

**YFC-BONEAGLE ELECTRIC CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of
YFC-BONEAGLE ELECTRIC CO., LTD. :

Introduction

We have reviewed the accompanying consolidated balance sheets of YFC-BONEAGLE ELECTRIC CO., LTD. and its subsidiaries as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$1,487,370 thousand and NT\$1,069,840 thousand, constituting 13% and 11% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounting to NT\$689,872 thousand and NT\$527,146 thousand, constituting 8% and 7% of consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to NT\$4,514 thousand, NT\$(12,690) thousand, NT\$(1,247) thousand and NT\$(9,108) thousand, constituting 3%, 148%, (1)% and 493% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2022 and 2021, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of YFC-BONEAGLE ELECTRIC CO., LTD. and its subsidiaries as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Fang-Yi Lee and Chiu-Hua Hsieh.

KPMG

Taipei, Taiwan (Republic of China)
August 10, 2022

Notes to Readers

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

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2022 and 2021

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31 and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and Equity		June 30, 2022		December 31, 2021		June 30, 2021			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (note (6)(a))	\$	917,026	8	702,518	7	689,184	7	2100	Short-term borrowings (note (6)(j))	\$	3,125,617	28	2,917,638	28	2,579,073	27
1170	Notes and accounts receivable (note (6)(b))		2,802,274	25	2,662,901	25	2,151,077	22	2110	Short-term notes and bills payable(note (6)(k))		229,912	2	229,906	2	179,906	2
1200	Other receivables, net (note (6)(c))		14,187	-	21,714	-	23,381	-	2130	Current contract liabilities (note (6)(u))		57,775	1	96,291	1	78,960	1
1220	Current tax assets		97,952	1	78,882	1	74,014	1	2170	Notes and accounts payable		1,032,301	9	928,462	9	953,003	10
130X	Inventories (note (6)(d))		4,217,167	38	4,052,841	39	3,847,085	40	2200	Other payables (note (6)(n))		624,042	6	554,721	6	657,502	7
1410	Prepayments		479,599	4	341,886	3	472,340	5	2216	Dividends payable (note (6)(s))		17,000	-	-	-	132,000	1
1461	Non-current assets classified as held-for-sale (note (6)(e), (8) and (13))		444,805	4	-	-	-	-	2230	Current tax liabilities		26,194	-	21,228	-	44,907	-
1470	Other current assets (note (6)(i))		9,622	-	6,391	-	15,593	-	2251	Current provisions for employee benefits		27,559	-	28,044	-	27,390	-
1481	Right to the return goods-current		5,770	-	5,373	-	5,412	-	2280	Current lease liabilities (note (6)(o))		118,230	1	113,353	1	89,630	1
	Total current assets		8,988,402	80	7,872,506	75	7,278,086	75	2365	Refund liabilities-current (note (6)(n))		65,451	1	67,863	1	70,359	1
	Non-current assets:								2320	Long-term liabilities, current portion (note (6)(l)(m) and (8))		1,019,974	9	215,377	2	635,078	7
1600	Property, plant and equipment (note (6)(f) and (8))		1,017,836	9	1,366,954	13	1,311,257	14	2300	Other current liabilities (note (6)(p))		6,277	-	5,583	-	6,047	-
1755	Right-of-use assets (note (6)(g))		443,947	4	477,956	5	378,670	4		Total current liabilities		6,350,332	57	5,178,466	50	5,453,855	57
1780	Intangible assets (note (6)(h))		467,148	4	428,216	4	445,189	5		Non-Current liabilities:							
1840	Deferred tax assets		169,524	2	213,406	2	197,286	2	2530	Bonds payable (note (6)(m))		-	-	128,930	1	127,856	1
1915	Prepayments for business facilities		34,851	-	16,223	-	27,084	-	2540	Long-term borrowings (note (6)(l) and (8))		1,625,226	15	2,153,868	21	1,208,206	12
1900	Other non-current assets (note (6)(i) and (8))		66,743	1	66,942	1	42,525	-	2570	Deferred tax liabilities		46,960	-	42,434	-	55,101	1
	Total non-current assets		2,200,049	20	2,569,697	25	2,402,011	25	2580	Non-current lease liabilities (note (6)(o))		347,331	3	381,288	4	307,281	3
									2600	Other non-current liabilities (note (6)(p))		20,776	-	20,519	-	18,375	-
										Total non-current liabilities		2,040,293	18	2,727,039	26	1,716,819	17
										Total liabilities		8,390,625	75	7,905,505	76	7,170,674	74
										Equity attributable to owners of parent (note (6)(m)(s)):							
									3110	Ordinary share		1,319,723	12	1,319,723	12	1,319,723	14
									3200	Capital surplus		807,149	7	807,149	8	807,149	8
									3300	Retained earnings		872,389	8	819,550	8	783,824	8
									3400	Other equity interest		(206,405)	(2)	(414,386)	(4)	(407,428)	(4)
										Total equity attributable to owners of parent		2,792,856	25	2,532,036	24	2,503,268	26
									36XX	Non-controlling interests		4,970	-	-	-	6,155	-
										Total equity		2,797,826	25	2,536,698	24	2,509,423	26
Total assets		\$	11,188,451	100	10,442,203	100	9,680,097	100	Total liabilities and equity	\$	11,188,451	100	10,442,203	100	9,680,097	100	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	For the three months ended				For the six months ended			
	June 30				June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4110 Operating revenue (note (6)(u))	\$ 3,161,050	100	2,978,313	100	6,082,276	100	5,629,828	100
5110 Operating costs (note (6)(d)(o)(q)(v) and (12)):	2,453,145	78	2,258,369	76	4,790,060	79	4,343,507	77
5900 Gross profit from operations	707,905	22	719,944	24	1,292,216	21	1,286,321	23
Operating expenses (note (6)(b)(o)(q)(v), (7) and (12)):								
6100 Selling expenses	431,220	14	424,553	14	857,795	14	817,187	15
6200 Administrative expenses	139,753	4	150,929	6	281,880	5	297,891	5
6300 Research and development expenses	13,857	-	12,126	-	24,774	-	24,071	-
6450 Expected credit (gain) loss	(4,110)	-	1,881	-	9,117	-	(19,460)	-
6000 Total operating expenses	580,720	18	589,489	20	1,173,566	19	1,119,689	20
6900 Operating income	127,185	4	130,455	4	118,650	2	166,632	3
Non-operating income and expenses (note (6)(m)(o)(w)):								
7010 Other income	4,308	-	3,786	-	6,067	-	8,428	-
7020 Other gains and losses, net	20,649	1	(12,034)	-	32,826	-	(24,297)	-
7100 Interest income	229	-	294	-	353	-	554	-
7050 Finance costs, net	(37,744)	(1)	(23,488)	(1)	(69,891)	(1)	(45,298)	(1)
7000 Total non-operating income and expenses	(12,558)	-	(31,442)	(1)	(30,645)	(1)	(60,613)	(1)
7900 Profit from continuing operations before tax	114,627	4	99,013	3	88,005	1	106,019	2
7950 Less: Income tax expenses (note (6)(r))	25,336	1	35,750	1	17,859	-	39,657	1
Profit	89,291	3	63,263	2	70,146	1	66,362	1
8300 Other comprehensive income:								
8360 Items that may be reclassified subsequently to profit or loss (note (6)(r)(s))								
8361 Exchange differences on translation of foreign operation	117,202	4	(89,785)	(3)	259,976	4	(85,262)	(1)
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	23,440	1	(17,957)	(1)	51,995	-	(17,052)	-
Total items that may be reclassified subsequently to profit or loss	93,762	3	(71,828)	(2)	207,981	4	(68,210)	(1)
8300 Other comprehensive income (loss)	93,762	3	(71,828)	(2)	207,981	4	(68,210)	(1)
8500 Total comprehensive income (loss)	\$ 183,053	6	(8,565)	-	278,127	5	(1,848)	-
Profit attributable to:								
8610 Profit attributable to owners of parent	\$ 89,165	3	63,506	2	69,839	1	66,900	1
8620 Profit (loss) attributable to non-controlling interests	126	-	(243)	-	307	-	(538)	-
8600 Net profit	\$ 89,291	3	63,263	2	70,146	1	66,362	1
Comprehensive income attributable to:								
8710 Comprehensive income (loss) attributable to owners of parent	\$ 182,927	6	(8,322)	-	277,820	5	(1,310)	-
8720 Comprehensive income (loss) attributable to non-controlling interests	126	-	(243)	-	307	-	(538)	-
8700 Comprehensive income (loss)	\$ 183,053	6	(8,565)	-	278,127	5	(1,848)	-
Earnings per share (in NT dollars) (note (6)(t))								
9750 Basic earnings per share	\$ 0.68		0.48		0.53		0.51	
9850 Diluted earnings per share	\$ 0.66		0.48		0.51		0.50	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital			Retained earnings					Total other equity interest			
	Ordinary shares	Bond conversion entitlement certificates	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2021	\$ 1,310,466	4,570	1,315,036	800,209	192,959	196,131	459,834	848,924	(339,218)	2,624,951	6,770	2,631,721
Profit (loss)	-	-	-	-	-	-	66,900	66,900	-	66,900	(538)	66,362
Other comprehensive income	-	-	-	-	-	-	-	-	(68,210)	(68,210)	-	(68,210)
Total comprehensive income	-	-	-	-	-	-	66,900	66,900	(68,210)	(1,310)	(538)	(1,848)
Appropriation and distribution of retained earnings:												
Cash dividends of ordinary share	-	-	-	-	-	-	(132,000)	(132,000)	-	(132,000)	-	(132,000)
Conversion of convertible bonds	-	4,687	4,687	6,940	-	-	-	-	-	11,627	-	11,627
Conversion of certificates of bonds conversion entitlement	9,257	(9,257)	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(77)	(77)
Balance at June 30, 2021	<u>\$ 1,319,723</u>	<u>-</u>	<u>1,319,723</u>	<u>807,149</u>	<u>192,959</u>	<u>196,131</u>	<u>394,734</u>	<u>783,824</u>	<u>(407,428)</u>	<u>2,503,268</u>	<u>6,155</u>	<u>2,509,423</u>
Balance at January 1, 2022	\$ 1,319,723	-	1,319,723	807,149	223,318	339,218	257,014	819,550	(414,386)	2,532,036	4,662	2,536,698
Profit (loss)	-	-	-	-	-	-	69,839	69,839	-	69,839	307	70,146
Other comprehensive income	-	-	-	-	-	-	-	-	207,981	207,981	-	207,981
Total comprehensive income	-	-	-	-	-	-	69,839	69,839	207,981	277,820	307	278,127
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	10,262	-	(10,262)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	75,168	(75,168)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(17,000)	(17,000)	-	(17,000)	-	(17,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1	1
Balance at June 30, 2022	<u>\$ 1,319,723</u>	<u>-</u>	<u>1,319,723</u>	<u>807,149</u>	<u>233,580</u>	<u>414,386</u>	<u>224,423</u>	<u>872,389</u>	<u>(206,405)</u>	<u>2,792,856</u>	<u>4,970</u>	<u>2,797,826</u>

See accompanying notes to consolidated financial statements.

