

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

Address: No. 12-9, Ln. 130, Sec. 2, Zhongshan E. Rd., Xinwu Dist, Taoyuan City 327,  
Taiwan (R.O.C.)  
Telephone: +866(3)477-8846

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of material accounting policies	11~28
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	29
(6) Explanation of significant accounts	30~66
(7) Related-party transactions	67
(8) Pledged assets	67
(9) Commitments and contingencies	68
(10) Losses Due to Major Disasters	68
(11) Subsequent Events	68
(12) Other	69
(13) Other disclosures	
(a) Information on significant transactions	70~75
(b) Information on investees	75~76
(c) Information on investment in mainland China	76~77
(d) Major shareholders	77
(14) Segment information	78~79

## **Representation Letter**

The entities that are required to be included in the combined financial statements of YFC-BONEAGLE ELECTRIC CO., LTD. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, YFC-BONEAGLE ELECTRIC CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: YFC-BONEAGLE ELECTRIC CO., LTD.

Chairman: Andrew Yeh

Date: March 15, 2024.



# 安侯建業聯合會計師事務所

## KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web [kpmg.com/tw](http://kpmg.com/tw)

4

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of YFC-BONEAGLE ELECTRIC CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

## 1. Revenue recognition

Please refer to note (4)(n) for significant accounting policy related to revenue recognition. For the details of revenue, please refer to note (6)(u).

### Description of key audit matter:

The sale transactions of the Group are mainly under FOB shipping point terms. Transfers of risk and rewards generally occurs upon loading the goods onto the relevant carrier at the port. The Group's online retail company transfer their control over the goods upon delivery of the goods to customers due to the nature of the industry. In addition, the Group's private-label online retail company and wholesale companies provide customers discounts based on the agreements, and allow customers to return items within a specific period of time in accordance with the policy, resulting high sales discounts and returns amounts. Consequently, revenue recognition has been identified as a key audit matter.

### How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures include:

- Testing the related controls surrounding revenue collection and assessing whether the revenue recognition policies comply with the accounting standards.
- Examining the agreements of selected customers to determine whether the accounting treatment is consistent with the contract terms and provisions stated and executing specific audit procedures.
- Performing trend analysis on major customers and products and compare the actual sales with the prior one to determine whether any significant variances exist.
- Testing the accuracy and appropriateness of management's calculation of sales discounts and returns by estimating them based on the actual sales discounts and returns in the previous years; examining subsequent sale returns to assess whether there are any significant differences.
- Assessing the adequacy of the Group's disclosures in respect of revenue recognition.

## 2. Impairment assessment of inventory

Please refer to note (4)(h) for significant accounting policies of inventory valuation. For the inventory disclosures, please refer to note (6)(d).

For uncertainties in accounting estimates and assumptions, please refer to note (5).

### Description of key audit matter:

Inventories of the Group are measured at the lower of cost and net realizable value. Inventory valuation loss is recognized for inventories exceeding specific stock ages or identified as obsolete stocks. Since copper is vulnerable to the impact of rapid price changes in the international market, there is a risk that the carrying value of inventories may exceed its net realizable value. In addition, the sales of online retail and wholesale subsidiaries are strongly influenced by preferences of customers, resulting in short product life-cycles and challenging inventory management. Therefore, the valuation of inventory has been identified as a key audit matter.

#### How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures include:

- Testing the related controls surrounding the production cycle and ensuring consistent application of accounting policies to the cost of inventories.
- Obtaining complete aging analysis of inventories and analyzing changes therein; assessing the appropriateness of provisions.
- Evaluating the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, and agreeing to information obtained from physical inventory.
- Understanding the assumptions used by management in determining net realizable value and evaluating its reasonableness.
- Assessing the adequacy of the Group's disclosures in respect of inventory.

#### **Other Matter**

YFC-BONEAGLE ELECTRIC CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit committee) are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee, Fang-Yi and Hsieh, Chiu-Hua.

KPMG

Taipei, Taiwan (Republic of China)

