yunji International Co., Ltd.
Schedule of changes in financial assets at fair value through profit or loss - current
For the year ended December 31, 2022

Schedule 2

Unit: In thousands of NT\$, unless otherwise specified

Name of financial instruments	Beginning of the period		Increase in the period		Decrease in the period		Valuation amount	End of the period		Provision of guarantee or pledge	Remarks
	Number of shares or board lots	Fair value	Number of shares or board lots	Amount	Number of shares or board lots	Amount		Number of shares or board lots	Fair value		
President DSU USD 100% Capital Protected Structured Instrument	-	\$ 44,297	-	\$114,539	-	(\$159,315)	\$ 479	-	\$ -	None	
President DSU NTD 100% Capital Protected Structured Instrument	-	<u>50,005</u>	-	<u>336,000</u>	-	(<u>276,000</u>)	<u>223</u>	-	<u>110,228</u>	None	
		<u>\$ 94,302</u>		<u>\$450,539</u>		(<u>\$435,315</u>)	<u>\$ 702</u>		<u>\$110,228</u>		

Bafang Yunji International Co., Ltd.
Schedule of financial assets measured at amortized cost - current
December 31, 2022

Schedule 3

Unit: In thousands of NT\$

Name	Number of board lots	Par value	Total amount	Interest rate	Carrying amount	Accumulated impairment	Remarks
Bank time deposit with Taishin Bank			\$ 270,325	1.12%~5.12%	\$ 270,325		
Bank time deposit with Taipei Fubon Bank	-	-	453,550	0.85%~4%	453,550	\$ -	—
Bank time deposit with Sunny Bank	-	-	350,000	1.06%~1.45%	350,000	-	—
Pledged time deposits with Hua Nan Commercial Bank	-	-	<u>376</u>	0.66%	<u>376</u>	<u>-</u>	Please refer to Note 33 for pledges.
			<u>\$ 1,074,251</u>		<u>\$ 1,074,251</u>	<u>\$ -</u>	

Bafang Yunji International Co., Ltd.
Schedule of accounts receivable
December 31, 2022

Schedule 4

Unit: In thousands of NT\$

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>
Franchisee accounts receivable	Food ingredients receivable	\$ 86,375
Less: Allowance for losses		(<u>477</u>)
Subtotal		85,898
Accounts receivable - related parties	Food ingredients receivable	<u>23,994</u>
Total		<u>\$ 109,892</u>

Note: The balance of each customer does not exceed 5% of the balance of this account.

Bafang Yunji International Co., Ltd.
Schedule of inventories
December 31, 2022

Schedule 5

Unit: In thousands of NT\$

<u>Item</u>	<u>Summary</u>	<u>Book value</u>	<u>Market price</u>
Raw materials	Meat, other food ingredients, etc.	\$ 149,526	\$ 143,866
Semi-finished products	Defrosted meat, etc.	8,974	8,505
Finished products	Stuffing, marinated meat, etc.	20,773	26,880
Merchandise	Store supplies, etc.	18,724	22,044
Less: Allowance for loss on decline in value and obsolescence of inventories		(<u>8,572</u>)	<u>-</u>
		<u>\$ 189,425</u>	<u>\$ 201,295</u>

Note: Market price is calculated based on net realizable value.

Bafang Yunji International Co., Ltd.
Schedule of other current assets
December 31, 2022

Schedule 6

Unit: In thousands of NT\$

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other financial assets	Restricted bank demand deposits	\$ 18,381
Temporary payments		278
Payments for others		<u>369</u>
		<u>\$ 19,028</u>

Bafang Yunji International Co., Ltd.
Schedule of changes in long-term equity investments accounted for using the equity method
For the year ended December 31, 2022