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Reviewed only, not audited in accordance with generally accepted auditing standards

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 88,005	106,019
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	116,970	102,914
Amortization expense	22,431	21,454
Expected credit loss (gain)	9,117	(19,460)
Interest expense	69,891	45,298
Interest income	(353)	(554)
(Gain) loss on disposal of property, plan and equipment	(431)	1,128
Unrealized foreign exchange (gain) loss	(30,407)	2,984
Total adjustments to reconcile profit	<u>187,218</u>	<u>153,764</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	69,422	317,218
Other receivables	7,701	(1,980)
Inventories	67,749	(1,071,345)
Prepayments	(122,698)	(160,361)
Other current assets and right to the return goods	(3,006)	5,496
Total changes in operating assets	<u>19,168</u>	<u>(910,972)</u>
Notes and accounts payable	(18,664)	44,992
Other payables	48,039	32,556
Refund liabilities and provisions for employee benefits	(9,327)	(17,260)
Other current liabilities and contract liabilities	(40,584)	(61,017)
Other non-current liabilities	(225)	(571)
Total changes in operating liabilities	<u>(20,761)</u>	<u>(1,300)</u>
Total changes in operating assets and liabilities	<u>(1,593)</u>	<u>(912,272)</u>
Total adjustments	<u>185,625</u>	<u>(758,508)</u>
Cash inflow (outflow) generated from operations	273,630	(652,489)
Interest received	354	558
Interest paid	(68,157)	(44,328)
Income taxes paid	(24,771)	(93,845)
Net cash flows from (used in) operating activities	<u>181,056</u>	<u>(790,104)</u>

See accompanying notes to consolidated financial statements.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(98,956)	(36,987)
Proceeds from disposal of property, plant and equipment	4,060	1,713
Acquisition of intangible assets	(29,684)	(30,102)
Decrease (increase) in other financial assets and non-current assets	2,174	(15,861)
Increase in prepayments for business facilities	(31,916)	(6,144)
Net cash flows used in investing activities	<u>(154,322)</u>	<u>(87,381)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	3,153,221	1,052,673
Decrease in short-term loans	(2,968,037)	(830,380)
Increase in short-term notes and bills payable	6	50,020
Proceeds from long-term debt	298,966	999,874
Repayments of long-term debt	(265,042)	(488,626)
Payment of lease liabilities	(58,708)	(42,334)
Increase (decrease) in other non-current liabilities	80	(1,315)
Change in non-controlling interests	1	(77)
Net cash flows from financing activities	<u>160,487</u>	<u>739,835</u>
Effect of exchange rate changes on cash and cash equivalents	27,287	(11,982)
Net increase (decrease) in cash and cash equivalents	214,508	(149,632)
Cash and cash equivalents at beginning of period	702,518	838,816
Cash and cash equivalents at end of period	<u><u>\$ 917,026</u></u>	<u><u>689,184</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months and six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share Information
and Unless Otherwise Specified)

(1) Company history

YFC-BONEAGLE ELECTRIC CO., LTD. (the “Company”) was incorporated on September 3, 1983 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No.12-9, Ln. 130, Sec. 2, Zhongshan E. Rd., Xinwu Dist., Taoyuan City 327, Taiwan (R.O.C.). The Company and subsidiaries (together referred to as the “Group”) primarily engaged in the developing, manufacturing, and selling of power cord sets, LAN cables, patch cords, and related networking accessories, as well as the sales of consumer electronics. Please refer to note (14) for segment information.

Since January 9, 2003, the Company’s ordinary shares have been listed on the Taiwan Over-The-Counter Securities Exchange (Gre Tai Securities Market).

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements for the six months ended June 30, 2022 and 2021 were reported to the board of directors and issued on August 10, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	BESTLINK NETWORK, INC. (BESTLINK)	Trading business	100 %	100 %	100 %	Note 1
"	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD. (B.V.I.)	Holding company set up for investments in Philippines, China and USA	100 %	100 %	100 %	
"	UNC INVESTMENT & DEVELOPMENT INC. (UNC)	Real estate investment business	100 %	100 %	100 %	Note 1
"	PREMIUM-LINE KSI GMBH (KSI)	Trading business	100 %	100 %	100 %	Note 1
"	MONOPRICE HOLDINGS, INC. (MONOPRICE HOLDINGS)	Holding company set up for investments in USA	100 %	100 %	100 %	
"	PREMIUM-LINE SYSTEMS GMBH (PREMIUM-LINE SYSTEMS)	Sale of network equipment and electronic appliances	100 %	100 %	100 %	Note 1
"	YUE FONG COMPANY LIMITED	Trading business	100 %	100 %	100 %	Note 1
"	YFC-EUROPOWER INTERNATIONAL CO., LTD. (Note 2)	Trading business	100 %	100 %	100 %	
B.V.I.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD. (CAYMANS)	Holding company set up for investments in China and USA	100 %	100 %	100 %	
"	EUROPOWER INTERNATIONAL LIMITED (EUROPOWER)	Trading business	100 %	100 %	100 %	
"	UNIVERSAL NETWORK CORPORATION (UNIVERSAL)	Holding company set up for investments in China	100 %	100 %	100 %	

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
B.V.I.	MAX SYNERGY LIMITED (MAX)	Holding company set up for investments in China	80 %	80 %	80 %	Note 1
"	PREMIUM LINE ASIA LTD. (PREMIUMLINE)	Trading business	100 %	100 %	100 %	Note 1
"	YFC-BONEAGLE INTERNATIONAL, INC. (PHILIPPINES)	Trading business	100 %	100 %	100 %	Note 1
"	BESZIN CORPORATION INC. (BESZIN)	Trading business	100 %	100 %	100 %	Note 1
"	YFC DEVELOPMENT CORPORATION	Real estate investment business	100 %	100 %	100 %	Note 1
"	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	100 %	Note 1
MONOPRICE HOLDINGS	MONOPRICE INC. (MONOPRICE)	Trading business	100 %	100 %	100 %	
CAYMANS	DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD. (DONGGUAN YFC)	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	100 %	Note 1
"	PRIME WIRE & CABLE, INC. (PRIME WIRE)	Retailing of cord sets and network cabling system	100 %	100 %	100 %	
"	CHENZHOUE YFC-BONEAGLE ELECTRONIC CO., LTD. (CHENZHOUE YFC)	Processing and sale of communication products and internet cables	100 %	100 %	100 %	Note 1
UNIVERSAL	WUXI UNIVERSAL NETWORK CORPORATION (WUXI)	Manufacturing and sale of high-speed high-frequency LAN cables	100 %	100 %	100 %	
MAX	YFC INTERNATIONAL TRADING (WUXI) CO., LTD. (INTERNATIONAL TRADING (WUXI)) (Note3)	Sale of electronic calculator software and hardware, network equipment and electronic appliances	- %	- %	94.5 %	Note 3

Note 1: Classified as immaterial subsidiaries, wherein their financial statements for the six months ended June 30, 2022 and 2021 were not reviewed by a certificate public accountant.

Note 2: The parent company remitted the investment amount of \$500 to the Company in April 2021 for the investment and establishment of its new subsidiary, YFC-EUROPOWER INTERNATIONAL CO., LTD.

Note 3: Classified as an immaterial subsidiary, wherein its financial statements for the six months ended June 30, 2021 were not reviewed by a certificate public accountant. The Group sold 94.5% of the equity of YFC INTERNATIONAL TRADING (WUXI) CO., LTD. at the price of \$23,069 thousand to a non-controlling interest on August 31, 2021, resulting in a loss of the control over it.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost under the defined benefit plans in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(e) Non-current assets classified as held-for-sale

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held-for-sale. Immediately before classification as held-for-sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2021.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to note (6) of the 2021 annual consolidated financial statements for related information.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 1,157	1,059	1,324
Demand deposits	770,933	560,324	512,360
Check deposits	136,448	137,495	138,908
Time deposits	<u>8,488</u>	<u>3,640</u>	<u>36,592</u>
Cash and cash equivalents in consolidated statement of cash flows	<u><u>\$ 917,026</u></u>	<u><u>702,518</u></u>	<u><u>689,184</u></u>

For the interest rate risk and sensitivity analysis of the Group's financial assets and liabilities, please refer to note (6)(x).

(b) Notes and accounts receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable from operating activities	\$ 18,130	23,605	42,167
Accounts receivable - measured as amortized cost	2,834,828	2,678,311	2,137,625
Less: Loss allowance	<u>(50,684)</u>	<u>(39,015)</u>	<u>(28,715)</u>
Net	<u><u>\$ 2,802,274</u></u>	<u><u>2,662,901</u></u>	<u><u>2,151,077</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	June 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,227,796	0.1%	1,033
Past due 1 to 30 days	389,015	0.2%	829
Past due 31 to 120 days	186,813	8.5%	15,885
Past due 121 to 180 days	9,717	30.6%	2,972
Past due 181 to 360 days	31,579	69.4%	21,927
Past due more than 360 days	8,038	100%	8,038
Total	<u>\$ 2,852,958</u>		<u>50,684</u>

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,075,488	0.1%	1,055
Past due 1 to 30 days	288,883	0.1%	179
Past due 31 to 120 days	305,164	6.5%	19,815
Past due 121 to 180 days	9,621	42.4%	4,081
Past due 181 to 360 days	16,611	46.6%	7,736
Past due more than 360 days	6,149	100%	6,149
Total	<u>\$ 2,701,916</u>		<u>39,015</u>

	June 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	1,739,028	0.1%	969
Past due 1 to 30 days	186,193	0.1%	183
Past due 31 to 120 days	224,449	3.8%	8,430
Past due 121 to 180 days	5,183	49.3%	2,557
Past due 181 to 360 days	18,599	55.0%	10,236
Past due more than 360 days	6,340	100%	6,340
Total	<u>\$ 2,179,792</u>		<u>28,715</u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The movement in the allowance for notes and accounts receivable was as follows:

	For the six months ended June 30	
	2022	2021
Balance at January 1, 2022 and 2021	\$ 39,015	49,072
Expect credit loss (gain)	9,117	(19,460)
Amounts written off	(93)	(134)
Foreign exchange loss (gain)	2,645	(763)
Balance at June 30, 2022 and 2021	<u><u>\$ 50,684</u></u>	<u><u>28,715</u></u>

The Group did not pledged its notes and account receivable as collaterals for its loans.

(c) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Value-added tax returned by export trade	\$ 9,740	17,831	12,209
Other	4,447	3,883	11,172
Less: Loss allowance	-	-	-
Net	<u><u>\$ 14,187</u></u>	<u><u>21,714</u></u>	<u><u>23,381</u></u>

As of June 30, 2022 and 2021, loss allowance for other receivables were measured at an amount equal to life time expected credit loss, and no provisions were required.

(d) Inventory

	June 30, 2022	December 31, 2021	June 30, 2021
Merchandise inventory (including goods in transit)	\$ 3,474,810	3,340,415	2,785,174
Finished goods	343,476	452,548	512,877
Work in progress	158,385	111,315	300,038
Raw materials	220,656	135,315	234,309
Supplies	19,840	13,248	14,687
Total	<u><u>\$ 4,217,167</u></u>	<u><u>4,052,841</u></u>	<u><u>3,847,085</u></u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Other than cost of inventory sold, other component of operating costs were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Inventory valuation and obsolescence losses	\$ 29,248	11,290	\$ 43,482	16,675
Revenue from sale of scraps	(12,638)	(15,733)	(20,125)	(26,788)
Total	<u>\$ 16,610</u>	<u>(4,443)</u>	<u>\$ 23,357</u>	<u>(10,113)</u>

The Group did not pledged its inventories as collaterals for its loans.

