



Annual Report

YASHENG GROUP

2020 - 2021

HERB

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

YASHENG GROUP

2245 Fortune Dr # C, San Jose, CA 95131

5108604685

www.yashenggroup.com

info@yashenggroup.com

100

Annual Report For the Periods Ending: 2021 and 2020 (the "Reporting Period")

As of the current reporting date of December 31 2021, the number of shares outstanding of our Common Stock was:

[157,165,783]

As of the prior reporting date of September 30, 2021, the number of shares outstanding of our Common Stock was:

[157,165,783]

As of the most recent completed fiscal year end date of December 31, 2020, the number of shares outstanding of our
Common Stock was:

[157,165,783]

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control⁵ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

⁵ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

YaSheng Group
2245 Fortune Dr # C, San Jose, CA 95131

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Colorado, Active

On March 15, 2021, Yasheng Group ("HERB") entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among itself and its wholly owned subsidiary, Yasheng Group, a Colorado corporation wherein Yasheng Group merged into its wholly owned subsidiary changing home state of jurisdiction of Yasheng Group from California to Colorado. No other changes to corporation occurred maintaining the same assets, management, bylaws, authorized capital and issued and outstanding shares. No actions were required to be taken by shareholders as result of this change in venue. The change in domicile became effective June 21 2021 witnessed in the attached exhibit entitled "Statement of Merger" attached in the company's 8k filed with the SEC.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

none

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

FINRA did not approve that shareholders would receive 1 share of Equity Art Corp Ltd as of the record date of September 15, 2021 for each share held on that date since HERB is not a current reporting issuer. HERB may set a new record date should a form 10 be filed and become effective or distribute EQRFT as a restricted dividend prior to once again achieving current reporting status.

The address(es) of the issuer's principal executive office:

2245 Fortune Dr # C, San Jose, CA 95131

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

Address: 21 YanXing Rd. Yasheng Mansion 10-15,
Chengguan District, Lanzhou, China

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

2) Security Information

Trading symbol: HERB
 Exact title and class of securities outstanding: Common
 CUSIP: 98508U104
 Par or stated value: \$1

Total shares authorized: 800,000,000 as of date: December /31/ 2021
 Total shares outstanding: 157,165,783 as of date: December /31/ 2021
 Number of shares in the Public Float⁶: 14,012,409 as of date: December /31/ 2021
 Total number of shareholders of record: 331 as of date: December/31/2021

All additional class(es) of publicly traded securities (if any):

Trading symbol: _____ December
 Exact title and class of securities outstanding: _____
 CUSIP: _____
 Par or stated value: _____
 Total shares authorized: _____ as of date: _____
 Total shares outstanding: _____ as of date: _____

Transfer Agent

Name: Transfer Online, Inc.
 Phone: 503.227.2950
 Email: carolyn@transferonline.com
 Address: 444 SW 5th Ave, Portland, OR 97204

Is the Transfer Agent registered under the Exchange Act?⁷ Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

⁶ "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

⁷ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Shares Outstanding as of Second Most Recent Fiscal Year End: <div style="text-align: right; margin-right: 50px;"> <u>Opening Balance</u> Common: _____ Preferred: _____ </div> Date _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

Shares Outstanding on Date of This Report: <div style="text-align: right; margin-right: 50px;"> <u>Ending Balance</u> Common: _____ Preferred: _____ </div> Date _____									
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Example: A company with a fiscal year end of December 31st, in addressing this item for its quarter ended June 30, 2021, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2019 through June 30, 2021 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)

_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁸:

Name: Huirong Zhang
Title: Vice President
Relationship to Issuer: offcier

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance Sheet;
- D. Statement of Income;
- E. Statement of Cash Flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

⁸ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

Annual financial statements for the years ending December 31 2021 and 2020

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Yasheng Group (" The Company ") is a Colorado corporation U.S. company, that conducts business operations in US , China, Philippine in four major segments: Mining, Agriculture & Biotechnology, Blockchain+ IOT,

- B. Please list any subsidiaries, parents, or affiliated companies.

