

HERB



ANNUAL
REPORT

YASHENG GROUP

2021-2022



YASHENG
— GROUP —

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

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Annual Report

For the periods ending 2022 and 2021

(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

157,165,783 as of March 31, 2023

157,165,783 as of December 31, 2022

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 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:

Change in Control

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:

The Company authorized preferred shares and resolved to pay a preferred dividend to its common shareholders (pro rata) so that every owner is to receive 1 preferred share for each 10 common shares owned on a record date of March 7, 2023. March 31, 2023 was set as the payment date. However, the dividend has yet to be announced by FINRA, so the actual payment thereof may be delayed beyond the announced payment date.

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 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?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

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

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

| | |
|--|---|
| Trading symbol: | <u>HERB</u> |
| Exact title and class of securities outstanding: | <u>Common</u> |
| CUSIP: | <u>98508U104</u> |
| Par or stated value: | <u>\$1</u> |
| Total shares authorized: | <u>800,000,000 as of date: December /31/ 2022</u> |
| Total shares outstanding: | <u>157,165,783 as of date: December /31/ 2022</u> |
| Total number of shareholders of record: | <u>331 as of date: December /31/ 2022</u> |

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

| | |
|--|-------------------------|
| Trading symbol: | _____ |
| Exact title and class of securities outstanding: | _____ |
| CUSIP: | _____ |
| Par or stated value: | _____ |
| Total shares authorized: | _____ as of date: _____ |
| Total shares outstanding: | _____ as of date: _____ |
| Total number of shareholders of record: | _____ as of date: _____ |

| | |
|--|-------------------------|
| Trading symbol: | _____ |
| Exact title and class of securities outstanding: | _____ |
| CUSIP: | _____ |
| Par or stated value: | _____ |
| Total shares authorized: | _____ as of date: _____ |
| Total shares outstanding: | _____ as of date: _____ |
| Total number of shareholders of record: | _____ as of date: _____ |

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

| | | |
|---|--------------------|-------------------------------------|
| Exact title and class of the security: | <u>Preferred</u> | |
| CUSIP (if applicable): | <u>98508U 203</u> | |
| Par or stated value: | <u>N/A</u> | |
| Total shares authorized: | <u>100,000,000</u> | as of date: <u>December 31 2022</u> |
| Total shares outstanding (if applicable): | _____ | |
| Total number of shareholders of record (if applicable): | _____ | as of date: _____ |
| | | |
| Exact title and class of the security: | _____ | |
| CUSIP (if applicable): | _____ | |
| Par or stated value: | _____ | |
| Total shares authorized: | _____ | as of date: _____ |
| Total shares outstanding (if applicable): | _____ | as of date: _____ |
| Total number of shareholders of record (if applicable): | _____ | as of date: _____ |

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

__1. Voting Rights. Except as expressly provided by law, or as otherwise provided in Part B below, or by resolution of the Board of Directors pursuant to the authority granted under Part B below, all voting rights shall be vested in the holders of the Common Stock. Each holder of Common Stock shall be entitled to one vote for each share held on each matter to be voted on by the shareholders of the Corporation, except as otherwise provided in these Articles or bylaw. 2. Dividends. After all accumulated and unpaid dividends required to be paid upon any shares of Preferred Stock for all previous dividend periods shall have been paid, and sums sufficient for full payment of the dividends on all shares of Preferred Stock declared for the then current dividend period have been set apart, and after or concurrently with the setting aside of any and all amounts then required to be set aside for any sinking fund obligation or obligation of - 4 - a similar nature in respect of any series of Preferred Stock, then and not otherwise, and subject to any other applicable provisions of Part B hereof, dividends may be declared upon and paid to the holders of the Common Stock, to the exclusion of the holders of the Preferred Stock. No other restriction shall be applicable to payment of dividends on the Common Stock of the Corporation. 3. Rights Upon Liquidation. In the event of voluntary or involuntary liquidation or dissolution of the Corporation, after payment in full of all amounts required to be paid to the holders of the Preferred Stock, the holders of the common Stock shall be entitled, to the extent not otherwise limited by the terms of any series of Preferred Stock then outstanding, to share ratably in all remaining assets of the Corporation.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