(e) Non-current assets classified as held-for-sale

In order to enrich the Group's working capital, a resolution was approved during the board of directors' meeting held on May 9, 2022 to sell the warehouse in Cerritos, California, United States, which is fully owned by the subsidiary, UNC INVESTMENT & DEVELOPMENT INC., to an external third party. The contract signing date for the sale of the real estate was May 11, 2022, with the date of ownership transferred on July 7, 2022. Please refer to note 13(a)(vi) for related information and fair value. The Group subsequently agreed with the seller to lease back the warehouse for 18 months after the completion of the deed transfer for its operational use and to facilitate the relocation of its warehouse thereafter. The non-current assets classified as held-for-sale on June 30, 2022 are presented below:

	June 30, 2022
Land and building	\$ 444,277
Equipment	528
Total	<u>\$ 444,805</u>

(f) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2022 and 2021 were as follows:

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Costs or deemed cost:					
Balance at January 1, 2022	\$ 284,773	953,071	1,133,114	418,015	2,788,973
Additions	-	80,261	17,001	10,383	107,645
Disposals	-	(197)	(8,526)	(2,310)	(11,033)
Reclassification	244,778	(244,778)	-	-	-
Reclassification to non-current assets held-for-sale	(244,778)	(258,330)	(769)	-	(503,877)
Effect of changes in foreign exchange rate	(253)	41,908	24,269	20,787	86,711
Balance at June 30, 2022	<u>\$ 284,520</u>	<u>571,935</u>	<u>1,165,089</u>	<u>446,875</u>	<u>2,468,419</u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Balance at January 1, 2021	\$ 292,327	972,349	1,114,700	334,920	2,714,296
Additions	-	480	30,811	6,885	38,176
Disposals	-	(3,297)	(16,902)	(1,752)	(21,951)
Effect of changes in foreign exchange rate	(3,331)	(15,010)	(10,990)	(6,112)	(35,443)
Balance at June 30, 2021	<u>\$ 288,996</u>	<u>954,522</u>	<u>1,117,619</u>	<u>333,941</u>	<u>2,695,078</u>
Depreciation and impairment loss:					
Balance at January 1, 2022	\$ -	321,214	843,961	256,844	1,422,019
Depreciation for the period	-	12,946	25,727	16,414	55,087
Disposals	-	(197)	(5,863)	(1,344)	(7,404)
Reclassification to non-current assets held-for-sale	-	(58,831)	(241)	-	(59,072)
Effect of changes in foreign exchange rate	-	7,807	18,398	13,748	39,953
Balance at June 30, 2022	<u>\$ -</u>	<u>282,939</u>	<u>881,982</u>	<u>285,662</u>	<u>1,450,583</u>
Balance at January 1, 2021	\$ -	305,556	818,129	238,262	1,361,947
Depreciation for the period	-	10,097	28,426	17,963	56,486
Disposals	-	(3,297)	(14,940)	(873)	(19,110)
Effect of changes in foreign exchange rate	-	(3,432)	(7,705)	(4,365)	(15,502)
Balance at June 30, 2021	<u>\$ -</u>	<u>308,924</u>	<u>823,910</u>	<u>250,987</u>	<u>1,383,821</u>
Carrying value:					
Balance at January 1, 2022	<u>\$ 284,773</u>	<u>631,857</u>	<u>289,153</u>	<u>161,171</u>	<u>1,366,954</u>
Balance at June 30, 2022	<u>\$ 284,520</u>	<u>288,996</u>	<u>283,107</u>	<u>161,213</u>	<u>1,017,836</u>
Balance at January 1, 2021	<u>\$ 292,327</u>	<u>666,793</u>	<u>296,571</u>	<u>96,658</u>	<u>1,352,349</u>
Balance at June 30, 2021	<u>\$ 288,996</u>	<u>645,598</u>	<u>293,709</u>	<u>82,954</u>	<u>1,311,257</u>

Information on depreciation for the period is disclosed in note (12). For information on the Group's property, plant, and equipment pledged as collateral, please refer to note (8).

In order to meet its operational needs, the Group built a warehouse and an office inside its Wuxi factory in mainland China, at the amount of \$80,621 thousand, in the first half year of 2022.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(g) Right-of-use assets

The Group leases many assets including land, buildings, and vehicles. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 15,227	675,107	12,311	702,645
Additions	-	1,909	-	1,909
Write-off	-	(813)	-	(813)
Effect of changes in foreign exchange rate	306	37,743	28	38,077
Balance at June 30, 2022	<u>\$ 15,533</u>	<u>713,946</u>	<u>12,339</u>	<u>741,818</u>
Balance at January 1, 2021	\$ 15,310	568,044	2,336	585,690
Additions	-	-	12,312	12,312
Write-off	-	-	(686)	(686)
Effect of changes in foreign exchange rate	(184)	(12,504)	(19)	(12,707)
Balance at June 30, 2021	<u>\$ 15,126</u>	<u>555,540</u>	<u>13,943</u>	<u>584,609</u>
Accumulated depreciation:				
Balance at January 1, 2022	\$ 4,065	217,433	3,191	224,689
Depreciation for the period	155	59,864	1,864	61,883
Write-off	-	(813)	-	(813)
Effect of changes in foreign exchange rate	82	12,017	13	12,112
Balance at June 30, 2022	<u>\$ 4,302</u>	<u>288,501</u>	<u>5,068</u>	<u>297,871</u>
Balance at January 1, 2021	\$ 3,782	158,511	1,773	164,066
Depreciation for the period	152	44,500	1,776	46,428
Write-off	-	-	(686)	(686)
Effect of changes in foreign exchange rate	(48)	(3,810)	(11)	(3,869)
Balance at June 30, 2021	<u>\$ 3,886</u>	<u>199,201</u>	<u>2,852</u>	<u>205,939</u>
Carrying value:				
Balance at January 1, 2022	<u>\$ 11,162</u>	<u>457,674</u>	<u>9,120</u>	<u>477,956</u>
Balance at June 30, 2022	<u>\$ 11,231</u>	<u>425,445</u>	<u>7,271</u>	<u>443,947</u>
Balance at January 1, 2021	<u>\$ 11,528</u>	<u>409,533</u>	<u>563</u>	<u>421,624</u>
Balance at June 30, 2021	<u>\$ 11,240</u>	<u>356,339</u>	<u>11,091</u>	<u>378,670</u>

Information on depreciation for the period is disclosed in note (12). The Group did not provide any of the aforementioned assets as collaterals for its loans.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(h) Intangible assets

The costs and amortization of intangible assets of the Group for the six months ended June 30, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Trademark</u>	<u>Patent and customer relationships</u>	<u>Computer software and development cost</u>	<u>Total</u>
Costs or deemed cost:					
Balance at January 1, 2022	\$ 285,108	89,543	76,554	238,754	689,959
External acquisition	-	-	-	29,684	29,684
Effect of changes in foreign exchange rate	21,058	6,610	5,384	21,623	54,675
Balance at June 30, 2022	<u>\$ 306,166</u>	<u>96,153</u>	<u>81,938</u>	<u>290,061</u>	<u>774,318</u>
Balance at January 1, 2021	\$ 293,368	92,136	78,780	210,061	674,345
External acquisition	-	-	-	30,102	30,102
Effect of changes in foreign exchange rate	(6,404)	(2,009)	(1,693)	(5,886)	(15,992)
Balance at June 30, 2021	<u>\$ 286,964</u>	<u>90,127</u>	<u>77,087</u>	<u>234,277</u>	<u>688,455</u>
Amortization:					
Balance at January 1, 2022	\$ -	6,441	73,386	181,916	261,743
Amortization for the period	-	-	3,921	18,510	22,431
Effect of changes in foreign exchange rate	-	1,039	4,631	17,326	22,996
Balance at June 30, 2022	<u>\$ -</u>	<u>7,480</u>	<u>81,938</u>	<u>217,752</u>	<u>307,170</u>
Balance at January 1, 2021	\$ -	6,296	67,584	154,120	228,000
Amortization for the period	-	218	3,828	17,408	21,454
Effect of changes in foreign exchange rate	-	(139)	(1,429)	(4,620)	(6,188)
Balance at June 30, 2021	<u>\$ -</u>	<u>6,375</u>	<u>69,983</u>	<u>166,908</u>	<u>243,266</u>
Carrying value:					
Balance at January 1, 2022	<u>\$ 285,108</u>	<u>83,102</u>	<u>3,168</u>	<u>56,838</u>	<u>428,216</u>
Balance at June 30, 2022	<u>\$ 306,166</u>	<u>88,673</u>	<u>-</u>	<u>72,309</u>	<u>467,148</u>
Balance at January 1, 2021	<u>\$ 293,368</u>	<u>85,840</u>	<u>11,196</u>	<u>55,941</u>	<u>446,345</u>
Balance at June 30, 2021	<u>\$ 286,964</u>	<u>83,752</u>	<u>7,104</u>	<u>67,369</u>	<u>445,189</u>

The amortizations of intangible assets please refer to note (12). For other information, please refer to note (6)(h) of the consolidated financial statements for the year ended December 31, 2021.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) Other current asset and other non-current assets

Other current and non-current assets of the Group were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other current assets:			
Other current financial assets	\$ -	-	9,921
Temporary payments	<u>9,622</u>	<u>6,391</u>	<u>5,672</u>
Subtotal	<u>9,622</u>	<u>6,391</u>	<u>15,593</u>
Other non-current assets:			
Other non-current financial assets	5,818	5,407	5,425
Guarantee deposits paid	56,124	56,647	33,045
Net defined benefit assets	2,530	2,530	204
Other	<u>2,271</u>	<u>2,358</u>	<u>3,851</u>
Subtotal	<u>66,743</u>	<u>66,942</u>	<u>42,525</u>
Total	<u><u>\$ 76,365</u></u>	<u><u>73,333</u></u>	<u><u>58,118</u></u>

(i) Other current financial assets

Other current financial assets refer to time deposits with more than three months and less than one year.

(ii) Temporary payments

Temporary payments are mainly payments made on behalf of others.

(iii) Other non-current financial assets

Other non-current financial assets are time deposits pledged as collaterals for long-term borrowings.

(iv) Guarantee deposits paid

Guarantee deposits paid are security deposits on leases and car rentals, performance bonds, and customs security deposits.

(v) For additional information on the Group's other non-current financial assets and guarantee deposits paid pledged as collaterals, please refer to note (8).

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(j) Short-term borrowings

The details of the Group's short-term borrowings were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	<u>\$ 3,125,617</u>	<u>2,917,638</u>	<u>2,579,073</u>
Unused short-term and long-term credit lines	<u>\$ 1,173,976</u>	<u>1,144,408</u>	<u>1,435,271</u>
Interest rates	<u>0.8~3.858%</u>	<u>0.72~2.15%</u>	<u>0.72~2.20%</u>

For the six months ended June 30, 2022 and 2021, the Group increased its short-term borrowings by \$3,153,221 and \$1,052,673, respectively, wherein the amounts of \$2,968,037 and \$830,380, respectively, had been repaid.

The Group did not provide any assets as collateral for short-term borrowings.

(k) Short-term notes and bills payable

The details of short-term notes and bills payable of the Group were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Commercial paper payable	\$ 230,000	230,000	180,000
Less: discount on commercial paper payable	(88)	(94)	(94)
Total	<u>\$ 229,912</u>	<u>229,906</u>	<u>179,906</u>
Interest rates	<u>1.34~1.40%</u>	<u>1.14~1.16%</u>	<u>1.14~1.16%</u>

The Group did not provide any assets as collateral for short-term notes payable.

(l) Long-term borrowings

The details of the Group's long-term borrowings were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	\$ 1,886,590	1,723,342	1,294,784
Secured bank loans	554,162	537,179	548,500
Secured non-financial institution loans	74,436	108,724	-
Subtotal	2,515,188	2,369,245	1,843,284
Less: current portion	(889,962)	(215,377)	(635,078)
Non-current portion	<u>\$ 1,625,226</u>	<u>2,153,868</u>	<u>1,208,206</u>
Interest rates	<u>1.42~4.40%</u>	<u>1.18~4.40%</u>	<u>1.18~4.40%</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) Issues and repayments of long-term borrowings

For the six months ended June 30, 2022 and 2021, the Group increased its long-term borrowings by \$298,966 and \$999,874, respectively, wherein the amounts of \$265,042 and \$488,626, respectively, had been repaid.

(ii) Collateral for long-term borrowings

For information on assets pledged as collateral for long-term borrowings, please refer to note (8).

(iii) Low-interest loan from government

For information on low-interest loan from government and government grants income, please refer to note(6)(l) and note(6)(p), respectively.