March 15, 2024

#### 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

**(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)  
YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**

## Consolidated Balance Sheets

**December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

**(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)**  
**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

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

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Operating revenue (note (6)(u))</b>	\$ 9,837,931	100	11,670,625	100
5110	<b>Operating costs (notes (6)(d), (n), (p), (v) and (12))</b>	<u>7,852,379</u>	<u>80</u>	<u>9,383,808</u>	<u>80</u>
5900	<b>Gross profit from operations</b>	<u>1,985,552</u>	<u>20</u>	<u>2,286,817</u>	<u>20</u>
6100	<b>Operating expenses (notes (6)(b), (n), (p), (s), (v), (7) and (12)):</b>				
6100	Selling expenses	1,880,558	19	1,895,362	17
6200	Administrative expenses	594,975	6	707,275	6
6300	Research and development expenses	49,812	1	43,883	-
6450	Expected credit loss	<u>79,214</u>	<u>1</u>	<u>10,779</u>	<u>-</u>
6000	<b>Total operating expenses</b>	<u>2,604,559</u>	<u>27</u>	<u>2,657,299</u>	<u>23</u>
6900	<b>Operating loss</b>	<u>(619,007)</u>	<u>(7)</u>	<u>(370,482)</u>	<u>(3)</u>
7010	<b>Non-operating income and expenses (notes (6)(e), (l), (n) and (w)):</b>				
7010	Other income	10,948	-	9,537	-
7020	Other gains and losses, net	106,504	1	1,952,974	16
7100	Interest income	29,371	-	7,056	-
7050	Finance costs, net	<u>(159,682)</u>	<u>(1)</u>	<u>(160,868)</u>	<u>(1)</u>
7000	<b>Total non-operating income and expenses</b>	<u>(12,859)</u>	<u>-</u>	<u>1,808,699</u>	<u>15</u>
7900	<b>Loss (profit) from continuing operations before tax</b>	<u>(631,866)</u>	<u>(7)</u>	<u>1,438,217</u>	<u>12</u>
7950	<b>Less: Income tax (income) expenses (note (6)(q))</b>	<u>(191,969)</u>	<u>(3)</u>	<u>634,046</u>	<u>5</u>
	<b>(Loss) profit</b>	<u>(439,897)</u>	<u>(4)</u>	<u>804,171</u>	<u>7</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss (note (6)(p))</b>				
8311	(Losses) gains on remeasurements of defined benefit plans	(1,325)	-	2,969	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>(1,325)</u>	<u>-</u>	<u>2,969</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss (notes (6)(q) and (r))</b>				
8361	Exchange differences on translation of foreign operation	(25,300)	(1)	380,416	4
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(5,060)</u>	<u>-</u>	<u>76,083</u>	<u>1</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>(20,240)</u>	<u>(1)</u>	<u>304,333</u>	<u>3</u>
8300	<b>Other comprehensive (loss) income</b>	<u>(21,565)</u>	<u>(1)</u>	<u>307,302</u>	<u>3</u>
8500	<b>Total comprehensive (loss) income</b>	<u><b>\$ (461,462)</b></u>	<u><b>(5)</b></u>	<u><b>1,111,473</b></u>	<u><b>10</b></u>
	<b>(Loss) profit attributable to:</b>				
8610	(Loss) profit attributable to owners of parent	\$ (439,986)	(4)	803,702	7
8620	Profit attributable to non-controlling interests	89	-	469	-
8600	<b>Net (loss) profit</b>	<u><b>\$ (439,897)</b></u>	<u><b>(4)</b></u>	<u><b>804,171</b></u>	<u><b>7</b></u>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive (loss) income attributable to owners of parent	\$ (461,551)	(5)	1,111,004	10
8720	Comprehensive income attributable to non-controlling interests	89	-	469	-
8700	<b>Comprehensive (loss) income</b>	<u><b>\$ (461,462)</b></u>	<u><b>(5)</b></u>	<u><b>1,111,473</b></u>	<u><b>10</b></u>
	<b>(Losses) earnings per share (in NT dollars) (note (6)(t))</b>				
9750	<b>Basic (losses) earnings per share</b>	<u><b>\$ (3.03)</b></u>		<u><b>5.87</b></u>	
9850	<b>Diluted (losses) earnings per share</b>	<u><b>\$ (3.03)</b></u>		<u><b>5.65</b></u>	

**(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)**  
**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total other equity interest		
	Share capital				Retained earnings				Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Ordinary shares	Bond conversion entitlement certificates	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings					
<b>Balance at January 1, 2022</b>	\$ 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)	-	-	-	-	-	-	803,702	803,702	-	803,702	469	804,171	
Other comprehensive income	-	-	-	-	-	-	2,969	2,969	304,333	307,302	-	307,302	
Total comprehensive income	-	-	-	-	-	-	806,671	806,671	304,333	1,111,004	469	1,111,473	
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)	
Cash capital increase	75,000	-	75,000	72,500	-	-	-	-	-	147,500	-	147,500	
Share-based transactions	-	-	-	2,604	-	-	-	-	-	2,604	-	2,604	
Conversion of convertible bonds	-	47,128	47,128	66,770	-	-	-	-	-	113,898	-	113,898	
Conversion of certificates of bonds conversion entitlement	43,959	(43,959)	-	-	-	-	-	-	-	-	-	-	
<b>Balance at December 31, 2022</b>	1,438,682	3,169	1,441,851	949,023	233,580	414,386	961,255	1,609,221	(110,053)	3,890,042	5,131	3,895,173	
Profit (loss)	-	-	-	-	-	-	(439,986)	(439,986)	-	(439,986)	89	(439,897)	
Other comprehensive income	-	-	-	-	-	-	(1,325)	(1,325)	(20,240)	(21,565)	-	(21,565)	
Total comprehensive income	-	-	-	-	-	-	(441,311)	(441,311)	(20,240)	(461,551)	89	(461,462)	
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	80,667	-	(80,667)	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	-	-	(434,605)	(434,605)	-	(434,605)	-	(434,605)	
Conversion of convertible bonds	-	6,831	6,831	9,751	-	-	-	-	-	16,582	-	16,582	
Conversion of certificates of bonds conversion entitlement	10,000	(10,000)	-	-	-	-	-	-	-	-	-	-	
Conversion of employee remuneration in shares	15,945	-	15,945	30,055	-	-	-	-	-	46,000	-	46,000	
<b>Balance at December 31, 2023</b>	\$ 1,464,627	-	1,464,627	988,829	314,247	414,386	4,672	733,305	(130,293)	3,056,468	5,220	3,061,688	

See accompanying notes to consolidated financial statements.