Schedule 7

Unit: In thousands of NT\$

	Amount at the beginning of the period		Increase in the period (Note 4)		Decrease in the period (Note 3)		Investment income (loss)	Cumulative translation adjustments	Balance at the end of the period			Market price or equity net worth (Note 2)		Valuation basis	Provision of guarantee or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount			Number of shares	Shareholding %	Amount	Unit price (NT\$)	Total price		
Non-listed companies valued using the equity method (Note 1)															
Bafang Yunji Restaurant Co., Ltd.	15,000,000	\$ 192,468	-	\$ -	-	(\$ 24,479)	\$ 44,638	\$ -	15,000,000	100	\$ 212,627	14.18	\$ 212,627	Equity method	None
Bafang Yunji (Samoa) International Co.,Ltd.	16,691,980	420,472	-	-	(14,858,932)	(488,083)	31,818	63,587	1,833,048	100	27,794	15.16	27,794	Equity method	None
Fang Sin International Trading Co., Ltd.	4,000,000	43,960	-	-	-	(2,542)	5,385	-	4,000,000	100	46,803	11.70	46,803	Equity method	None
Bafang Co., Ltd.	30,000	59,035	-	-	-	-	(916)	(2,007)	30,000	100	56,112	1,870.40	56,112	Equity method	None
Bafang Yunji International (USA) Limited	500	59,896	496	77,024	-	-	(12,787)	5,497	996	100	129,630	130,150.60	129,630	Equity method	None
Dante Coffee & Foods Co., Ltd.	8,120,000	44,305	-	-	-	-	(43,596)	177	8,120,000		886	0.11	886	Equity method	None
Bafang Yunji International Company Limited	-	-	17,500,000	<u>476,538</u>			<u>65,938</u>	<u>(4,788)</u>	17,500,000	100	<u>537,688</u>	30.73	<u>537,688</u>	Equity method	None
		<u>\$ 820,136</u>		<u>\$ 553,562</u>		<u>(\$ 515,104)</u>	<u>\$ 90,480</u>	<u>\$ 62,466</u>			<u>\$ 1,011,540</u>		<u>\$ 1,011,540</u>		

Note 1:The calculation is based on the financial statements audited by CPAs for the same period.

Note 2:The calculation of equity net worth is based on the investee's financial statements and the Company's shareholding percentage

Note 3:Details of the decrease for the period are as follows:

Item	Amount
Receipt of cash dividends from subsidiaries	(\$ 27,021)
Repatriation of capital reduction	(472,514)
From difference between the consideration received and the carrying amount of Bafang Yunji International Company Limited net assets disposal	(<u>15,569</u>)
	(<u>\$ 515,104</u>)

Note 4:Details of the decrease for the period are as follows:

Item	Amount
Paid in cash to acquired Bafang Yunji International Company Limited	\$ 460,969
From difference between the consideration received and the carrying amount of Bafang Yunji International Company Limited net assets acquired	15,569
Invested— Bafang Yunji International (USA) Limited	76,833
Difference between the actual acquisition price and the book value of the subsidiary	<u>191</u>
	<u>\$ 553,562</u>

Bafang Yunji International Co., Ltd.
Schedule of changes in right-of-use assets
For the year ended December 31, 2022

Schedule 8

Unit: In thousands of NT\$

Item	Balance at the beginning of the period	Increase in the period	Decrease in the period	Balance at the end of the period
Land	\$ 61,051	\$ 106,772	\$ -	\$ 167,823
Building	88,832	1,082	(18,897)	71,017
Transportation equipment	<u>194,278</u>	<u>52,844</u>	(<u>17,938</u>)	<u>229,184</u>
	<u>\$ 344,161</u>	<u>\$ 160,698</u>	(<u>\$ 36,835</u>)	<u>\$ 468,024</u>

Bafang Yunji International Co., Ltd.
Schedule of changes in accumulated depreciation of right-of-use assets
For the year ended December 31, 2022

Schedule 9

Unit: In thousands of NT\$

Item	Balance at the beginning of the period	Increase in the period	Decrease in the period	Balance at the end of the period
Land	\$ 2,865	\$ 8,391	\$ -	\$ 11,256
Building	28,151	12,543	(5,550)	35,144
Transportation equipment	<u>69,169</u>	<u>44,514</u>	(<u>17,352</u>)	<u>96,331</u>
	<u>\$ 100,185</u>	<u>\$ 65,448</u>	(<u>\$ 22,902</u>)	<u>\$ 142,731</u>

Bafang Yunji International Co., Ltd.
Schedule of other non-current assets
December 31, 2022

Schedule 10

Unit: In thousands of NT\$

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Prepayments for equipment	Payment for plant and equipment	\$ 69,028
Refundable deposits	Lease deposits, etc.	<u>48,528</u>
		<u>\$ 117,556</u>

Bafang Yunji International Co., Ltd.
Schedule of accounts payable
December 31, 2022

Schedule 11

Unit: In thousands of NT\$

<u>Vendor name</u>	<u>Summary</u>	<u>Amount</u>
Master Channels Corporation	Payment for goods	\$ 12,427
Guo Cheng	"	8,142
Others (Note)	"	150,473
Related party		<u>3,532</u>
		<u>\$ 174,574</u>

Note: The balance of each vendor does not exceed 5% of the balance of this account.

Bafang Yunji International Co., Ltd.
Schedule of other payables
December 31, 2022

Schedule 12

Unit: In thousands of NT\$

Item	Summary	Amount
Other payables	Dividends payable	\$ 165,112
	Salaries payable and bonus	107,566
	Remuneration payable to employees and directors and supervisors	17,980
	Insurance premiums payable	8,418
	Retirement benefits payable	5,015
	Equipment payables	10,877
	Business tax payable	22,368
	Service expenses payable	2,455
	Other expenses payable (Note)	<u>35,006</u>
		<u>374,797</u>
Related party	Marketing and advertising expenses payable	7,816
	Others (Note)	<u>2,806</u>
		<u>10,622</u>
		<u>\$ 385,419</u>

Note: The balance of each vendor does not exceed 5% of the balance of this account.