(m) Bonds payable

(i) The details on the Group's bonds payable were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Convertible bonds issued	\$ 400,000	400,000	400,000
Less: Unamortized discount on convertible bonds	(1,388)	(2,470)	(3,544)
Accumulated converted and redeemed amount	<u>(268,600)</u>	<u>(268,600)</u>	<u>(268,600)</u>
	130,012	128,930	127,856
Less: Current portion	<u>(130,012)</u>	<u>-</u>	<u>-</u>
Non-current portion	<u>\$ -</u>	<u>128,930</u>	<u>127,856</u>
Equity component – conversion options (included in “Capital surplus – stock options”) \$	<u>6,928</u>	<u>6,928</u>	<u>6,928</u>
	For the three months ended June 30	For the six months ended June 30	
	2022	2021	2022
Interest expense (effective rate of 1.67%~2.06%)	<u>\$ 542</u>	<u>533</u>	<u>1,082</u>
			<u>1,114</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) The major terms of bonds payable were as follows:

Period	Type	Issuance Period	Total Amount (in thousands dollars)	Coupon Rate	Effective Rate	Conversion Price (in dollar)
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0 %	1.67 %	24.6

In February 2020, the Group issued the 9th unsecured convertible bonds for a total of 4,000 bonds, with a face value of \$100 each. The bonds were issued at a premium rate of 101%; and the total issuance after deducting the dealer's handling fee amounted to \$401,501, resulting in the Group to recognize the capital surplus of stock options, amounting to \$21,093.

Except for the following periods, the bondholders may opt to convert their bonds into common shares within the period between three months after issuance and the maturity date:

- 1) the mandated book closure date of common shares;
- 2) the book closure date for stock grants or cash dividends;
- 3) the period starting from 15 business days prior to the book closure date of stock options until the distribution record date;
- 4) the period from capital reduction record date to one day prior to the stock renewal date.

The conversion price of the 9th unsecured convertible bonds at the issuance date was \$26.8 per share. In the event of any ex-rights or ex-dividend, the conversion price shall be adjusted using the conversion pricing formula. Beginning August 25, 2020, the adjusted conversion price had decreased to \$25.6 per share due to the events of ex-rights. Beginning August 18, 2021, the adjusted conversion price had further decreased to \$24.6 per share due to the events of ex-rights. Beginning July 17, 2022, the adjusted conversion price had further decreased to \$24.5 per share due to the events of ex-rights.

Corporate bonds will be paid back at face value upon maturity, except for bonds that have been converted into common shares or bonds redeemed by the Group.

(iii) Issuance of bonds

There were no issuance of bond payable for the six months ended June 30, 2022 and 2021.

(iv) Conversion of bonds

In March, 2021, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 120 bonds, with the carrying amount of \$11,627, resulting in the capital surplus to increase by \$6,940, and the ordinary shares to be converted at the amount of \$9,257.

There was no conversion of bonds for the six months ended June 30, 2022.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Repurchase of bonds

There was no repurchase of bond payable for the six months ended June 30, 2022 and 2021.

(vi) Collateral

There were no bonds payable pledged as collateral by the Company for the six months ended June 30, 2022, and 2021.

(n) Other payables and refund liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Salaries and bonuses payable	\$ 58,178	89,566	67,726
Compensation and bonus due to employees	13,317	7,671	29,131
Compensation due to directors	8,878	5,114	18,404
Interest payable	4,913	4,261	3,414
Processing fee payable	21,265	22,332	44,904
Payable on machinery and equipment	630	4,655	4,818
Freight payable	108,057	121,159	196,094
VAT and sales tax payable	181,817	162,075	137,307
Other accrued expenses	226,987	137,888	155,704
Other payables	<u>\$ 624,042</u>	<u>554,721</u>	<u>657,502</u>
Refund liabilities	<u>\$ 65,451</u>	<u>67,863</u>	<u>70,359</u>

Other payables and refund liabilities are expected to be settled within one year. Refund liabilities refer to expected payments to customers in relation to volume discounts of sales and right to the return goods.

(o) Lease liabilities

The carrying values of the Group's lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	<u>\$ 118,230</u>	<u>113,353</u>	<u>89,630</u>
Non-current	<u>\$ 347,331</u>	<u>381,288</u>	<u>307,281</u>

For the maturity analysis, please refer to note (6)(x).

For the six months ended June 30, 2022 and 2021, the Group recognized its lease liabilities amounting to \$1,909 and \$12,312, with an interest rate of 1.50% and 1.25%~2.38%, respectively.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest on lease liabilities	<u>\$ 3,371</u>	<u>4,390</u>	<u>\$ 7,218</u>	<u>9,058</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 938</u>	<u>670</u>	<u>\$ 5,105</u>	<u>1,365</u>
Expenses relating to short-term leases	<u>\$ 4,854</u>	<u>2,810</u>	<u>\$ 5,265</u>	<u>3,575</u>
Expenses relating to leases of low- value assets (excluding low- value assets of short-term leases)	<u>\$ 39</u>	<u>42</u>	<u>\$ 78</u>	<u>85</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the six months ended June 30	
	2022	2021
Total cash outflow for leases	<u>\$ 76,374</u>	<u>56,417</u>

(i) Real estate leases

The Group leases land and buildings for the use of its factories, warehouses, and offices. The leases of land typically run for a period of 50 years, and the buildings for 2 to 10 years. Some leases contain extension and cancellation options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by the local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. Some leases provide for additional rent payments that are calculated based on the area being used. Such leases are considered as variable lease payments, thus, are not included within lease liabilities.

(ii) Other leases

The Group leases certain buildings and vehicles which are short-terms, and office equipment which is deemed as low-value item. Since the leases of warehouses and office typically run for a period of 1 year, and the office equipment for 1 to 3 years, the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(p) Deferred income

	June 30, 2022	December 31, 2021	June 30, 2021
Deferred income-government grants	<u>\$ 6,447</u>	<u>7,693</u>	<u>4,091</u>
Current (recognized under other current liabilities)	\$ 2,501	2,501	1,138
Non-current (recognized under other non-current liabilities)	3,946	5,192	2,953
Total	<u>\$ 6,447</u>	<u>7,693</u>	<u>4,091</u>

For the six months ended June 30, 2022 and 2021, the other income reclassified from deferred income amounted to \$1,246 and \$563, respectively, please refer to note(6)(w).

(q) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating costs	\$ -	-	-	-
Selling expenses	-	-	-	-
Administrative expenses	16	20	31	127
Research and development expenses	-	-	-	-
Total	<u>\$ 16</u>	<u>20</u>	<u>31</u>	<u>127</u>

(ii) Defined contribution plans

The Company's pension expenses under the defined contribution method amounted to \$2,411 and \$2,226 for the six months ended June 30, 2022 and 2021, respectively. Payments were made to the Bureau of Labor Insurance.

Pension expenses made in accordance with local regulations for all subsidiaries amounted to \$15,348 and \$16,453 for the six months ended June 30, 2022 and 2021, respectively.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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Pension expenses recognized by the Group were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Operating costs	\$ 2,818	2,747	5,825	5,456
Selling expenses	4,694	5,150	8,947	10,387
Administrative expenses	1,048	940	2,070	1,873
Research and development expenses	435	473	917	963
Total	<u>\$ 8,995</u>	<u>9,310</u>	<u>17,759</u>	<u>18,679</u>

(r) Income tax

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

(i) Income tax expense

The components of income tax expense (income) for the six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Current tax expense				
Current period	\$ 24,272	29,377	15,886	33,131
Adjustments for prior periods	(153)	5,287	356	5,575
Subtotal	<u>24,119</u>	<u>34,664</u>	<u>16,242</u>	<u>38,706</u>
Deferred tax expense				
Origination and reversal of temporary differences	1,217	1,086	1,617	951
Subtotal	<u>1,217</u>	<u>1,086</u>	<u>1,617</u>	<u>951</u>
Income tax (income) expense	<u>\$ 25,336</u>	<u>35,750</u>	<u>17,859</u>	<u>39,657</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The amounts of income tax expense (income) recognized in other comprehensive income for the six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences of foreign operations	\$ 23,440	(17,957)	51,995	(17,052)

(ii) Examination and approval

The Company's income tax returns for all years through 2020, have been examined by the R.O.C. income tax authorities.

The Group's overseas subsidiaries' income tax returns for all years through 2021 have been declared to, but have yet to be examined by, the local tax authorities.

(s) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 2022 and 2021. For related information, please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2021.

(i) Issuance of common stock

There were no issuance of shares from conversions of convertible debt for the six months ended June 30, 2022.

A resolution was approved during the board of directors' meeting held on May 10, 2021 for the issuance of convertible bonds amounting to \$4,687, which was converted into 469 thousand shares of common stocks by the Group with the record date set on May 10, 2021. The related registration procedures had already been completed in May, 2021.

The outstanding shares for the six months ended June 30, 2022 and 2021 were 131,972 thousand shares, respectively.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(ii) Capital surplus

The balances of additional paid-in capital were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Premium issuance of common shares for cash	\$ 432,122	432,122	432,122
Premium issuance of convertible bond	317,339	317,339	317,339
Transaction of treasury stock	19,741	19,741	19,741
Difference between consideration and carrying amount of shares	334	334	334
Stock options of convertible bonds issued	6,928	6,928	6,928
Expired employee stock options	<u>30,685</u>	<u>30,685</u>	<u>30,685</u>
Total	<u>\$ 807,149</u>	<u>807,149</u>	<u>807,149</u>

Premium insurance of common shares for cash, premium insurance of convertible bond, transaction of treasury stock, and difference between the consideration and the carrying amount of shares, may be used to offset the Company's deficit. However, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the ordinary shares.

Stock options of convertible bonds issued may not be used for any purpose, and expired employee stock options may only be used to offset a deficit.

(iii) Earnings distribution

In the shareholders' meeting held on June 21, 2022, the resolution for the distribution of earnings from the year 2021 has been approved. Based on the resolution, distributable earnings is calculated as net income after tax of \$100,385 for the year 2021, plus, actuarial gain of \$2,241 and the beginning balance of unappropriated earnings of \$154,388, less, the required legal reserve of \$10,262 and special reserve of \$75,168, which amounted to \$171,584. The cash dividends, that were expected to finish to distribution in August 2022 amounted to \$17,000, with a par value of \$0.13 per share.

In the board of directors' meetings held on March 29 ,2021, the resolution for the distribution of earnings from the year 2020 has been approved. Other items related to the distribution of earnings were approved on the shareholders' meeting held on August 11, 2021. Based on the resolution, distributable earnings is calculated as net income after tax of \$304,783 for the year 2020, plus, actuarial loss of \$(1,193) and the beginning balance of unappropriated earnings of \$156,244, less, the required legal reserve of \$30,359 and special reserve of \$143,087, which amounted to \$286,388. The cash dividends that were expect to finish to distribution in September, 2021 amounted to \$132,000, with a par value of \$1.00 per share.

The related information can be accessed from "Market Observation Post System".