**(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)**  
**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) operating activities:</b>		
(Loss) profit before tax	\$ (631,866)	1,438,217
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	207,128	243,632
Amortization expense	47,918	34,021
Expected credit loss	79,214	10,779
Interest expense	159,682	160,868
Interest income	(29,371)	(7,056)
Share-based payments transactions	-	2,604
Gain on disposal of property, plant and equipment	(15)	(2,007,544)
Property, plant and equipment transferred to expenses	(98,247)	-
Impairment loss on non-financial assets	-	104,473
Unrealized foreign exchange loss (gain)	12,625	27,291
Total adjustments to reconcile profit (loss)	<u>378,934</u>	<u>(1,430,932)</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	(16,712)	626,588
Other receivables	11,253	(7,688)
Inventories	265,519	1,289,527
Prepayments	172,950	(71,797)
Other current assets and right to the return goods	(410)	400
Total changes in operating assets	<u>432,600</u>	<u>1,837,030</u>
Notes and accounts payable	371,648	(252,660)
Other payables	(129,682)	96,682
Refund liabilities and provisions for employee benefits	3,072	(14,726)
Other current liabilities and contract liabilities	57,290	(22,265)
Other non-current liabilities	(5,275)	413
Total changes in operating liabilities	<u>297,053</u>	<u>(192,556)</u>
Total changes in operating assets and liabilities	<u>729,653</u>	<u>1,644,474</u>
Total adjustments	<u>1,108,587</u>	<u>213,542</u>
Cash inflow generated from operations	476,721	1,651,759
Interest received	29,364	7,054
Interest paid	(158,178)	(158,890)
Income taxes refund (paid)	8,080	(63,066)
<b>Net cash flows from operating activities</b>	<b><u>355,987</u></b>	<b><u>1,436,857</u></b>

See accompanying notes to consolidated financial statements.

**(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)**  
**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(78,971)	(194,039)
Proceeds from disposal of property, plant and equipment	16,052	2,656,868
Income taxes payment from disposal of property, plant and equipment	-	(623,612)
Acquisition of intangible assets	(192,140)	(85,591)
Decrease in other financial assets and non-current assets	19,695	2,537
Increase in prepayments for business facilities	(509)	(1,842)
<b>Net cash flows (used in) from investing activities</b>	<b>(235,873)</b>	<b>1,754,321</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	3,382,079	5,156,538
Decrease in short-term loans	(3,122,440)	(6,057,294)
Decrease in short-term notes and bills payable	(129,907)	(169)
Repayments of convertible bonds	(100)	-
Proceeds from long-term debt	1,161,380	1,169,531
Repayments of long-term debt	(1,584,096)	(2,101,553)
Payment of lease liabilities	(135,521)	(164,773)
Decrease in other non-current liabilities	(2,128)	(10,959)
Cash dividends paid	(434,605)	(17,000)
Proceed from cash capital increase	-	147,500
<b>Net cash flows used in financing activities</b>	<b>(865,338)</b>	<b>(1,878,179)</b>
Effect of exchange rate changes on cash and cash equivalents	17,282	84,843
Net (decrease) increase in cash and cash equivalents	(727,942)	1,397,842
Cash and cash equivalents at beginning of period	2,100,360	702,518
Cash and cash equivalents at end of period	<b>\$ 1,372,418</b>	<b>2,100,360</b>

**(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)**  
**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars Except for Earnings (Loss) 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 years ended December 31, 2023 and 2022 were authorized for issue by the board of directors on March 15, 2024.

**(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 details of impact on the Group’s adoption of the new amendments beginning January 1, 2023 are as follows :

(i) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group may need to equally recognize its deferred income tax assets and deferred income tax liabilities. The application of the amendments resulted in both deferred tax assets and deferred tax liabilities to increase by \$105,216 and \$100,225 on January 1 and December 31, 2022, respectively. Consequently, there were no impacts on the retain earnings, consolidated statement of comprehensive income, changes in equity, and cash flows, for the year ended December 31, 2022.

In addition, if the Group had applied its previous accounting policy, both deferred tax assets and deferred tax liabilities would have decreased by \$69,791 on December 31, 2023. There is no impact on the consolidated statements of comprehensive income, changes in equity and cash flows in the said period.

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

(ii) Other amendments

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from January 1, 2023 :

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following 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”
- Amendments to IAS21 “Lack of Exchangeability”

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

**(4) Summary of material accounting policies:**

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated in note (3), the following accounting policies were applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of defined benefit obligations, limited as explained in note (4)(p)

(ii) Functional and presentation currency

The functional currency of the Group entities is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) Loss of control over a subsidiary

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(iii) 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		
			December 31, 2023	December 31, 2022	Note
The Company	BESTLINK NETWARE, INC. (BESTLINK)	Trading business	100 %	100 %	Subsidiary
"	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD. (B.V.I.)	Holding company set up for investments in Philippines, China and USA	100 %	100 %	"
"	UNC INVESTMENT & DEVELOPMENT INC. (UNC)	Real estate investment business	100 %	100 %	"
"	PREMIUM-LINE KSI GMBH (KSI)	Trading business	100 %	100 %	"
"	MONOPRICE HOLDINGS, INC. (MONOPRICE HOLDINGS)	Holding company set up for investments in USA	100 %	100 %	
"	PREMIUM-LINE SYSTEMS GMBH (PREMIUM-LINE SYSTEMS)	Sale of network equipment and electronic appliances	100 %	100 %	"
"	YUE FONG COMPANY LIMITED	Trading business	100 %	100 %	"
"	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Trading business	100 %	100 %	"