__1. General. The Board of Directors shall have authority, by resolution, to divide any or all of the shares of Preferred Stock into, and to authorize the issuance of, one or more series and with respect to

each such series to establish and, prior to issuance, to determine and fix: (a) a distinguishing designation for such series and the number of shares comprising such series, which number may be increased or decreased from time to time (but not below the number of shares then outstanding) by action of the Board of Directors; (b) the rate and times at which and the other conditions upon which dividends on the shares may be declared and paid or set aside for payment, whether dividends shall be cumulative, and the date from which any dividends shall accrue; (c) whether or not the shares shall be redeemable and, if so, the price and the terms and conditions of such redemption; (d) the amounts payable by preference or otherwise upon shares in the event of voluntary or involuntary liquidation, dissolution, winding up or distribution of the assets of the Corporation; (e) whether any shares shall be redeemed through sinking fund payments and, if so, on what terms; (f) whether the shares shall be convertible or exchangeable, and, if so, the terms and conditions of such conversion or exchange; (g) whether or not the shares shall have voting rights, including the right to vote as a class on designated matters such as, but not by way of limitation, the merger, consolidation or sale of substantially all the Corporation's assets, or the approval of designated action by a greater than two-thirds affirmative vote, and, if so, the terms and conditions thereof and any limitations thereon. In the resolution establishing a new series of Preferred Stock, the Board of Directors may provide for any other relative powers, preferences, rights, qualifications, limitations and restrictions of such series as are consistent with the rights of all outstanding shares of capital stock, with all other provisions of this Article V, and with Colorado law. - 5 - All shares of Preferred Stock of all series shall be identical except as to the abovementioned rights and preferences which the Board of Directors is authorized as aforesaid to fix and determine. Except to the extent that the resolution of the Board of Directors establishing a particular series shall otherwise provide, in the event amounts payable upon liquidation of all series are not paid in full, all shares of Preferred Stock of all series having a liquidation preference shall participate ratably in any distribution in accordance with the sums which would be payable on such distribution if all sums payable thereon to holders of all shares of Preferred Stock were discharged in full. Shares of Preferred Stock of any series redeemed, purchased or otherwise acquired may be cancelled by the Board of Directors and thereupon restored to the status of authorized but unissued shares of Preferred Stock undesignated as to series.

3. **Describe any other material rights of common or preferred stockholders.**

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any 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

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

| Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date _____ Common: _____ Preferred: _____ | | | *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. *You must disclose the control person(s) for any entities listed. | 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: <u>Ending Balance</u> <u>Ending Balance:</u> Date _____ Common: _____ Preferred: _____ | | | | | | | | | |

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

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

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities :

No: Yes: (If yes, you must complete the table below)

| 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. <small>*You must disclose the control person(s) for any entities listed.</small> | Reason for Issuance (e.g. Loan, Services, etc.) |
|-----------------------|--------------------------|-----------------------------------|-----------------------|---------------|--|---|---|
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |

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

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. (Please ensure that these descriptions are updated on the Company’s Profile on www.otcmarkets.com).

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. List any subsidiaries, parent company, or affiliated companies.

Hainan Yongsheng Environmental Technology Company
Shanxi Yangxian Zhijian Pharmaceutical Technology Co., Ltd.
Guazhou County Suoyang Site Organic Agriculture Co., Ltd
YashengGroupLLC
YashengGroup(BVI)
JoveTherapeutics,Inc.
EquityArtCorpLtd(offbalancesheet)

C. Describe the issuers’ principal products or services.

Products include herbal medicine,herbal organicfood, ginkgo, betelnut, coconut, coffee, mango, hemp, etc.