Hainan Yongsheng Environmental Technology Company
Shanxi Yangxian Zhijian Pharmaceutical Technology Co., Ltd.
Guazhou County Suoyang Site Organic Agriculture Co., Ltd
Rouge Mountain Mining Group Corp
Yasheng Group LLC
Yasheng Group (BVI)
Equity Art Corp Ltd (off balance sheet)

- C. Describe the issuers' principal products or services.

products include herbal medicine, herbal organic food, ginkgo, betel nut, coconut, coffee, mango, hemp, etc.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

200 tons of Ginkgo flavonoid s production line & Herbal CO 2 Extraction production line & Dried fruit production line

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Meiping Wu</u>	<u>5% +owner</u>	<u>Sunnyvale, CA</u>	<u>10,358,915</u>	<u>Common</u>	<u>6.59%</u>	_____
Gansu Yasheng Salt Chemical Industrial Group Ltd	<u>5% +owner</u>	<u>Lanzhou, Gansu</u>	<u>130,842,733</u>	<u>Common</u>	<u>83.2%</u>	<u>Huirong Zhang</u> <u>Xian Shanxi</u>
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

No

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

No

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

No

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Accountant or Auditor

Name: Donghai Wang
Firm: Hongxin CPA Co., Ltd
Address 1: No.20 Gaolan Road, Chengguan District, Lanzhou City, Gansu China
Address 2: _____
Phone: _____
Email: _____

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Huirong Zhang certify that:

1. I have reviewed this annual disclosure statement 2021 and 2020 of [Yasheng Group];
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Feb/28/2022 [Date]

Huirong Zhang [PEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

/s/Huirong Zhang


Principal Financial Officer:

I, Huirong Zhang certify that:

1. I have reviewed this annual disclosure statement ending 2021 and 2020 of Yasheng Group;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Feb/28/2022 [Date]

Huirong Zhang/s/ [PFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

/s/Huirong Zhang



YASHENG GROUP

Financial Statements December

31, 2021 and 2020

YASHENG GROUP FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
UNAUDITED

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YASHENG GROUP
Condensed Consolidated Balance Sheets (unaudited)
(In US Dollars)

	December 31, 2021 (unaudited)	As of December 31, 2020 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	3,752,420	3,350,375
Accounts receivable, net	996,258	897,530
Inventories	2,981,563	4,396,198
Prepaid and other current assets	<u>132,315</u>	<u>207,409</u>
Total current assets	7,862,556	8,851,512
Equity and other investments	1,388,551	335,317
Property, plant and equipment, net	132,381,075	132,182,796
Construction in progress	655,585	599,141
Intangible assets, net	<u>122,811,335</u>	<u>122,739,582</u>
Total assets	<u>265,099,102</u>	<u>264,708,348</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	367,515	568,117
Due to related parties and accrued interest	1,001,311	1,372,115
VAT Tax payable	411,262	309,388
Loans payable and accrued interest	168,317	145,813
Other current liabilities	<u>406,178</u>	<u>306,513</u>
Total current liabilities	2,354,583	2,701,946
Long term payable	1,064,655	1,265,363
Total liabilities	<u>3,419,238</u>	<u>3,967,309</u>
Stockholders' equity:		
Common stock, US\$1.00 par value		
800,000,000 shares authorized		
157,165,783 shares issued and outstanding	157,165,783	157,165,783
Accumulated other comprehensive income	104,216,134	104,551,227
Retained earnings	3,717,185	2,991,338
Total stockholders' equity	<u>261,679,864</u>	<u>260,741,039</u>
Total liabilities & stockholders' equity	<u>265,099,102</u>	<u>264,708,348</u>

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

YASHENG GROUP
Condensed Consolidated Statements of Operations (unaudited)
(In US Dollars)