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(iv) Other equity interest (net taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2022	\$ (414,386)
Exchange differences on foreign operation	<u>207,981</u>
Balance at June 30, 2022	<u><u>\$ (206,405)</u></u>
Balance at January 1, 2021	\$ (339,218)
Exchange differences on foreign operation	<u>(68,210)</u>
Balance at June 30, 2021	<u><u>\$ (407,428)</u></u>

(t) Earnings per share

For the six months ended June 30, 2022 and 2021, the Company's earnings per share were calculated as follows:

	For the three months ended June 30		For the six months ended June 30	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>89,165</u>	<u>63,506</u>	<u>69,839</u>	<u>66,900</u>
Weighted-average number of ordinary shares	<u>131,972</u>	<u>131,972</u>	<u>131,972</u>	<u>131,821</u>
Basic earnings per share (in dollars)	\$ <u>0.68</u>	<u>0.48</u>	<u>0.53</u>	<u>0.51</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ 89,165	63,506	69,839	66,900
Effects of dilutive potential ordinary shares:				
Interest of convertible bond	<u>542</u>	<u>533</u>	<u>1,082</u>	<u>1,114</u>
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	\$ <u>89,707</u>	<u>64,039</u>	<u>70,921</u>	<u>68,014</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Weighted-average number of ordinary shares (in thousands of shares)	131,972	131,972	131,972	131,821
Effects of dilutive potential ordinary shares:				
Effects of employee stock bonus (in thousands of share)	244	196	407	206
Effects of conversion of convertible bond (in thousands of share)	2,685	2,595	5,341	5,284
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>134,901</u>	<u>134,763</u>	<u>137,720</u>	<u>137,311</u>
Diluted earnings per share (in dollars)	\$ <u>0.66</u>	<u>0.48</u>	<u>0.51</u>	<u>0.50</u>

(u) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Goods sold	\$ 3,156,008	2,975,959	6,074,693	5,625,072
Rental income	5,042	2,354	7,583	4,756
Total	<u>\$ 3,161,050</u>	<u>2,978,313</u>	<u>6,082,276</u>	<u>5,629,828</u>

(ii) Disaggregation of revenue

	For the three months ended June 30, 2022			
	Manufacturing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 1,016,707	547,975	1,059,738	2,624,420
China	136,161	-	-	136,161
Taiwan	86,767	-	-	86,767
Canada	1,413	148,595	-	150,008
United Kingdom	11,891	-	-	11,891
Others	89,718	57,043	-	146,761
Total	<u>\$ 1,342,657</u>	<u>753,613</u>	<u>1,059,738</u>	<u>3,156,008</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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For the three months ended June 30, 2022				
	Manufactruing	Wholesaling	Online retailing	Total
Main products/services lines				
CABLE	\$ 514,886	38,634	491,893	1,045,413
POWER CORD	789,272	697,338	-	1,486,610
Consumer electronics	-	-	567,845	567,845
Others	38,499	17,641	-	56,140
Total	<u>\$ 1,342,657</u>	<u>753,613</u>	<u>1,059,738</u>	<u>3,156,008</u>
Timing of revenue recognition:				
Product transferred at a point in time	<u>\$ 1,342,657</u>	<u>753,613</u>	<u>1,059,738</u>	<u>3,156,008</u>
Sales channels				
Directly to customers	<u>\$ 1,342,657</u>	<u>753,613</u>	<u>1,059,738</u>	<u>3,156,008</u>
For the three months ended June 30, 2021				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 446,430	743,329	1,343,985	2,533,744
China	80,966	12,153	-	93,119
Taiwan	78,398	-	-	78,398
Canada	28,689	37,761	-	66,450
United Kingdom	19,232	-	-	19,232
Others	133,668	51,348	-	185,016
Total	<u>\$ 787,383</u>	<u>844,591</u>	<u>1,343,985</u>	<u>2,975,959</u>
Main products/services lines				
CABLE	\$ 316,463	40,956	498,290	855,709
POWER CORD	450,028	785,845	-	1,235,873
Consumer electronics	-	-	845,695	845,695
Others	20,892	17,790	-	38,682
Total	<u>\$ 787,383</u>	<u>844,591</u>	<u>1,343,985</u>	<u>2,975,959</u>
Timing of revenue recognition:				
Product transferred at a point in time	<u>\$ 787,383</u>	<u>844,591</u>	<u>1,343,985</u>	<u>2,975,959</u>
Sales channels				
Directly to customers	<u>\$ 787,383</u>	<u>844,591</u>	<u>1,343,985</u>	<u>2,975,959</u>

(Continued)

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For the six months ended June 30, 2022				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 1,871,520	1,150,852	2,164,023	5,186,395
China	186,706	-	-	186,706
Taiwan	148,156	-	-	148,156
Canada	6,881	184,560	-	191,441
United Kingdom	44,651	-	-	44,651
Others	213,232	104,112	-	317,344
Total	<u>\$ 2,471,146</u>	<u>1,439,524</u>	<u>2,164,023</u>	<u>6,074,693</u>
Main products/services lines				
CABLE	\$ 951,023	68,984	995,663	2,015,670
POWER CORD	1,443,911	1,338,621	-	2,782,532
Consumer electronics	-	-	1,168,360	1,168,360
Others	76,212	31,919	-	108,131
Total	<u>\$ 2,471,146</u>	<u>1,439,524</u>	<u>2,164,023</u>	<u>6,074,693</u>
Timing of revenue recognition:				
Product transferred at a point in time	<u>\$ 2,471,146</u>	<u>1,439,524</u>	<u>2,164,023</u>	<u>6,074,693</u>
Sales channels				
Directly to customers	<u>\$ 2,471,146</u>	<u>1,439,524</u>	<u>2,164,023</u>	<u>6,074,693</u>
For the six months ended June 30, 2021				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 800,933	1,278,645	2,628,140	4,707,718
China	173,587	25,279	-	198,866
Taiwan	152,776	-	-	152,776
Canada	42,703	102,490	-	145,193
United Kingdom	45,000	-	-	45,000
Others	283,626	91,893	-	375,519
Total	<u>\$ 1,498,625</u>	<u>1,498,307</u>	<u>2,628,140</u>	<u>5,625,072</u>
Main products/services lines				
CABLE	\$ 622,004	75,379	976,951	1,674,334
POWER CORD	770,471	1,385,891	-	2,156,362
Consumer electronics	-	-	1,651,189	1,651,189
Others	106,150	37,037	-	143,187
Total	<u>\$ 1,498,625</u>	<u>1,498,307</u>	<u>2,628,140</u>	<u>5,625,072</u>

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	For the six months ended June 30, 2021			
	Manufactruing	Wholesaling	Online retailing	Total
Timing of revenue recognition:				
Product transferred at a point in time	\$ <u>1,498,625</u>	<u>1,498,307</u>	<u>2,628,140</u>	<u>5,625,072</u>
Sales channels				
Directly to customers	\$ <u>1,498,625</u>	<u>1,498,307</u>	<u>2,628,140</u>	<u>5,625,072</u>

(iii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Contract liabilities— advance sales receipts	\$ <u>57,775</u>	<u>96,291</u>	<u>78,960</u>

For details on notes and accounts receivable and allowance for impairment, please refer to note (6)(b).

The amount of revenue recognized for the six months ended June 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$89,310 and \$131,296, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(v) Remuneration to employees and directors

In accordance with the articles of incorporation, earnings shall first be offset against any deficit, then, a minimum of 6% will be distributed as employee remuneration and a maximum of 6% will be allocated as directors' remuneration. Earnings refer to pre-tax net profit for the period before deducting remunerations.

Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the Company's affiliated companies which are at least 50% directly or indirectly owned by the Company.

For the six months ended June 30, 2022, the Company accrued remuneration to employees of \$5,717 and remuneration to directors amounted to \$3,878. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

For the six months ended June 30, 2021, the Company accrued remuneration to employees of \$4,831 and remuneration to directors amounted to \$2,404. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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The differences between the estimated amounts in the financial statements and the actual amounts approved by the board of directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year.

The cash remunerations to employees and directors for the year 2021 amounting to \$7,600 and \$5,000, respectively, were based on the resolution decided during the board of directors' meeting held on March 28, 2022, and had already been reported in the shareholders' meeting on June 21, 2022.

The cash remunerations to employees and directors, for the year 2020 amounting to \$24,300 and \$16,000, respectively, were based on the resolution decided during the board of directors' meeting held on March 29, 2021, and had already been reported in the shareholders' meeting on August 11, 2021.

As mentioned above, the differences between the actual amounts and the estimated amounts of the remuneration to employees and directors for the years ended 2021 and 2020 had been adjusted accordingly.

For further information, please refer to "Market Observation Post System".

(w) Other non-operating income and expenses

(i) Interest income

The details of interest income of the Group for the six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Interest income from bank deposits	\$ <u>229</u>	<u>294</u>	<u>353</u>	<u>554</u>

(ii) Other income

The details of other income of the Group for the six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Government grants	2,460	286	3,082	996
Other income	1,848	3,500	2,985	7,432
Total	\$ <u>4,308</u>	<u>3,786</u>	<u>6,067</u>	<u>8,428</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(iii) Other gains and losses

The details of other gains and losses of the Group for the six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Gain (loss) on disposal of property, plant, and equipment	\$ 335	(237)	431	(1,128)
Foreign exchange gain (loss)	21,044	(9,644)	34,250	(19,371)
Other non-operating expenses	(730)	(2,277)	(1,855)	(3,798)
Gain on financial liabilities at fair value through profit or loss	-	124	-	-
Other gains and losses, net	<u>\$ 20,649</u>	<u>(12,034)</u>	<u>32,826</u>	<u>(24,297)</u>

For the six months ended June 30, 2021, the loss on settled transaction of derivative financial instruments amounting to \$18 was recognized by the Group as foreign exchange loss. For the six months ended June 30, 2022, there was no transaction of derivative instruments.

(iv) Financial costs

The details of financial costs of the Group for the six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest expense				
Interest on bank and non-financial institution loans	\$ (33,626)	(18,214)	(60,875)	(34,512)
Interest on lease liabilities	(3,371)	(4,390)	(7,218)	(9,058)
Short-term notes and bills payable	(205)	(351)	(716)	(614)
Bonds payable	(542)	(533)	(1,082)	(1,114)
Total	<u>\$ (37,744)</u>	<u>(23,488)</u>	<u>(69,891)</u>	<u>(45,298)</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(x) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6)(y) of the consolidated financial statements for the year ended December 31, 2021.

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group reviewed the concentrations of credit risk arising from the major Customer G, and it was below 35%, 20%, and 17% of the gross notes and accounts receivable, respectively. The other top four clients contributed no more than 20%, 27% and 24%, respectively, of the gross notes and accounts receivable.

3) Receivables

For notes and accounts receivable, as well as other receivables, which are exposed to credit risk, please refer to note (6)(b) and note (6)(c), respectively.

(ii) Liquidity risk

The following are the dates of contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying value</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 3,125,617	3,140,389	3,140,389	-	-	-
Short-term notes and bills payable	229,912	230,000	230,000	-	-	-
Notes and accounts payable	1,032,301	1,032,301	1,032,301	-	-	-
Other payables	624,042	624,042	624,042	-	-	-
Dividends payable	17,000	17,000	17,000	-	-	-
Bonds payable (includes current portion)	130,012	131,400	131,400	-	-	-
Lease liabilities - current and noncurrent	465,561	511,081	133,807	115,733	196,573	64,968
Long-term borrowings (includes current portion)	2,515,188	2,673,156	1,721,866	275,511	334,509	341,270
Total	\$ 8,139,633	8,359,369	7,030,805	391,244	531,082	406,238

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	<u>Carrying value</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,917,638	2,927,692	2,927,692	-	-	-
Short-term notes and bills payable	229,906	230,000	230,000	-	-	-
Notes and accounts payable	928,462	928,462	928,462	-	-	-
Other payables	554,721	554,721	554,721	-	-	-
Bonds payable (includes current portion)	128,930	131,400	-	131,400	-	-
Lease liabilities - current and noncurrent	494,641	545,868	129,888	117,927	212,194	85,859
Long-term borrowings (includes current portion)	<u>2,369,245</u>	<u>2,517,733</u>	<u>1,642,116</u>	<u>179,516</u>	<u>279,943</u>	<u>416,158</u>
Total	<u><u>\$ 7,623,543</u></u>	<u><u>7,835,876</u></u>	<u><u>6,412,879</u></u>	<u><u>428,843</u></u>	<u><u>492,137</u></u>	<u><u>502,017</u></u>
June 30, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,579,073	2,585,383	2,585,383	-	-	-
Short-term notes and bills payable	179,906	180,000	180,000	-	-	-
Notes and accounts payable	953,003	953,003	953,003	-	-	-
Other payables	657,502	657,502	657,502	-	-	-
Dividends payable	132,000	132,000	132,000	-	-	-
Bonds payable (includes current portion)	127,856	131,400	-	131,400	-	-
Lease liabilities - current and noncurrent	396,911	441,754	104,987	100,370	185,701	50,696
Long-term borrowings (includes current portion)	<u>1,843,284</u>	<u>1,969,808</u>	<u>1,157,386</u>	<u>151,220</u>	<u>216,003</u>	<u>445,199</u>
Total	<u><u>\$ 6,869,535</u></u>	<u><u>7,050,850</u></u>	<u><u>5,770,261</u></u>	<u><u>382,990</u></u>	<u><u>401,704</u></u>	<u><u>495,895</u></u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amount.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Market risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follow:

(In Thousands of Foreign Currencies)

	June 30, 2022			December 31, 2021			June 30, 2021			
	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD	
<u>Financial assets:</u>										
<u>Monetary items</u>										
USD	\$	81,384	29.67	2,414,663	48,538	27.63	1,341,105	34,233	27.81	952,020
HKD		8,238	3.78	31,144	9,479	3.54	33,583	6,906	3.58	24,713
CNY		1,075	4.42	4,752	1,608	4.33	6,968	1,924	4.30	8,275
EUR		1,848	30.85	57,011	1,265	31.12	39,367	1,790	32.95	58,981
CAD		1,024	20.95	21,453	1,414	19.51	27,587	889	19.64	17,460
<u>Financial liabilities:</u>										
<u>Monetary items</u>										
USD		44,448	29.67	1,318,772	38,481	27.63	1,063,230	29,284	27.81	814,388

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gain and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, and loans and borrowings, which are denominated in foreign currency. The overall effects to the net profit before tax for the six months ended June 30, 2022 and 2021, assuming the TWD appreciated by 1%, were decreases of \$12,103 and \$2,471, respectively. The analysis is performed on the same basis for the prior year.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2022 and 2021, the foreign exchange (loss) gain (including both realized and unrealized) amounted to \$21,044, \$(9,644), \$34,250 and \$(19,371), respectively.