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			December 31, 2023	December 31, 2022	Note
B.V.I.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD. (CAYMANS)	Holding company set up for investments in China and USA	100 %	100 %	Second-tier subsidiary
"	EUROPOWER INTERNATIONAL LIMITED (EUROPOWER)	Trading business	100 %	100 %	"
"	UNIVERSAL NETWORK CORPORATION (UNIVERSAL)	Holding company set up for investments in China	100 %	100 %	"
"	MAX SYNERGY LIMITED (MAX)	Holding company set up for investments in China	80 %	80 %	"
"	PREMIUM LINE ASIA LTD. (PREMIUMLINE)	Trading business	100 %	100 %	"
"	YFC-BONEAGLE INTERNATIONAL, INC. (PHILIPPINES)	Trading business	100 %	100 %	"
"	BESZIN CORPORATION INC. (BESZIN)	Trading business	100 %	100 %	"
"	YFC DEVELOPMENT CORPORATION	Real estate investment business	100 %	100 %	"
"	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	"
MONOPRICE HOLDINGS	MONOPRICE INC. (MONOPRICE)	Trading business	100 %	100 %	Third-tier subsidiary
CAYMANS	DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD. (DONGGUAN YFC)	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	"
"	PRIME WIRE & CABLE, INC. (PRIME WIRE)	Retailing of cord sets and network cabling system	100 %	100 %	"
"	CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD. (CHENZHOU YFC)	Processing and sale of communication products and internet cables	- %	100 %	Third-tier subsidiary and Note 1
UNIVERSAL	WUXI UNIVERSAL NETWORK CORPORATION (WUXI)	Manufacturing and sale of high-speed high-frequency LAN cables	100 %	100 %	Third-tier subsidiary

Note 1: Since CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD., an immaterial subsidiary, has completed its milestones, the Group had decided in the end of 2022 to liquidate the above subsidiary in June 2023.

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

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

(Continued)

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

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate. Translation differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

**(e) Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand, check deposits, and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the criteria above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract such as a default or being more than 360 days past due;
- the Group, for economic or contractual reasons relating to the customer's financial difficulty, having granted to the customer a concession that the Group would not otherwise consider;
- it is probable that the customer will enter bankruptcy or other financial reorganization;
- or

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

**4) Financial liabilities**

Financial liabilities are classified as measured at amortized cost, that are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Other financial liabilities are classified as measured at amortized cost, that are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**5) Derecognition of financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**6) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**(h) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. In the case of merchandises, cost refers to the acquired amount.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. For merchandises, net realizable value refers to estimated selling price in the ordinary course of business.

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

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings 3~50 years
- 2) Machinery and equipment 2~20 years
- 3) Office and other equipment 1~20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize the right-of-use assets and lease liabilities for short-term leases of its buildings and vehicles that have a lease term of 12 months or less, as well as leases of low-value assets of its office equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

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

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful lives, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- 1) Patents: 3 years
- 2) Customer relationships: 2~6 years
- 3) Trademarks: 15 years
- 4) Computer software: 1~10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful lives are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill and intangible assets with indefinite useful lives are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(m) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**Onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

**(n) Revenue recognition**

**(i) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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

**1) Sale of goods**

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or order agreement, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

The Group, based on the contract or order agreement, provides customers volume discounts as sales products cumulatively reach a certain amount or quantity within a specific period of time. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of the Group's products are made with a credit term of 30 to 120 days, which is consistent with the market practice.

The Group's private-label online retail company and wholesale companies pay a certain percentage of sales amount to customers for advertising expenses, promotional sponsorship, and compensation for damaged goods, based on the contract or order agreement. However, since the payments were not differentiable goods or services, the payments should be treated as deduction items of the transaction price and revenue; while the prepayment to customers should be treated as refund liabilities.

The Group's private-label online retail company grants its customers the right to return the product within thirty days. Therefore, the Group reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the rate of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated rate of expected returns.

**2) Financing components**

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

(ii) Rental income

The Group lease out its office and recognizes the revenue during the lease period.

(o) Government grants

The Group recognizes an unconditional government grant related to a low-interest loan from government in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date of the share-based payment is the date on which the Group recognizes the number of shares subscribed by employees.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they arise, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

The Group discloses the Company basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholder of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjusting for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise convertible notes and employee compensation not yet resolved by the shareholders.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

In preparing the consolidated financial statements, management has made 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Group is likely to be facing economic uncertainty, such as climate change and inflation. However, these events are not expected to have a significant impact on the Group. Those events may have a significant impact in the next financial year on the following accounting estimates, which depend on the future forecasts.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements: none.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance for trade receivables

The Group has estimated the loss allowance for trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(b).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note (6)(d) for further description of the valuation of inventories.

(c) Impairment of goodwill and trademarks

The assessment of impairment of goodwill trademarks requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(g) for further description of the impairment of goodwill.