	As of	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net sales	14,013,905	12,548,836
Cost of goods sold	10,000,845	9,308,078
Gross profit	4,013,060	3,240,758
Operating expenses:		
Sales and marketing	500,327	462,730
General and administrative	55,132	37,545
Total operating expenses	555,459	500,275
Operating profit	3,457,601	2,740,483
Interest expense	-2,351	-1,565
Other income	261,935	252,852
Income before income tax expense	3,717,185	2,991,338
Income tax expense		
Net income	3,717,185	2,991,338
Basic earnings per share	0.024	0.019
Weighted average number of shares	157,165,783	157,165,783

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

YASHENG GROUP
Condensed Consolidated Statements of Cash Flows (unaudited)
(In US Dollars)

	As of	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Inventories		
Cash flows from operating activities:		
Net income	3,717,185	2,991,338
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	300,115	277,885
Allowance for doubtful accounts	2,993,355	2,594,246
Changes in assets and liabilities:		
Accounts receivable	-735,363	-897,530
Inventories	- 2,981,563	- 4,396,198
Prepaid and other current assets	385,221	207,409
Accounts payable	- 618,112	- 568,117
Tax payables	-389,655	-309,388
Accrued expenses and other current liabilities	<u>-231,212</u>	<u>-452,326</u>
Net cash consumed by operating activities	2,439,971	-552,681
Cash flows from investing activities:		
Purchase of assets	-500,225	-335,317
Investments		
Net cash used in investing activities	-500,225	-335,317
Cash flows from financing activities:		
Issuance of common stock		
Dividends paid		
Payment on land		
Increase (decrease) in debt	<u>245,500</u>	<u>211,135</u>
Net cash provided by financing activities	245,500	211,135
Effect of exchange rate change on cash and cash equivalents	502,221	216,248
Net increase (decrease) in cash and cash equivalents	2,687,467	(460,615)
Cash and cash equivalents at beginning of period	3,350,375	2,137,545
Cash and cash equivalents at end of period	<u>3,752,420</u>	<u>3,350,375</u>
Supplemental Disclosures:		
Cash paid for interest	3,351	1,997
Cash paid for income taxes		

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

YASHENG GROUP
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(unaudited)

(In US Dollars)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of December 31, 2020	157,165,783		104,551,227	260,741,039
Net income		2,991,338		
Foreign currency translation	-			
Balance as of December 31, 2021	157,165,783		105,269,414	262,327,194
Net income		3,717,185		
Foreign currency translation	-			
Balance as of December 31, 2020	157,165,783	2,991,338	104,551,227	260,741,039
Balance as of December 31, 2021	157,165,783	3,717,185	105,269,414	262,327,194

Yasheng Group (HERB) Notes to Consolidated Financial

1. Organization and nature of operations

Yasheng Group (" The Company ") is a Colorado corporation U.S. company, that conducts business operations in US , China, Philippine in four major segments: Mining, Agriculture & Biotechnology, Blockchain+ IOT, .The company's agriculture products include herbal medicine, herbal organic food, ginkgo, songaricum , betel nut, coconut, coffee , wolfberry, hemp, etc. Our products are exported to 15 countries around the world, and 2875 Cooperative regions distribution agents. It also designs, develops and markets new technologies related to agriculture and genetic biology.

2. Summary of significant accounting policies

(a) Accounting standards

The consolidated financial statements have been prepared on a historical cost basis to reflect the financial position and results of operations of the Company in accordance with accounting principles generally accepted in the United States of America.

(b) Fiscal year

The Company's fiscal year ends on the 31st of December of each calendar year.

(c) Business combination

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material inter company balances and transactions have been eliminated.

(d) Use of estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

2. Summary of significant accounting policies - *continued*

(e) Revenue recognition

We mainly sell food products. We recognize revenue when title and risk of loss are transferred to our customers. This generally happens upon delivery of our product.

(f) Shipping and handling costs

The Company records outward freight, purchasing and receiving costs in selling expenses; inspection costs and warehousing costs are recorded as general and administrative expenses.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held by banks, and securities with maturities of three months or less. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents are composed primarily of investments in money market accounts stated at cost, which approximates fair value.

(h) Inventories

Inventories are recorded using the weighted average method and are valued at the lower of cost or market.