3) Interest rate analysis

The exposure to interest rate risk for financial assets and liabilities were already discussed in the section on liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. For liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The liabilities with variable interest rates of the Group all have related contractual agreements, and the Group calculates interest based on the notice of interest payment provided by the bank. When reporting to management, the interest rate is expressed at a rate of change of 0.25% (increase and decrease). This rate also represents management's assessment on the reasonable interval of interest rate change.

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If the interest rate had increased by 0.25% at the reporting date, all things held constant, the net profit before tax would have decreased by \$5,019 and \$5,528 for the six months ended June 30, 2022 and 2021, respectively, which mainly results from bank loans with variable interest rates.

(iv) Fair value of financial instruments

Types of financial instruments and fair value.

The carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include the fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. For information on fair values of non-current assets classified as held-for-sale, please refer to note(13)(a)(vi).

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(z) of the consolidated financial statements for the year ended December 31, 2021.

(z) Capital management

The management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. In addition, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note (6)(aa) of the consolidated financial statements for the year ended December 31, 2021 for further details.

(aa) Investing and financing activities not affecting current cash flow

- (i) Please refer to note (6)(g) and (o) sets out information about the right-of-use asset had got from lease.
- (ii) Please refer to note (6)(m) and (s) for information on the conversion of convertible bonds to ordinary shares.
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

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	Non-cash changes							
	January 1, 2022	Cash inflow	Cash Outflow	Foreign exchange movement	Increase in Right-of-use assets	Government grant reclassified as other income	Conversion of convertible bonds and Others	June 30, 2022
Short-term borrowings	\$ 2,917,638	3,153,221	(2,968,037)	22,795	-	-	-	3,125,617
Short-term notes and bills payable	229,906	6	-	-	-	-	-	229,912
Bonds payable (includes current portion)	128,930	-	-	-	-	-	1,082	130,012
Lease liabilities	494,641	-	(58,708)	27,719	1,909	-	-	465,561
Long-term borrowings (includes current portion)	2,369,245	298,966	(265,042)	112,019	-	-	-	2,515,188
Total liabilities from financing activities	<u>\$ 6,140,360</u>	<u>3,452,193</u>	<u>(3,291,787)</u>	<u>162,533</u>	<u>1,909</u>	<u>-</u>	<u>1,082</u>	<u>6,466,290</u>

	Non-cash changes							
	January 1, 2021	Cash inflow	Cash Outflow	Foreign exchange movement	Increase in Right-of-use assets	Conversion of convertible bonds and Others		June 30, 2021
Short-term borrowings	\$ 2,356,577	1,052,673	(830,380)	203	-	-		2,579,073
Short-term notes and bills payable	129,886	50,020	-	-	-	-		179,906
Bonds payable (includes current portion)	138,370	-	-	-	-	(10,514)		127,856
Lease liabilities	436,229	-	(42,334)	(9,296)	12,312	-		396,911
Long-term borrowings (includes current portion)	1,350,801	999,874	(488,626)	(18,765)	-	-		1,843,284
Total liabilities from financing activities	<u>\$ 4,411,863</u>	<u>2,102,567</u>	<u>(1,361,340)</u>	<u>(27,858)</u>	<u>12,312</u>	<u>(10,514)</u>		<u>5,127,030</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
All directors, directors, general managers, etc.	Key management personnel

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(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 6,852	6,537	12,950	12,455
Post-employment benefits	149	176	298	298
Total	<u>\$ 7,001</u>	<u>6,713</u>	<u>13,248</u>	<u>12,753</u>

For the six months ended June 30, 2022, the Group rented 3 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$1,915, and the balance of lease liabilities amounted to \$7,251 (including current and non-current), also, no rent expense was recognized during the period.

For the six months ended June 30, 2021, the Group rented 4 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$1,624, and the balance of lease liabilities amounted to \$7,781 (including current and non-current), also, the rent expense of \$103 was recognized during the period.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	June 30, 2022	December 31, 2021	June 30, 2021
Land, plant and buildings (includes non-current assets classified as held-for-sale)	Long-term borrowings	\$ 695,453	668,797	676,014
Other financial asset — non-current	Long-term borrowings	5,808	5,407	5,425
Guarantee deposits paid	Long-term borrowings and Customs security deposits	15,333	15,331	331
Total		<u>\$ 716,594</u>	<u>689,535</u>	<u>681,770</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

- (i) The Group entered into separate agreements with its suppliers for the purchase of copper. If the Group makes payments in advance, the Group may claim a discount based on the agreements, starting from the payment date until the shipment date. In the event the Group did not comply with provisions and terms in the contract, the Group shall pay interest on the amount overdue. Details of contracts are summarized as follows:

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<u>Supplier</u>	<u>Contract Period</u>	<u>Pricing Terms</u>	<u>Product</u>	<u>Breach Clause</u>
A	2022.01~2022.12	Average price (in USD) listed in LME of the previous month, plus, US\$145, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,400 per ton of conversion cost	1,200~3,600 tons of copper wire	Late payment surcharge at 10% annual rate
B	2022.01~2022.12	Average price listed in Shanghai Futures Exchange (aka SHFE) agreed by both parties, considering any premiums or discounts, plus, an additional amount of CNY\$1,010 per ton of conversion cost, depending on the product specification	600~1,800tons of copper wire	5% of the total amount
F	2022.01~2022.12	Average price (in USD) listed in LME of the previous month, plus, US\$145, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,900 per ton of conversion cost	920~1,690 tons of copper wire	1. Late payment surcharge at 10% rate per year 2. Supplier can demand back parts of the unpaid purchased wires upon overdue

(ii) The Group's unrecognized contractual commitments are as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Acquisition of equipments	\$ <u>12,679</u>	<u>15,187</u>	<u>9,174</u>

(iii) Unused letters of credit: None.

(iv) For endarsement and guarantes between related parties, please refer to note (13)(a)(ii).

(b) Significant contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

- (a) The application for cash capital increase and the issuance of the tenth domestic unsecured convertible corporate bonds, which were approved by the Financial Supervisory Commission with letters No.1110342536 and No.11103425361, respectively, were based on the resolutions decided during the board of directors' meeting held on April 26, 2022. According to the above resolutions, the Group will issue 7,500 thousand shares of common stock for its cash capital increase, at the actual issuance price of NTD20 per share, with the base date set on July 4, 2022. However, the tenth domestic unsecured convertible corporate bonds, which need to be completed by August 23, 2022 (the deadline date) for working capital needs, have yet to be issued before August 10, 2022. The Group will apply for an extension to the relevant authorities if necessary.
- (b) For information on the real estate sold by the subsidiary, UNC INVESTMENT & DEVELOPMENT INC., please refer to note(6)(e) and note(13)(a)(vi).

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(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

by Function by Nature	For the three months ended, June 30, 2022			For the three months ended, June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	76,718	164,749	241,467	76,262	196,943	273,205
Labor and health insurance (Note 1)	2,410	15,821	18,231	2,307	23,960	26,267
Pension (Note 2)	2,818	6,193	9,011	2,746	6,584	9,330
Remuneration of directors	-	4,564	4,564	-	2,020	2,020
Other employee benefits	1,670	2,709	4,379	1,736	2,590	4,326
Depreciation	18,490	40,711	59,201	18,649	32,428	51,077
Amortization	408	10,981	11,389	413	9,304	9,717

by Function by Nature	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	146,718	338,125	484,843	141,919	388,139	530,058
Labor and health insurance (Note 1)	5,132	41,961	47,093	4,601	49,474	54,075
Pension (Note 2)	5,825	11,965	17,790	5,455	13,351	18,806
Remuneration of directors	-	4,564	4,564	-	2,265	2,265
Other employee benefits	2,990	6,201	9,191	3,235	5,967	9,202
Depreciation	37,302	79,668	116,970	36,294	66,620	102,914
Amortization	798	21,633	22,431	860	20,594	21,454

Note 1: Includes local social insurance of China subsidiaries, such as employment injury insurance, maternity insurance, medical insurance, unemployment insurance, and housing provident fund.

Note 2: Includes local endowment insurance of China subsidiaries.

(b) Seasonality of operations

The Group's products are subject to seasonal fluctuations in the United States that usually occur in the second half of the year, wherein the Group incurs higher revenue during the period. Therefore, the Group attempts to minimize the impact on its inventories by properly managing them in order to meet market demands.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions for the six months ended June 30, 2022 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	WUXI UNIVERSAL	Other receivables	Yes	35,848 (RMB8,000 thousand)	35,312 (RMB8,000 thousand)	-	1%	1	1,164,366	Business operation	-	-	-	2,643,017	2,643,017
0	The Company	YUE FONG COMPANY LIMITED	Other receivables	Yes	23,376 (USD800 thousand)	23,376 (USD800 thousand)	23,376	-	2	-	Business operation	-	-	-	698,214	1,117,142
0	The Company	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Other receivables	Yes	171,842 (USD5,840 thousand)	83,076 (USD2,800 thousand)	83,076	-	1	207,834	Business operation	-	-	-	383,005	383,005
1	PRIME WIRE & CABLE INC.	BESTLINK NETWORK INC.	Other receivables	Yes	44,505 (USD1,500 thousand)	44,505 (USD1,500 thousand)	-	2.30~3.25%	2	-	Business operation	-	-	-	1,044,662	1,044,662
2	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	Other receivables	Yes	53,177 (EUR1,676 thousand)	51,718 (EUR1,676 thousand)	51,718	-	2	-	Business operation	-	-	-	1,136,434	1,136,434
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	145,618 (USD4,908 thousand)	145,618 (USD4,908 thousand)	126,332	0~1.15%	2	-	Business operation	-	-	-	1,136,434	1,136,434
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	1,035,075 (USD37,000 thousand)	904,935 (USD30,500 thousand)	890,100	-	2	-	Business operation	-	-	-	1,136,434	1,136,434
3	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	Other receivables	Yes	148,350 (USD5,000 thousand)	148,350 (USD5,000 thousand)	87,823	-	2	-	Business operation	-	-	-	1,460,517	1,460,517
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	89,010 (USD3,000 thousand)	89,010 (USD3,000 thousand)	84,847	-	2	-	Business operation	-	-	-	3,410,060	3,410,060
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	The Company	Other receivables	Yes	430,215 (USD14,500 thousand)	430,215 (USD14,500 thousand)	163,185	-	2	-	Business operation	-	-	-	3,410,060	3,410,060
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	PREMIUM-LINE KSI GMBH	Other receivables	Yes	53,924 (EUR1,700 thousand)	52,445 (EUR1,700 thousand)	-	-	2	-	Business operation	-	-	-	3,410,060	3,410,060
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	127,581 (USD4,300 thousand)	127,581 (USD4,300 thousand)	-	-	2	-	Business operation	-	-	-	3,410,060	3,410,060

Note 1: The numbers are filled in as follows:

1. 0 represents the Company
2. Investees are sorted in numerical order starting from 1.