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 2,099	1,435
Demand deposits	1,263,022	2,026,072
Check deposits	106,864	72,369
Time deposits	433	484
Cash and cash equivalents in consolidated statement of cash flows	<b>\$ 1,372,418</b>	<b>2,100,360</b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable from operating activities	\$ 19,601	40,016
Accounts receivable - measured as amortized cost	2,105,620	2,146,445
Less: Loss allowance	(139,356)	(54,113)
Net	<b>\$ 1,985,865</b>	<b>2,132,348</b>

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 was determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,495,137	0.5%	7,015
Past due 1 to 30 days	156,829	1.7%	2,702
Past due 31 to 120 days	290,769	8.6%	25,096
Past due 121 to 180 days	41,132	13.9%	5,727
Past due 181 to 360 days	59,352	28.3%	16,814
Past due more than 360 days	82,002	100%	82,002
Total	<b>\$ 2,125,221</b>		<b>139,356</b>

(Continued)

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

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,611,316	0.1%	2,223
Past due 1 to 30 days	154,900	0.4%	689
Past due 31 to 120 days	361,060	6.3%	22,756
Past due 121 to 180 days	30,448	23.9%	7,284
Past due 181 to 360 days	14,422	47.5%	6,846
Past due more than 360 days	<u>14,315</u>	100%	<u>14,315</u>
Total	<u><u>\$ 2,186,461</u></u>		<u><u>54,113</u></u>

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

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 54,113	39,015
Expect credit loss	79,214	10,779
Amounts written off	(588)	(97)
Foreign exchange (gain) loss	<u>6,617</u>	<u>4,416</u>
Balance at December 31	<u><u>\$ 139,356</u></u>	<u><u>54,113</u></u>

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

(c) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Value-added tax returned by export trade	\$ 5,960	7,666
Other	12,897	22,252
Less: Loss allowance	-	-
Net	<u><u>\$ 18,857</u></u>	<u><u>29,918</u></u>

As of December 31, 2023 and 2022, loss allowance for other receivables were measured at an amount equal to life time expected credit loss, and no provisions were required.

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

**(d) Inventory**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Merchandise inventory (including goods in transit)	\$ 2,454,576	2,771,683
Finished goods	178,186	150,769
Work in progress	37,612	42,103
Raw materials	182,573	145,325
Supplies	14,036	10,138
<b>Total</b>	<b>\$ 2,866,983</b>	<b>3,120,018</b>

For the years ended in 2023 and 2022, the (gain) loss recognized for the (recovery) decline in the inventory prices were \$(167,024) and \$408,353 respectively, due to the adjustment of inventory to net realized value, accounted for as cost of goods sold.

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

	<b>2023</b>	<b>2022</b>
Inventory valuation and obsolescence (gains) losses	(167,024)	408,353
Revenue from sale of scraps	(25,761)	(38,149)
<b>Total</b>	<b>\$ (192,785)</b>	<b>370,204</b>

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

**(e) Property, plant, and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022 were as follows:

	<b>Land</b>	<b>Buildings and construction</b>	<b>Machinery and equipment</b>	<b>Office and other equipment</b>	<b>Total</b>
Costs or deemed cost:					
Balance at January 1, 2023	\$ 296,000	570,491	1,007,802	525,507	2,399,800
Additions	-	5,266	38,457	28,198	71,921
Reclassification	-	-	43,012	(43,012)	-
Disposals	-	(214)	(38,878)	(54,315)	(93,407)
Effect of changes in foreign exchange rate	1,517	(7,488)	(7,629)	2,552	(11,048)
Balance at December 31, 2023	<b>\$ 297,517</b>	<b>568,055</b>	<b>1,042,764</b>	<b>458,930</b>	<b>2,367,266</b>
Balance at January 1, 2022	\$ 284,773	953,071	1,133,114	418,015	2,788,973
Additions	-	80,746	44,830	92,093	217,669
Reclassification	246,163	(246,450)	(62)	62	(287)
Disposals	(246,163)	(259,931)	(201,089)	(30,992)	(738,175)
Effect of changes in foreign exchange rate	11,227	43,055	31,009	46,329	131,620
Balance at December 31, 2022	<b>\$ 296,000</b>	<b>570,491</b>	<b>1,007,802</b>	<b>525,507</b>	<b>2,399,800</b>

(Continued)

**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**  
**Notes to the 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>
Accumulated depreciation and impairment:					
Balance at January 1, 2023	\$ -	293,039	761,100	292,352	1,346,491
Depreciation for the period	- -	21,745	40,860	33,487	96,092
Disposals	- -	(206)	(33,854)	(43,310)	(77,370)
Effect of changes in foreign exchange rate	- -	(3,845)	(4,880)	(738)	(9,463)
Balance at December 31, 2023	<u>\$ -</u>	<u>310,733</u>	<u>763,226</u>	<u>281,791</u>	<u>1,355,750</u>
Balance at January 1, 2022	\$ -	321,214	843,961	256,844	1,422,019
Depreciation for the period	- -	20,559	48,619	41,101	110,279
Disposals	- -	(55,971)	(153,473)	(28,006)	(237,450)
Effect of changes in foreign exchange rate	- -	7,237	21,993	22,413	51,643
Balance at December 31, 2022	<u>\$ -</u>	<u>293,039</u>	<u>761,100</u>	<u>292,352</u>	<u>1,346,491</u>
Carrying value:					
Balance at December 31, 2023	<u>\$ 297,517</u>	<u>257,322</u>	<u>279,538</u>	<u>177,139</u>	<u>1,011,516</u>
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 December 31, 2022	<u>\$ 296,000</u>	<u>277,452</u>	<u>246,702</u>	<u>233,155</u>	<u>1,053,309</u>

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 \$80,746. Also, its plant in the Philippines purchased machinery and other equipment at the amount of \$102,632 for the year ended December 31,2022.