5) 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.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, 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.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

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.

| Names of All Officers, Directors and Control Persons | 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 | Names of control person(s) if a corporate entity |
|--|---|---|------------------------|------------------|---|--|
| <u>Meiping Wu</u> | <u>5%+owner</u> | <u>Sunnyvale,CA</u> | <u>10,358,915</u> | <u>Common</u> | <u>6.59%</u> | _____ |
| <u>GansuYashengSalt ChemicalIndustrial Group Ltd</u> | <u>5%+owner</u> | <u>Lanzhou Gansu</u> | <u>130,842,733</u> | <u>Common</u> | <u>83.2%</u> | <u>Huirong Zhang</u> |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |

7) Legal/Disciplinary History

A. 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.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

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

Accountant or Auditor

Name: Donghai Wang
Firm: Hongxin CPA Co.,Ltd
Address 1: No.20,GaolanRoad,ChengguanDistrict,LanzhouCity,GansuChina
Address 2: _____
Phone: _____
Email: _____

Investor Relations

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

All other means of Investor Communication:

Twitter: _____
Discord: _____
LinkedIn _____
Facebook: _____
[Other] _____

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), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

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

9) Financial Statements

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

- IFRS
 U.S. GAAP

B. The following financial statements were prepared by (name of individual)⁶:

Name: **Huirong Zhang**
Title: **PFO**
Relationship to Issuer: **Officer of Issuer**

Describe the qualifications of the person or persons who prepared the financial statements: **Bachelors Degree with Accounting background.**

Provide the following financial statements 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.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

⁶ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Important Notes:

- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- All financial statements for a fiscal period must be published together with the disclosure statement in one Annual or Quarterly Report.

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 Disclosure Statement for 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.

April 13 2023 [Date]

/s/ Huirong Zhang [PEO's Signature]

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

Principal Financial Officer:

I, Huirong Zhang certify that:

1. I have reviewed this Disclosure Statement for 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.

April 13 2023 [Date]

/s/ Huirong Zhang [PFO's Signature]

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

YASHENG GROUP

Financial Statements December

31, 2022 and 2021

YASHENG GROUP FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
AUDITED

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Yasheng Group:

We have audited the accompanying consolidated balance sheets of Yasheng Group and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholders’ equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Yasheng Group and its subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Gansu Hongxin Accountants Ltd.

Gansu Hongxin Accountants Ltd.
Gansu, China

March 25, 2023

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

| | December 31, 2022 <u>(audited)</u> | As of December 31, 2021 <u>(audited)</u> |
|---|--|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 4,176,049 | 3,752,420 |
| Accounts receivable | 965,616 | 996,258 |
| Inventories | 2,061,342 | 2,981,563 |
| Prepaid and other current assets | <u>449,118</u> | <u>132,315</u> |
| Total current assets | 7,652,124 | 7,862,556 |
| Equity and other investments | 2,110,115 | 1,388,551 |
| Property, plant and equipment, net | 135,133,423 | 132,381,07 |
| Construction in progress | 755,335 | 655,585 |
| Intangible assets, net | <u>123,001,995</u> | <u>122,811,335</u> |
| Total assets | <u>268,652,992</u> | <u>265,099,102</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 579,563 | 367,515 |
| Due to related parties and accrued interest | 1,113,421 | 1,001,311 |
| VAT Tax payable | 473,889 | 411,262 |
| Loans payable and accrued interest | 185,586 | 168,317 |
| Other current liabilities | <u>717,831</u> | <u>406,178</u> |
| Total current liabilities | 3,070,290 | 2,354,583 |
| Long term payable | 1,500,551 | 1,064,655 |
| Total liabilities | <u>4,570,841</u> | <u>3,419,238</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 | 106,179,838 | 104,216,134 |
| Retained earnings | 5,307,372 | 3,717,185 |
| Total stockholders' equity | <u>264,082,151</u> | <u>261,679,864</u> |
| Total liabilities & stockholders' equity | <u>268,652,992</u> | <u>265,099,102</u> |