Bafang Yunji International Co., Ltd.
Schedule of other current liabilities
December 31, 2022

Schedule 13

Unit: In thousands of NT\$

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Receipts under custody	Income tax withholding, etc.	\$ 5,212
Financial liabilities		3,106
Temporary receipts		<u>388</u>
		<u>\$ 8,706</u>

Bafang Yunji International Co., Ltd.
Schedule of lease liabilities
December 31, 2022

Schedule 14

Unit: In thousands of NT\$

Item	Lease period	Discount rate	Amount
Land	19~20 years	1.42%	\$ 136,995
Building	1~12 years	1.25%~1.7%	33,646
Transportation equipment	3~5 years	1.25%~1.7%	133,682
Less: Recorded as current liabilities			(<u>58,598</u>)
Lease liabilities - non-current			<u>\$ 245,725</u>

Bafang Yunji International Co., Ltd.
Schedule of operating revenue
For the year ended December 31, 2022

Schedule 15

Unit: In thousands of NT\$

Name	Amount
Food processing	\$ 3,698,129
Merchandise trading	829,317
Licensing revenue	<u>17,414</u>
	<u>\$ 4,544,860</u>

Bafang Yunji International Co., Ltd.
Schedule of operating costs
For the year ended December 31, 2022

Schedule 16	Unit: In thousands of NT\$
Item	Amount
Merchandise	
Inventories at the beginning of the period	\$ 17,579
Purchases in the period (net)	610,579
Inventories at the end of the period	(18,724)
Add: Other	50
Less: Loss on physical inventory of merchandise	(60)
Less: Merchandise scrapped	(1,028)
Cost of merchandise sold	<u>608,396</u>
Raw materials	
Raw materials at the beginning of the period	130,083
Purchases in the period	2,026,783
Raw materials at the end of the period	(143,749)
Add: Others	947
Less: Loss on physical inventory of raw materials	(2,233)
Less: Raw materials scrapped	(1,808)
Less: Raw materials sold	(95,412)
Direct raw material consumption	<u>1,914,611</u>
Supplies	
Supplies at the beginning of the period	4,181
Purchases in the period	57,594
Supplies at the end of the period	(5,777)
Less: Loss on physical inventory of supplies	(112)
Less: Supplies scrapped	(91)
Less: Transferred to other expenses and others	(55,795)
Indirect material consumption	<u>-</u>
Direct labors	<u>164,516</u>
Manufacturing expenses	<u>371,783</u>
Manufacturing costs	<u>3,059,306</u>
Semi-finished products	
Semi-finished products at the beginning of the period	9,956
Semi-finished products at the end of the period	(8,974)
Add: Gain on physical inventory of semi-finished product	74
Less: Semi-finished product scrapped	(181)
Less: Semi-finished product selling	(453)
Less: Others	(13)
	<u>409</u>
Cost of finished products	<u>3,059,715</u>
Finished goods	
Costs of finished goods at the beginning of the period	15,200
Purchases in the period	92
Costs of finished goods at the end of the period	(20,772)
Less: Loss on physical inventory of finished goods	(142)
Less: Finished product scrapped	(3,450)
Less: Transferred to other expenses and others	(1,063)
	<u>10,135</u>
Production and selling costs	3,049,580
Costs of raw materials sold	95,412
Operating costs of semi-finished products	453
Loss on physical inventory	2,473
Inventory scrap losses	6,558
Other operating costs	(1,718)
	<u>\$ 3,152,758</u>

Bafang Yunji International Co., Ltd.
Schedule of operating expenses
For the year ended December 31, 2022

Schedule 17

Unit: In thousands of NT\$

Item	Selling and marketing	General and administrative	Research and development	Total
Salary expenses	\$ 171,325	\$ 139,755	\$ 7,608	\$ 318,688
Advertising expenses	74,099	111	-	74,210
Insurance expenses	16,217	8,966	422	25,605
Pension	7,630	4,232	262	12,124
Depreciation expenses	46,596	22,209	1,953	70,758
Various allocations	26	2,679	-	2,705
Training expenses	-	18,972	-	18,972
Other expenses	<u>57,757</u>	<u>106,408</u>	<u>4,034</u>	<u>168,199</u>
	<u>\$ 373,650</u>	<u>\$ 303,332</u>	<u>\$ 14,279</u>	<u>\$ 691,261</u>

Bafang Yunji International Co., Ltd.
Schedule of other income and expenses
For the year ended December 31, 2022