Yasheng Group (HERB) Notes to Consolidated Financial

(i) Accounts receivable, net

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects the Company's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, the Company considers many factors in estimating its general allowance, including aging analysis, historical bad debt records, customer credit analysis and any specific known troubled accounts.

(j) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated on a straight-line basis over the life of the asset or the term of the lease, whichever is shorter. Major renewals and betterment are capitalized and depreciated; maintenance and repairs that do not extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation related to property and equipment used in production is reported in cost of sales. Property and equipment are depreciated over their estimated useful lives as follows:

Types of PPE	Depreciation period Year	Residual rate(%)
Buildings and Improvements	40	1
Machinery & Equipment	10	3
Transportation	15	3
Office equipment and others	7	3

2. Summary of significant accounting policies - *continued*

Long-term assets of the Company are reviewed annually to assess whether the carrying value has become impaired, according to the guidelines established in Statement of Accounting Standards (SFAS) No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets." The Company also evaluates the periods of amortization to determine whether subsequent events and circumstances warrant revised estimates of useful lives. No impairment of assets was recorded in the periods reported.

(k) Intangible assets

Intangible assets consist of 20 years use right of Fruit vegetable franchise base and are recorded at cost. The cost of fruit vegetable franchise base use right was amortized over 20 years using the straight-line method.

(l) Impairment of long-lived assets

The carrying amounts of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

(m) Investments

Investments consist primarily of less than 20% equity positions in non-marketable securities and are recorded at lower of cost or market.

Yasheng Group (HERB) Notes to Consolidated Financial

(n) Foreign currency translation

The accompanying financial statements are presented in United States (US) dollars. The functional currency is the Renminbi (RMB). The financial statements are translated into US dollars from RMB at year-end exchange rates for assets and liabilities, and weighted average exchange rates for revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

Gains and losses resulting from foreign currency translation are recorded in a separate component of shareholders' equity. Foreign currency translation adjustments are included in accumulated other comprehensive income in the consolidated statements of shareholders' equity for the years presented.

RMB is not freely convertible into the currency of other nations. All such exchange transactions must take place through authorized institutions. There is no guarantee the RMB amounts could have been, or could be, converted into US dollars at rates used in translation.

The spot exchange rate and averaged exchange rate are listed below:

December, 31, 2021	Averaged exchange rate
6.375	6.460

2. Summary of significant accounting policies - *continued*

(o) Income taxes

According to China's national tax policy, Yasheng Group and its all agricultural branches will gain China's national tax authority for tax exemption.

(p) Earnings per share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common and, if dilutive, potential common shares outstanding during the year. The Company has no potentially dilutive shares for the periods shown.

(q) Economic and Political Risks

The Company faces a number of risks and challenges as a result of having primary operations and markets in the PRC. Changing political climates in the PRC could have a significant effect on the Company's business.

(r) Comprehensive income

Comprehensive income is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Accumulated other comprehensive income, as presented on the accompanying consolidated balance sheets, consists of mainly the cumulative foreign currency translation adjustment.

The number -0 of other comprehensive income is due to the foreign currency translation.

(s) Value added tax (VAT)

According to China's national tax policy, Yasheng Group and its all agricultural branches will gain China's national tax authority for tax exemption.

(t) Recently Issued Accounting Standards

A. Employee Welfare Fund: An amount equal to 14% of payroll is set aside by the Company for standard employee benefits. This fund is managed and controlled by the Company. All required payments current.

Yasheng Group (HERB) Notes to Consolidated Financial

B. Open Policy Pension: The Company pays to national and community insurance agents an amount equal to 20% of payroll. This insurance continues to cover the employee subsequent to retirement.

C. Unemployment Insurance: The Company pays to the national employment administrative entities an amount equal to 1% of payroll. Any dismissed employee thereby receives a specified amount of family-support funds for a designated period.

D. Housing Surplus Reserve: The Company pays to the national housing fund administrative entities an amount equal to 10% of payroll for deposit into the employees' future housing allowance accounts.