In order to enrich the Group's working capital the Group sold its warehouse in Cerritos, California, United States, which is fully owned by its subsidiary, USC INVESTMENT & DEVELOPMENT INC., to an external third party based on a resolution approved during the board of director' meeting held on May 9, 2022. 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. The selling price amounted to USD88,000 thousand and recognized gains of disposal for \$2,029,815. 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 sales portion of the above transaction was recognized as gain from disposal. Furthermore, the parts of the leaseback amounting to \$30,513 and \$179,112 were accounted for as right-of-use asset and lease liability, respectively, with the difference of unrealized sales gain amounting to \$148,599. However, the Group terminated the above lease-back agreement and disposed the related right-of-use-assets and lease liabilities in April 2023. Please refer to note(6)(f).

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).

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

(f) 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:

	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Cost:				
Balance at January 1, 2023	\$ 15,468	775,097	12,353	802,918
Additions	-	40,481	851	41,332
Write-off	-	(112,517)	-	(112,517)
Effect of changes in foreign exchange rate	(260)	(41,646)	(11)	(41,917)
Balance at December 31, 2023	<b>\$ 15,208</b>	<b>661,415</b>	<b>13,193</b>	<b>689,816</b>
Balance at January 1, 2022	\$ 15,227	675,107	12,311	702,645
Additions	-	185,094	-	185,094
Unrealized gain of the sale-leaseback	-	(148,599)	-	(148,599)
Write-off	-	(813)	-	(813)
Effect of changes in foreign exchange rate	241	64,308	42	64,591
Balance at December 31, 2022	<b>\$ 15,468</b>	<b>775,097</b>	<b>12,353</b>	<b>802,918</b>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 4,439	368,949	6,903	380,291
Depreciation for the period	309	107,009	3,718	111,036
Write-off	-	(54,910)	-	(54,910)
Effect of changes in foreign exchange rate	(80)	(41,087)	(2)	(41,169)
Balance at December 31, 2023	<b>\$ 4,668</b>	<b>379,961</b>	<b>10,619</b>	<b>395,248</b>
Balance at January 1, 2022	\$ 4,065	217,433	3,191	224,689
Depreciation for the period	310	129,349	3,694	133,353
Write-off	-	(813)	-	(813)
Effect of changes in foreign exchange rate	64	22,980	18	23,062
Balance at December 31, 2022	<b>\$ 4,439</b>	<b>368,949</b>	<b>6,903</b>	<b>380,291</b>
Carrying value:				
Balance at December 31, 2023	<b>\$ 10,540</b>	<b>281,454</b>	<b>2,574</b>	<b>294,568</b>
Balance at January 1, 2022	<b>\$ 11,162</b>	<b>457,674</b>	<b>9,120</b>	<b>477,956</b>
Balance at December 31, 2022	<b>\$ 11,029</b>	<b>406,148</b>	<b>5,450</b>	<b>422,627</b>

In order to seek the most effective solution in dealing with the current trading situation between China and the United States, and to comply with the adjustments made to the Group's business strategies, the Group acquired its right-of-use assets in the United States and Taiwan, at a building cost of \$36,495 (minus unrealized gain of the sale-leaseback).

(Continued)

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

The warehouse that was leased back by UNC, was leased to the subsidiaries, PRIME WIRE and BESTLINK. However, after March 31, 2023, both subsidiaries decided to discontinue to lease of the above warehouse. Instead, they leased the other warehouse in Western California of the another subsidiary, MONOPRICE, resulting in the Group to write-off the related lease-back right-of-use assets amounting to \$57,607 and lease liabilities amounting to \$155,854, recognizing the gain on disposal of \$98,247. Please refer to note (6)(w) for detail.

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

**(g) Intangible assets**

The costs and amortization of intangible assets of the Group for the years ended December 31, 2023 and 2022 were as follows:

	<b>Goodwill</b>	<b>Trademark</b>	<b>Patent and customer relationships</b>	<b>Computer software and development cost</b>	<b>Total</b>
Costs or deemed cost:					
Balance at January 1, 2023	\$ 316,381	99,362	84,606	355,539	855,888
External acquisition	-	-	-	192,140	192,140
Effect of changes in foreign exchange rate	(52)	(17)	25	(2,616)	(2,660)
Balance at December 31, 2023	<u>\$ 316,329</u>	<u>99,345</u>	<u>84,631</u>	<u>545,063</u>	<u>1,045,368</u>
Balance at January 1, 2022	\$ 285,108	89,543	76,554	238,754	689,959
External acquisition	-	-	-	85,591	85,591
Write-off	-	-	-	(2,017)	(2,017)
Effect of changes in foreign exchange rate	31,273	9,819	8,052	33,211	82,355
Balance at December 31, 2022	<u>\$ 316,381</u>	<u>99,362</u>	<u>84,606</u>	<u>355,539</u>	<u>855,888</u>
Accumulated amortization and impairment:					
Balance at January 1, 2023	\$ 107,351	7,145	84,606	234,415	433,517
Amortization for the period	-	-	-	47,918	47,918
Effect of changes in foreign exchange rate	(18)	(1)	25	(656)	(650)
Balance at December 31, 2023	<u>\$ 107,333</u>	<u>7,144</u>	<u>84,631</u>	<u>281,677</u>	<u>480,785</u>
Balance at January 1, 2022	\$ -	6,441	73,386	181,916	261,743
Amortization for the period	-	-	3,527	30,494	34,021
Write-off	-	-	-	(2,017)	(2,017)
Impairment loss	104,473	-	-	-	104,473
Effect of changes in foreign exchange rate	2,878	704	7,693	24,022	35,297
Balance at December 31, 2022	<u>\$ 107,351</u>	<u>7,145</u>	<u>84,606</u>	<u>234,415</u>	<u>433,517</u>