Note 2: Purposes of financing are labelled as follows:

- 1.1 represents fundings for parties who has business relationship with the Company .
- 2.2 represents fundings for parties with short-term financing needs.

Note 3: The allowable aggregate amount of financing provided to others may not exceed 40% of the net worth of the Company, and the maximum financing provided to an individual company may not exceed 25% of the net worth of the Company. The allowable aggregate amount of financing provided by subsidiaries to others may not exceed the net worth of the subsidiary, and maximum financing provided to an individual company may not exceed the net worth of the subsidiary. For fundings to companies with business relationships with the Company, the total amount of such fundings shall not exceed the total transaction between the parties during the past year, wherein total transactions refer to the higher of amounts purchased or sold.

Note 4: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor (Note 1)	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	WUXI UNIVERSAL NETWORK CORPORATION	1, 2	2,792,856	1,086,530	1,033,804	666,191	-	37.02 %	5,585,712	Y	N	Y
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1, 2	2,792,856	100,000	100,000	73,910	-	3.58 %	5,585,712	Y	N	N
0	The Company	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	1, 2	2,792,856	148,350	148,350	78,833	-	5.31 %	5,585,712	Y	N	N
0	The Company	YFC-BONEAGLE INTERNATIONAL - INC.	1, 2	2,792,856	58,850	-	-	-	- %	5,585,712	Y	N	N
1	PRIME WIRE & CABLE, INC.	UNC INVESTMENT & DEVELOPMENT, INC	1, 4	1,044,662	454,359	454,359	405,732	-	16.27 %	2,089,324	N	N	N

Note 1: The numbers are filled in as follows:

1. 0 represents the Company.
2. Investees are sorted in numerical order starting from 1.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the followings:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/ guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The amount of endorsements or guarantees to an individual company may not exceed 20% of the Company's net worth based on the most current financial statements, and the amount for overseas affiliated companies may not exceed the Company's net worth. The total amount of endorsements or guarantees provided by the Company and its subsidiaries may not exceed 200% of the Company's current net worth, and the amount of endorsements or guarantees to an individual company may not exceed 20% of the Company's current net worth. In the event the total amount exceeds more than 50% of the Company's net worth, an explanation shall be made in the shareholders' meeting. The amount of endorsements or guarantees provided by subsidiaries to overseas affiliates may not exceed the net worth of the subsidiary. Where endorsements or guarantees are provided to a company due to its business relationship with the Company, the amount may not exceed total transactions in the past year, wherein the transaction amount is the higher of the amount of purchase or sales. Current net worth is based on the most recent audited financial statements.

Note 4: The maximum amount of endorsements for investees have been approved in the board of directors' meeting.

Note 5: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(iii) Securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	Stock TAIPIN CIRCULATING ENTERPRISE CO., LTD.	The Company holds around 15.81% shares in the investee.	Non-current financial assets at fair value through other comprehensive	-	-	15.81 %	-	1

Note 1: In 2015, the Group determined that the investee was showing indications of impairments and recognized the full amount of impairment loss. In 2016, the investee ceased its business operation, and have yet to be liquidated as of June 30, 2022.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount (Note 2)	Amount actually receivable	Gain from disposal (Note 3)	Counter-party	Nature of relationship	Purpose of disposal	Price reference (Note 4)	Other terms (Note 5)
UNC INVESTMENT & DEVELOPMENT, INC.	Land and buildings	(Note 1)	2013.3.22	444,277	2,528,750	The full amount had been received after the deed transfer.	-	Atlantic SPC Acquisition Holdings, LLC	None	Enrich the working capital of the Group	2,471,279	(Note 5)

Note 1: The signing of contract date was May 11, 2022, and the date of deed transfer was July 7, 2022.

Note 2: The price amounted to \$2,528,750 (USD88,000 thousand), with an expected selling expense (income tax excluded) of \$67,510 (USD2,349 thousand).

Note 3: Not applicable because the deed transfer has yet to be completed as of June 30, 2022.

Note 4: The appraisal amount of \$2,471,279 (USD86,000 thousand), which was similar to the fair value of non-current assets held-for-sale, was based on the report issued by a professional appraiser.

Note 5: The Group subsequently agreed with the seller to lease back the warehouse for 18 months after the completion of the deed transfer for its operational use and to facilitate the relocation of its warehouse thereafter.

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details (Note 4)				Transactions with terms different from others		Notes/Accounts receivable (payable) (Note 4)		Note
			Purchase/Sale	Amount (Note 1)	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance (Note 2)	Percentage of total notes/accounts receivable (payable)	
The Company	DONGGUAN YFC	Parent company to subsidiary	Purchases	253,073 (USD8,772 thousand)	9.85 %	OA 90 days	-	-	(131,556) (USD4,434 thousand)	(12.34)%	
The Company	WUXI UNIVERSAL	Parent company to subsidiary	Purchases	1,164,366 (USD40,589 thousand)	45.33 %	OA 90 days	-	-	(631,214) (USD21,274 thousand)	(59.22)%	
The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Parent company to subsidiary	Purchases	207,834 (USD7,200 thousand)	0.28 %	OA 90 days	-	-	(79,275) (USD2,672 thousand)	(0.25)%	
PRIME WIRE & CABLE, INC.	The Company	Parent company to subsidiary	Purchases	358,767 (USD12,387 thousand)	29.82 %	OA 90 days	-	-	(461,188) (USD15,544 thousand)	(85.55)%	
BESTLINK NETWARE INC.	YFC-EUROPOWER INTERNATIONAL CO., LTD	Subsidiary to subsidiary	Purchase	166,475 (USD5,785 thousand)	96.04 %	OA 90 days	-	-	(178,580) (USD6,019 thousand)	(100.00)%	
MONOPRICE, INC.	YFC-EUROPOWER INTERNATIONAL CO., LTD	Subsidiary to subsidiary	Purchase	164,815 (USD5,685 thousand)	19.75 %	OA 60 days	-	-	(295,192) (USD9,949 thousand)	(38.01)%	

Note 1: For transactions in CNY, the amount shown above is the amount (in NTD) recorded on the Company's books. In addition, transactions in USD are translated into NTD using the average exchange rate of 28.7358.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 29.6700.

Note 3: In preparing the consolidated financial report, the transactions listed above have been eliminated.

Note 4: Related-party transactions on sales and receivables are disclosed in note (13)(a)(x).

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	PRIME WIRE & CABLE, INC.	Parent company to subsidiary	Accounts receivable: 461,188	1.18	-	-	240,151	-
The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	Parent company to subsidiary	Other receivable: 224,861	3.18	-	-	18,231	-
The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Parent company to subsidiary	Other receivable: 178,057	0.10	-	-	21,992	-
DONGGUAN YFC	The Company	Parent company to subsidiary	Accounts receivable: 131,556	4.18	-	-	15,301	-
WUXI UNIVERSAL	The Company	Parent company to subsidiary	Accounts receivable: 631,214	4.26	-	-	201,239	-
WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Subsidiary to subsidiary	Accounts receivable: 115,890	2.03	-	-	-	-
YFC-EUROPOWER INTERNATIONAL CO., LTD	BESTLINK NETWORK INC.	Subsidiary to subsidiary	Accounts receivable: 178,580	2.34	-	-	28,453	-
YFC-EUROPOWER INTERNATIONAL CO., LTD	MONOPRICE INC.	Subsidiary to subsidiary	Accounts receivable: 295,192	1.52	-	-	157,697	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of July 31, 2022.

Note 2: For transactions in CNY, the amount shown above is the amount (in NTD) recorded on the Company's books. In addition, transactions in USD are translated into NTD using the average exchange rate of 28.7358.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 29.6700.

Note 4: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended June 30, 2022 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	PRIME WIRE & CABLE, INC.	1	Sales	358,767	A percentage of gross profit	6%
0	The Company	PRIME WIRE & CABLE, INC.	1	Accounts Receivable	461,188	OA 90 days	4%
0	The Company	MONOPRICE INC.	1	Sales	17,707	A percentage of gross profit	-%
0	The Company	MONOPRICE INC.	1	Accounts Receivable	94,408	OA 60 days	1%
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	1	Sales	29,370	A percentage of gross profit	-%
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	1	Accounts Receivable	37,634	OA 90 days	-%
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	1	Sales	71,980	A percentage of gross profit	1%
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	1	Accounts Receivable	69,029	OA 90 days	1%

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended June 30, 2022 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1	Other Receivable	224,861	The Company payment for goods on behalf of the subsidiary	2%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivables	178,057	The Company payment for goods on behalf of the subsidiary	2%
0	The Company	YUE FONG COMPANY LIMITED	1	Other Receivables	23,736	Based on collection status	-%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivables	83,076	Based on collection status	1%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Prepayment for purchases	84,717	Prepayment for purchases	1%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	23,612	The Company collection on sales goods on behalf of the subsidiary	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	890,100	Based on collection status	8%
1	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	3	Other Receivables	51,718	Based on collection status	-%
1	EUROPOWER INTERNATIONAL LIMITED	YFC-BONEAGLE INTERNATIONAL, INC.	3	Other Receivables	126,332	Based on collection status	1%
2	DONGGUAN YFC	The Company	2	Sale	253,073	A percentage of gross profit	4%
2	DONGGUAN YFC	The Company	2	Accounts Receivables	131,556	OA 90 days	1%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Sales	71,626	A percentage of gross profit	1%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivables	64,845	OA 90 days	1%
2	DONGGUAN YFC	YFC-EUROPOWER INTERNATIONAL CO., LTD	3	Sales	22,445	A percentage of gross profit	-%
3	WUXI UNIVERSAL	The Company	2	Sales	1,164,366	A percentage of gross profit	19%
3	WUXI UNIVERSAL	The Company	2	Accounts Receivable	631,214	OA 90 days	6%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Sales	94,388	A percentage of gross profit	2%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivable	115,890	OA 90 days	1%
3	WUXI UNIVERSAL	PREMIUM-LINE KSI GMBH	3	Accounts Receivable	13,585	OA 90 days	-%
3	WUXI UNIVERSAL	YFC-EUROPOWER INTERNATIONAL CO., LTD.	3	Sales	25,790	A percentage of gross profit	-%
3	WUXI UNIVERSAL	YFC-EUROPOWER INTERNATIONAL CO., LTD.	3	Accounts Receivable	16,119	OA 90 days	-%
3	WUXI UNIVERSAL	YUE FONG COMPANY LIMITED	3	Accounts Receivable	12,689	OA 90 days	-%

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended June 30, 2022 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Sales	16,838	A percentage of gross profit	-%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Accounts Receivable	14,265	OA 90 days	-%
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE, INC.	3	Rent Revenue	12,216	Charged monthly	-%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Processing Revenue	207,834	A percentage of gross profit	3%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Accounts Receivable	79,275	OA 90 days	1%
7	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	2	Other Receivable	87,823	Based on collection status	1%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	MONOPRICE INC.	3	Sales	164,815	A percentage of gross profit	3%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	MONOPRICE INC.	3	Accounts Receivable	295,192	OA 60 days	3%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWORK INC.	3	Sales	166,475	A percentage of gross profit	3%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWORK INC.	3	Accounts Receivable	178,580	OA 90 days	2%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWORK INC.	3	Other Receivable	15,065	YFC-EUROPOWER payment for freight on behalf of BESTLINK	-%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	YFC-BONEAGLE INTERNATIONAL, INC.	3	Accounts Receivable	20,171	OA 90 days	-%
9	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	The Company	2	Other Receivable	163,185	Based on collection status	1%
9	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	3	Other Receivable	84,847	Based on collection status	1%

Note 1: The numbers are filled in as follows:

1. 0 represents the Company.
2. Investees are sorted in numerical order starting from 1.