Schedule 18

Unit: In thousands of NT\$

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Loss on disposal of property, plant and equipment		(\$ 403)
Net foreign currency exchange loss		(4,568)
Loss on financial assets at fair value through profit or loss		702
Lease modification profit		268
Others		(124)
		(\$ 4,125)

Bafang Yunji International Co., Ltd.
Schedule of employee benefits, depreciation and amortization expenses incurred in the period summarized by function
For the years ended December 31, 2022 and 2021

Schedule 19

Unit: In thousands of NT\$

	2022			2021		
	For operating costs	For operating expenses	Total	For operating costs	For operating expenses	Total
Employee benefit expenses						
Salary expenses	\$ 219,061	\$ 299,422	\$ 518,483	\$ 209,572	\$ 273,241	\$ 482,813
Labor and health insurance expenses	19,152	23,879	43,031	19,101	21,892	40,993
Pension expenses	7,771	12,124	19,895	7,901	11,435	19,336
Remuneration to directors	-	19,266	19,266	-	19,116	19,116
Other employee benefit expenses	11,964	7,184	19,148	10,381	9,505	19,886
	<u>\$ 257,948</u>	<u>\$ 361,875</u>	<u>\$ 619,823</u>	<u>\$ 246,955</u>	<u>\$ 335,189</u>	<u>\$ 582,144</u>
Depreciation expenses	<u>\$ 101,867</u>	<u>\$ 70,758</u>	<u>\$ 172,625</u>	<u>\$ 89,731</u>	<u>\$ 60,214</u>	<u>\$ 149,945</u>
Amortization expenses	<u>\$ 127</u>	<u>\$ 2,705</u>	<u>\$ 2,832</u>	<u>\$ 113</u>	<u>\$ 1,613</u>	<u>\$ 1,726</u>

Note:

1. The number of employees in the current and previous years was 538 and 524, respectively, of which the number of directors who were not also employees was 7 and 8.
2. (1) The average employee benefit expense for the current year was \$1,167 thousand ("Total employee benefit expense for the current year - total directors' remuneration " / "Number of employees for the current year - number of directors who are not also employees").
The average employee benefit expense for the previous year was \$1,091 thousand ("Total employee benefit expense for the previous year - total directors' remuneration " / "Number of employees for the previous year - number of directors who are not also employees").
- (2) The average employee salary expense for the current year was \$976 thousand ("Total employee salary expense for the current year" / "Number of employees for the current year - number of directors who are not also employees").
The average employee salary expense for the previous year was \$936 thousand ("Total employee salary expense for the previous year" / "Number of employees for the previous year - number of directors who are not also employees").
- (3) Increase of 4.27% in the adjustment of average employee salary expense ("Average employee salary expense for the current year - Average employee salary expense for the previous year" / Average employee salary expense for the previous year).
- (4) There was no remuneration for the supervisor for the current and previous years as no supervisor was appointed.
- (5) The Company's salary and remuneration policy (including directors, managers and employees)
 - A. Salary and remuneration of the Company's directors is determined in accordance with the "Regulations Governing the Salary and Remuneration of Directors and Functional Members", which includes remuneration, retirement pension, business execution related expenses and other remuneration ; their remuneration is reasonably paid in accordance with the regulations; the remuneration of directors is determined in accordance with Article 18 of the Company's Articles of Incorporation, and no more than 1% of the Company's annual profit shall be appropriated as remuneration to directors; retirement pension and business execution expenses are determined in accordance with the relevant regulations. Salary and remuneration of directors is reviewed by the Remuneration Committee and the Board of Directors, and the salary and remuneration system is reviewed from time to time depending on the actual operating conditions.
 - B. Remuneration of the president, vice president and managerial officers includes salary remuneration, retirement pension, employee remuneration and business execution related expenses. Remuneration is determined by reference to industry standards, taking into account the position, rank, education and experience, professional ability and contribution to the Company, and the Company's operating results In accordance with Article 18 of the Company's Articles of Incorporation, not less than 1% of the Company's annual profit, if any, shall be provided as employee remuneration; retirement pension and business execution expenses shall be handled in accordance with the relevant regulations. The relevant salary and remuneration to employees are submitted to the Remuneration Committee for consideration and distribution after the Board of Directors' approval.
 - C. Remuneration of the regular employees includes salary remuneration, retirement pension, employee remuneration and business execution related expenses. Salary is determined by reference to industry standards, taking into account the position, rank, education and experience, professional ability; Bonuses and related incentives are paid based on individual performance, achievement of departmental goals, and consideration of the Company's operating results. In accordance with Article 18 of the Company's Articles of Incorporation, not less than 1% of the Company's annual profit, if any, shall be provided as employee remuneration.