(Continued)

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

	<u>Goodwill</u>	<u>Trademark</u>	<u>Patent and customer relationships</u>	<u>Computer software and development cost</u>	<u>Total</u>
Carrying value:					
Balance at December 31, 2023	\$ <u>208,996</u>	<u>92,201</u>	<u>-</u>	<u>263,386</u>	<u>564,583</u>
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 December 31, 2022	\$ <u>209,030</u>	<u>92,217</u>	<u>-</u>	<u>121,124</u>	<u>422,371</u>

The amortizations of intangible assets are included in the statement of comprehensive income. Also, please refer to note (12) sets out information about the amortization fee for the period:

		<b>2023</b>	<b>2022</b>
Operating cost – amortization	\$	798	2,287
Operating expenses – amortization		47,120	31,734
Total	\$	<u>47,918</u>	<u>34,021</u>

(i) Evaluation of goodwill and trademark

The goodwill incurred from the acquisition of a US subsidiary, PRIME WIRE, amounted to \$139,205. After conducting a regular impairment testing, the recoverable amounts as of December 31, 2023 and 2022 exceeded their carrying amounts, thus, there was no risk of impairment of goodwill as a result of the above acquisition.

The goodwill, trademark and customer relationships incurred from acquisition of MONOPRICE, a U.S. brand e-commerce company, totaled \$341,039, resulting in an unamortized balance of \$266,492 as of December 31, 2022, due to the originally expected outcome in synergies and increased earnings following the acquisition. In accordance with IAS 36, the non-indefinite intangible assets (goodwill and trademark) acquired in a business combination should have an impairment test of goodwill and trademark at least annually, the impairment test is to allocate the goodwill and trademark to the cash generating units that are expected to benefit from the synergies of the acquisition. MONOPRICE itself is a cash generating unit that can generate independent cash flows, hence, the impairment of non-deterministic intangible assets is assessed by calculating the value-in-use of MONOPRICE to determine whether the book value of net assets is subject to impairment.

Furthermore, the US largest online retailer, Amazon, executed zero delivery fee policy for its partial products, prompting other merchants to follow. The aforementioned factors and the US custom duties significantly impacted the profit of the subsidiary, Monoprice. Although it subsequently increased its pricing by adjusting its operations strategy in 2022, its operating conditions failed to meet the expectation.

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

The recoverable amount of MONOPRICE, amounting to \$821,861, turned out to be lower than its book value of \$926,334 due to the above factors, resulting in the impairment loss on the goodwill and trademark amounting to \$104,473 to be recognized as other profit and loss in 2022. Please refer to note (6)(w). In addition, MONOPRICE underwent a significant clearance of old stocks in the latter half of 2023 to reclaim its working capital while continuously adjusting its product line structure and refining its operational strategies. After conducting a regular impairment testing, the recoverable amounts as of December 31, 2023 exceeded their carrying amounts, thus, there was no risk on impairment of goodwill and trademark as a result of the above acquisition.

The recoverable amount of MONOPRICE is determined based on its value-in-use, which is calculated based on the pre-tax cash flow forecast of the five-year financial budget approved by the management, adjusted for past actual operating conditions. The discount rate used for the estimated value-in-use in 2022 was 10.2%.

(ii) Development cost of computer software

The development cost of computer software was derived from US subsidiaries' website development cost of previous years.

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current assets:		
Temporary payments	\$ 7,168	6,694
Right to the return goods-current	<u>5,962</u>	<u>5,963</u>
Subtotal	<u>13,130</u>	<u>12,657</u>
Other non-current assets:		
Other non-current financial assets	6,190	6,063
Guarantee deposits paid	39,507	58,858
Net defined benefit assets	4,241	5,561
Other	<u>744</u>	<u>1,170</u>
Subtotal	<u>50,682</u>	<u>71,652</u>
Total	<u><u>\$ 63,812</u></u>	<u><u>84,309</u></u>

(i) Temporary payments

Temporary payments are mainly payments made on behalf of others.