The aforesaid items are for employee's benefits and should be accounted for as the Company's expenses.

2. Summary of significant accounting policies - *continued Accounting Pronouncements*

In September 2011, the Financial Accounting Standards Board ("FASB") issued guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit (if any). If an entity determines that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required.

In December 2011, the Financial Accounting Standards Board ("FASB") issued guidance enhancing disclosure requirements about the nature of an entity's right to offset and related arrangements associated with its financial instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed, and the related net exposure. In January 2013, the FASB clarified that the scope of this guidance applies to derivatives, repurchase agreements, and securities lending arrangements that are either offset or subject to an enforceable master netting arrangement, or similar agreements.

In February 2013, the FASB issued guidance on disclosure requirements for items reclassified out of accumulated other comprehensive income ("AOCI"). This new guidance requires entities to present (either on the face of the income statement or in the notes to financial statements) the effects on the line items of the income statement for amounts reclassified out of AOCI.

In September 2011, the Financial Accounting Standards Board ("FASB") issued guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit (if any). If an entity determines that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required.

Recent Accounting Pronouncements Not Yet Adopted

In March 2013, the FASB issued guidance on a parent's accounting for the cumulative translation adjustment upon de-recognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The new guidance will be effective for us beginning December 31, 2014. We do not anticipate material impacts on our financial statements upon adoption.

In February 2013, the FASB issued guidance on disclosure requirements for items reclassified out of accumulated other comprehensive income ("AOCI"). This new guidance requires entities to present (either on the face of the income statement or in the notes to financial statements) the effects on the line items of the income statement for amounts reclassified out of AOCI.

(u) Fair Value of Financial Instruments

The carrying amounts of accounts receivable, accounts payable, other liabilities, and short-term borrowings approximate their fair value due to the short-term maturity of these instruments. Long term debt approximates fair value as its interest rates approximate market interest rates.

Yasheng Group (HERB) Notes to Consolidated Financial

3. Accounts receivable

Accounts receivable are recognized and carried at original invoice amount outstanding less an allowance for doubtful accounts.

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balances.

We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence.

4. Inventories

The major classes of inventory: raw materials, packaging materials, products in process, finished goods, stocks, low-value consumable goods, materials in transit as well as others.

5. Property, plant and equipment & depreciation

The major classes of property, plant and equipment include building and improvements, machinery and equipment, transportation facilities, agricultural facilities, etc. They are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

6. China contribution plan

The Company's subsidiaries in China participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. Chinese labor regulations require the Company's subsidiaries to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; the Company has no further commitments beyond its monthly contribution.

7. Profit appropriation

Pursuant to the laws applicable to Foreign Investment Enterprises, each of the Company's subsidiaries in China must make appropriations from its after-tax profit to non-distributable reserve funds as determined by the Board of Directors. These reserve funds include a (i) general reserve, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund.

8. Concentration of risks

The operations of the Company are substantially located in the US, China, Philippine and accordingly, investing in the shares of the Company is subject to among others, the PRC's political, economic and legal risks.

9. Income taxes

The Company and all of its agricultural subsidiaries are exempt from income taxes in the US, PRC, .Philippine.

10. Debt

The Company obtains secured lending from the banks using the following two types of arrangements, collateral and guarantee. Collateral is loans secured against the assets of the Yasheng Group, while guarantee is loans provided with the guarantee from a third party.

11. Employee benefit plans

The Company provides the following benefits for all employees:

Yasheng Group (HERB) Notes to Consolidated Financial

E. Employee Welfare Fund: An amount equal to 14% of payroll is set aside by the Company for standard employee benefits. This fund is managed and controlled by the Company. All required payments current.

F. Open Policy Pension: The Company pays to national and community insurance agents an amount equal to 20% of payroll. This insurance continues to cover the employee subsequent to retirement.

G. Unemployment Insurance: The Company pays to the national employment administrative entities an amount equal to 1% of payroll. Any dismissed employee thereby receives a specified amount of family-support funds for a designated period.

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