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

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

| | As of | |
|-----------------------------------|---------------------------------|---------------------------------|
| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Net sales | 18,588,589 | 14,013,905 |
| Cost of goods sold | 13,001,365 | 10,000,845 |
| Gross profit | 5,587,224 | 4,013,060 |
| Operating expenses: | | |
| Sales and marketing | 605,136 | 500,327 |
| General and administrative | 72,125 | 55,132 |
| Total operating expenses | 677,261 | 555,459 |
| Operating profit | 4,909,962 | 3,457,601 |
| Interest expense | -3,321 | -2,351 |
| Other income | 400,730 | 261,935 |
| Income before income tax expense | 5,307,372 | 3,717,185 |
| Income tax expense | | |
| Net income | 5,307,372 | 3,717,185 |
| Basic earnings per share | 0.040 | 0.024 |
| 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 (audited)
(In US Dollars)

As of

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Inventories | | |
| Cash flows from operating activities: | | |
| Net income | 5,307,372 | 3,717,185 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 299,455 | 300,115 |
| Allowance for doubtful accounts | 1,791,473 | 2,993,355 |
| Changes in assets and liabilities: | | |
| Accounts receivable | -965,616 | -735,363 |
| Inventories | -3,061,342 | -2,981,563 |
| Prepaid and other current assets | 449,118 | 385,221 |
| Accounts payable | - 579,563 | -618,112 |
| Tax payables | -473,889 | -389,655 |
| Accrued expenses and other current liabilities | <u>-368,171</u> | <u>-231,212</u> |
| Net cash consumed by operating activities | 2,398,836 | 2439,971 |
| Cash flows from investing activities: | | |
| Purchase of assets | -2,000,500 | -500,225 |
| Investments | -318,470 | -1,794,422 |
| Net cash used in investing activities | -2,318,470 | -2,294,647 |
| Cash flows from financing activities: | | |
| Issuance of common stock | | |
| Dividends paid | | |
| Payment on land | | |
| Increase (decrease) in debt | <u>660,700</u> | <u>- 245,500</u> |
| Net cash provided by financing activities | 660,700 | -245,500 |
| Effect of exchange rate change on cash and cash equivalents | -317,438 | 502,221 |
| Net increase (decrease) in cash and cash equivalents | <u>423,628</u> | <u>402,045</u> |
| Cash and cash equivalents at beginning of period | 3,752,420 | 3,350,375 |
| Cash and cash equivalents at end of period | <u>4,176,049</u> | <u>3,752,420</u> |
| Supplemental Disclosures: | | |
| Cash paid for interest | 5,577 | 3,351 |
| Cash paid for income taxes | | |

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

YASHENG GROUP
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|---------------------------------|-------------------------|------------------------------|---|--------------------|
| Balance as of December 31, 2021 | 157,165,783 | 261,679,864 | 104,216,134 | 265,099,102 |
| Net income | | 3,717,185 | | 3,717,185 |
| Foreign currency translation | | | | |
| Balance as of December 31, 2022 | 157,165,783 | 264,082,151 | 106,179,838 | 268,652,992 |
| Net income | | 5,307,372 | | 5,307,372 |
| Foreign currency translation | | | | |
| Balance as of December 31, 2021 | 157,165,783 | 3,717,185 | 104,216,134 | 265,099,102 |
| Balance as of December 31, 2022 | 157,165,783 | 5,307,372 | 106,179,838 | 268,652,992 |

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

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 unaccounted 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, 2022 | Averaged exchange rate |
|--------------------|---------------------------|
| 6.9646 | 6.7114 |

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.
- H. 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.

12. Subsequent Events

The Company authorized preferred shares and resolved to pay a preferred dividend to its common shareholders (pro rata) so that every owner is to receive 1 preferred share for each 10 common shares owned on a record date of March 7, 2023. March 31, 2023 was set as the payment date. However, the dividend has yet to be announced by FINRA, so the actual payment thereof may be delayed beyond the announced payment date.