Note 2: The nature of the relationship is labelled as follows:

1. represents transactions from the Company to subsidiaries.
2. represents transactions from subsidiaries to the Company.
3. represents transactions between subsidiaries.

Note 3: For business transactions between the Company and its subsidiaries, only the information on sales and accounts receivable are disclosed; the corresponding purchase and accounts payable are not listed.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2022			Net income (losses) of investee	Investment income (loss)	Note
				June 30, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	B.V.I.	Holding company set up for investments in Philippines, China and USA	1,794,633 (USD54,876 thousand)	1,781,915 (USD54,423 thousand)	53,906	100.00 %	3,410,059	21,917	11,387	The difference between the subsidiary's profit and loss, and the Company's recognized profit and loss was due to the decreasing in downstream unrealized gain amounting to \$1,942 and the increasing in sidestream unrealized gain amounting to \$12,472.
"	BESTLINK NETWORK INC.	USA	Trading business	31,393 (USD1,000 thousand)	31,393 (USD1,000 thousand)	1,000	100.00 %	45,317	3,429	3,429	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50 thousand)	1,496 (USD50 thousand)	50	100.00 %	62,094	4,491	4,491	
"	PREMIUM-LINE KSI GMBH	Austria	Trading business	28,193 (EUR600 thousand)	28,193 (EUR600 thousand)	-	100.00 %	(49,381)	(1,623)	(1,623)	
"	MONOPRICE HOLDINGS, INC	USA	Holding company set up for investments in USA	1,031,853 (USD32,507 thousand)	1,031,853 (USD32,507 thousand)	100	100.00 %	1,222,557	3,223	3,223	
"	PREMIUM-LINE SYSTEMS GMBH	Germany	Trading business	1,077 (EUR30 thousand)	1,077 (EUR30 thousand)	-	100.00 %	-	-	-	
"	YUE FONG COMPANY LIMITED	Vietnam	Trading business	5,989 (USD200 thousand)	5,989 (USD200 thousand)	-	100.00 %	(5,793)	(3,105)	(3,105)	
"	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Taiwan	Trading business	500	500	50	100.00 %	41,959	26,960	26,960	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Caymans	Holding company set up for investments in China and USA	752,008 (USD22,807 thousand)	752,008 (USD22,807 thousand)	22,807	100.00 %	1,460,517	(317)	(317)	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I	Trading business	161,778 (USD4,890 thousand)	161,778 (USD4,890 thousand)	4,890	100.00 %	1,136,434	(18,139)	(18,139)	
"	UNIVERSAL NETWORK CORPORATION	Samoa	Holding company set up for investments in China	646,459 (USD20,000 thousand)	646,459 (USD20,000 thousand)	20,000	100.00 %	597,214	48,641	48,641	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720 thousand)	23,392 (USD720 thousand)	720	80.00 %	19,878	1,536	1,229	
"	PREMIUM LINE ASIA LTD.	Samoa	Trading business	1,472 (USD50 thousand)	1,472 (USD50 thousand)	50	100.00 %	547	38	38	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	18,558 (USD623 thousand)	5,840 (USD200 thousand)	653	100.00 %	(3,914)	8,123	8,123	
"	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20 thousand)	608 (USD20 thousand)	75	100.00 %	467	-	-	
"	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Philippines	Manufacturing and sales of power cable, wires, network equipment and cable	6,170 (USD200 thousand)	6,170 (USD200 thousand)	200	100.00 %	(60,899)	(17,878)	(17,878)	
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100 thousand)	3,085 (USD100 thousand)	1,000	100.00 %	13,696	4	4	
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	PRIME WIRE & CABLE, INC.	USA	Sale of electronic calculator software and hardware, network equipment and electronic appliances	511,700 (USD15,500 thousand)	511,700 (USD15,500 thousand)	15,500	100.00 %	1,044,662	(22,456)	(22,456)	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507 thousand)	1,031,853 (USD32,507 thousand)	500	100.00 %	1,222,557	3,223	3,223	

Note: In preparing the consolidated financial report, the transactions listed above have been eliminated.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2022 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Carrying amount as of June 30, 2022	Accumulated remittance of earnings in current period
					Outflow	Inflow						
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	Manufacturing and sale of power cables, wires, and outlets	241,998 (USD7,387 thousand)	(2)	240,494 (USD7,007 thousand)	-	-	240,494 (USD7,007 thousand)	27,097	100.00%	27,097 (1)	398,909	-
WUXI UNIVERSAL NETWORK CORPORATION	Manufacturing and sale of high-speed high-frequency LAN cables	646,459 (USD20,000 thousand)	(2)	646,459 (USD20,000 thousand)	-	-	646,459 (USD20,000 thousand)	49,048	100.00%	49,048 (1)	592,980	-
CHENZHOUELECTRONIC CO., LTD.	Processing and sale of communication products and internet cables	9,593 (USD300 thousand)	(2)	9,593 (USD300 thousand)	-	-	9,593 (USD300 thousand)	(2,342)	100.00%	(2,342) (1)	(6,463)	-
YFC INTERNATIONAL TRADING (WUXI) CO., LTD.	Sale of electronic calculator software and hardware, network equipment and electronic appliances	31,032 (USD1,000 thousand)	(2)	23,381 (USD753 thousand)	-	-	23,381 (USD753 thousand)	-	(Note 7)	-	(Note 7)	-
T-MARK	Wholesaling business	900,877 (HKD234,228 thousand)	(2)	167,022 (HKD42,000 thousand)	-	-	167,022 (HKD42,000 thousand)	-	15.81%	- (2)	(Note 6)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3 and 4)	Upper Limit on Investment (Note 5)
1,084,829 (USD33,643 thousand)	1,101,189 (USD34,022 thousand)	-

Note 1: The method of investments are as follows:

- (1) Direct investment in subsidiaries in Mainland China.
- (2) Indirect investment through investment holdings companies
- (3) Others

Note 2: The investment gains and losses for the period are:

- (1) recognized based on the Company's financial statements, as reviewed by the CPA
- (2) not recognized as profit or loss, and is instead recognized as financial asset at the fair value of the investment

Note 3: The amount shown is the actual accumulated investment in Mainland China as of March 31, 2022. The Group will apply for adjustment in the amount of investment in Mainland China to the Investment Commission, MOEA, after the proceeds from disposal of YFC INTERNATIONAL TRADING (WUXI) CO., LTD. have been transferred back to Taiwan.

Note 4: The amount authorized does not include the reinvestment of earnings of the subsidiary DONGGUAN YFC, which amounted to USD379 thousand.

Note 5: Limitation on investment in Mainland China is calculated as 60% of the net worth of the Company. The Group has acquired the relevant investment approval documents issued by Industrial Development Bureau, Ministry of Economic Affairs on May 8, 2020, and it is applicable from May 7, 2020 to May 6, 2023. Therefore, there is no restriction on the Company's investment in Mainland China.

Note 6: Please refer to note (13)(a)(iii) for details.

Note 7: The Group disposed its subsidiary at the end of August 2021, please refer to note (6)(c) of the consolidated financial statements for the year ended December 31, 2021 for further details.

Note 8: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(iii) Significant transactions:

Please refer to "Information on significant transaction" for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China during the six months ended June 30, 2022.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
GOOD WIN INVESTMENT CO., LTD		6,695,361	5.07 %

(14) Segment information:

(a) General information

The major operating segments of the Group are the manufacturing, wholesaling and online retailing segment. The manufacturing segment manufactures different types of cables, power cords, power outlets, and high-speed high-frequency LAN cables. The wholesaling segment engages in the sale products such as cord, cord sets, and network cabling system. The online retailing segment engages in the sale of products through the usage of information and communications technology and the internet.

(b) Profit or loss of reporting segments, assets, liabilities, basis of measurement and reconciliation

The operating segment information and reconciliation were as follows:

For the three months ended June 30, 2022					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 1,345,044	756,268	1,059,738	-	3,161,050
Inter-segment revenue	<u>1,350,074</u>	<u>245,388</u>	<u>2,685</u>	<u>(1,598,147)</u>	<u>-</u>
Total revenues	<u>\$ 2,695,118</u>	<u>1,001,656</u>	<u>1,062,423</u>	<u>(1,598,147)</u>	<u>3,161,050</u>
Reportable segment profit or loss	<u>\$ 151,099</u>	<u>57,433</u>	<u>(14,725)</u>	<u>(79,180)</u>	<u>114,627</u>
For the three months ended June 30, 2021					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 787,383	846,945	1,343,985	-	2,978,313
Inter-segment revenue	<u>1,576,030</u>	<u>19,677</u>	<u>1,937</u>	<u>(1,597,644)</u>	<u>-</u>
Total revenues	<u>\$ 2,363,413</u>	<u>866,622</u>	<u>1,345,922</u>	<u>(1,597,644)</u>	<u>2,978,313</u>
Reportable segment profit or loss	<u>\$ 74,528</u>	<u>73,417</u>	<u>11,560</u>	<u>(60,492)</u>	<u>99,013</u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the six months ended June 30, 2022					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 2,473,533	1,444,720	2,164,023	-	6,082,276
Inter-segment revenue	<u>2,337,716</u>	<u>377,259</u>	<u>4,866</u>	<u>(2,719,841)</u>	<u>-</u>
Total revenues	<u>\$ 4,811,249</u>	<u>1,821,979</u>	<u>2,168,889</u>	<u>(2,719,841)</u>	<u>6,082,276</u>
Reportable segment profit or loss	<u>\$ 127,436</u>	<u>10,477</u>	<u>6,652</u>	<u>(56,560)</u>	<u>88,005</u>
For the six months ended June 30, 2021					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 1,498,625	1,503,063	2,628,140	-	5,629,828
Inter-segment revenue	<u>2,626,483</u>	<u>34,573</u>	<u>2,933</u>	<u>(2,663,989)</u>	<u>-</u>
Total revenues	<u>\$ 4,125,108</u>	<u>1,537,636</u>	<u>2,631,073</u>	<u>(2,663,989)</u>	<u>5,629,828</u>
Reportable segment profit or loss	<u>\$ 65,753</u>	<u>71,889</u>	<u>18,310</u>	<u>(49,933)</u>	<u>106,019</u>
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Reportable segment assets :					
June 30, 2022	<u>\$ 12,506,035</u>	<u>3,427,613</u>	<u>3,677,258</u>	<u>(8,422,455)</u>	<u>11,188,451</u>
December 31, 2021	<u>\$ 11,333,852</u>	<u>3,419,090</u>	<u>3,648,665</u>	<u>(7,959,404)</u>	<u>10,442,203</u>
June 30, 2021	<u>\$ 10,849,981</u>	<u>2,480,772</u>	<u>3,352,872</u>	<u>(7,003,528)</u>	<u>9,680,097</u>
Reportable segment liabilities :					
June 30, 2022	<u>\$ 7,651,751</u>	<u>2,323,745</u>	<u>2,409,385</u>	<u>(3,994,256)</u>	<u>8,390,625</u>
December 31, 2021	<u>\$ 7,179,506</u>	<u>2,416,025</u>	<u>2,474,362</u>	<u>(4,164,388)</u>	<u>7,905,505</u>
June 30, 2021	<u>\$ 6,119,635</u>	<u>1,534,836</u>	<u>2,145,018</u>	<u>(2,628,815)</u>	<u>7,170,674</u>