(ii) Other non-current financial assets

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

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

(iii) Guarantee deposits paid

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

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

(i) Short-term borrowings

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank loans	\$ 2,272,353	2,005,324
Unsecured non-financial institution loans	-	18,316
<b>Total</b>	<b>\$ 2,272,353</b>	<b>2,023,640</b>
Unused short-term and long-term credit lines	<u>\$ 2,134,302</u>	<u>2,338,347</u>
Interest rates	<u>1.79~7.39%</u>	<u>1.81~6.3%</u>

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

(j) Short-term notes and bills payable

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

	<b>December 31, 2023</b>		
	<b>Institution</b>	<b>Interest rate</b>	<b>Amount</b>
Commercial paper payable	Taiwan Cooperative Bills Finance and Taiwan Finance	2.28~2.37%	\$ 100,000
Less: Discount on short-term notes and bills payable			(170)
<b>Total</b>			<b><u>\$ 99,830</u></b>

	<b>December 31, 2022</b>		
	<b>Institution</b>	<b>Interest rate</b>	<b>Amount</b>
Commercial paper payable	Mega Bills Finance, Taiwan Finance, Taiwan Cooperative Bills Finance, and Dah Chung Bills Finance	2.04~2.21%	\$ 230,000
Less: Discount on short-term notes and bills payable			(263)
<b>Total</b>			<b><u>\$ 229,737</u></b>

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

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

**(k) Long-term borrowings**

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

	<b>December 31, 2023</b>			
	<b>Currency</b>	<b>Interest rates</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank loans	NTD	1.85%~2.43%	113~115	\$ 528,514
Secured bank loans	NTD	2.06%~2.23%	117~129	129,467
Unsecured bank loans	USD and PHP	6.75%~7.55%	114~115	506,804
Total				1,164,785
Less: Current portion				(369,028)
Non-current portion				\$ 795,757

  

	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Interest rates</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank loans	NTD	1.99~2.31%	112~115	\$ 642,987
Secured bank loans	NTD	1.94~1.38%	117~129	142,124
Unsecured bank loans	USD and PHP	6.25~7.25%	112~113	760,378
Secured non-financial institution loans	NTD	2.50%	112	38,633
Total				1,584,122
Less: Current portion				(1,189,130)
Non-current portion				\$ 394,992

**(i) Collateral for long-term borrowings**

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

**(ii) Low-interest loan from government**

According to "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses", the Group has been awarded a low-interest loan from Bank of Taiwan at the beginning of 2020 with the maximum credit amounting to \$484,000, including the amounts of \$284,000 and \$200,000 for the purpose of its business operation, as well as acquisition of its machinery and equipment, respectively. The project will continue for 7 years with an actual preferential interest rate of 0.1% until December 31, 2022. For the year ended December 31, 2022, the actual used credit facilities amounted to \$219,130, while the fair value imputed by the market interest rate of 1.4% amounted to \$214,555, with the difference of \$4,575, deemed as government grant and recognized in deferred income. Please refer to note (6)(o) and there was no such transaction for the year ended December 31, 2023.

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

**(I) Bonds payable**

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Convertible bonds issued	\$ 400,000	400,000
Less: Unamortized discount on convertible bonds	-	(338)
Accumulated converted and redeemed amount	<u>(400,000)</u>	<u>(383,000)</u>
	-	16,662
Less: Current portion	-	(16,662)
Non-current portion	<u>\$ -</u>	<u>-</u>
Equity component – conversion options (included in "Capital surplus – stock options")	<u>\$ -</u>	<u>2,026</u>
	<b>2023</b>	<b>2022</b>
Interest expense	<u><u>20</u></u>	<u><u>1,630</u></u>

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

<b>Period</b>	<b>Type</b>	<b>Issuance Period</b>	<b>Total Amount (in thousands dollars)</b>	<b>Coupon Rate</b>	<b>Effective Rate</b>	<b>Conversion Price (in dollar)</b>
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0 %	1.67 %	24.3

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.

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

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 18, 2021, the adjusted conversion price had further decreased to \$24.6 per share due to the events of ex-rights. Beginning August 25, 2022, the adjusted conversion price had further decreased to \$24.3 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**

Except for the matter mentioned above, a resolution had been made during the board meeting held in November 2022, with the approval of the Financial Supervisory Commission with letters No.1110364563, for the Company to reverse its decision concerning the issuance of its 10th domestic unsecured convertible corporate bonds, which was decided during its board meeting held on April 26, 2022 and approved by the Financial Supervisory Commission with letters No.11103425361.

**(iv) Conversion of bonds**

In 2023, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 166 bonds, with the carrying amount of \$16,582, resulting in the capital surplus to increase by \$9,751, and the ordinary shares to be converted at the amount of \$6,831.

In 2022, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 1,147 bonds, with the carrying amount of \$113,898, resulting in the capital surplus to increase by \$66,770, and the ordinary shares to be converted at the amount of \$47,128.

**(v) Repurchase of bonds**

There was no repurchase of bond payable for the years ended December 31, 2023 and 2022.

**(vi) Redeem of due bonds**

The Company's ninth domestic unsecured convertible bonds had matured on February 28, 2023, with maturity repayment amounting to \$100. On February 2023, the Company repaid its creditors due to the maturity of their bonds and termination of its trading on the Taiwan Over-The-Counter Securities Exchange.

**(vii) Collateral**

There were no bonds payable pledged as collateral by the Company for the years ended December 31, 2023, and 2022.

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

(m) Other payables and refund liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Salaries and bonuses payable	\$ 53,015	85,065
Compensation and bonus due to employees	-	52,181
Compensation due to directors	-	34,787
Interest payable	6,093	4,609
Processing fee payable	5,542	8,056
Payable on machinery and equipment	3,072	11,572
Freight payable	83,736	80,578
VAT and sales tax payable	213,580	219,392
Other accrued expenses	<u>161,658</u>	<u>212,302</u>
Other payables	<u><u>\$ 526,696</u></u>	<u><u>708,542</u></u>
Refund liabilities	<u><u>\$ 62,772</u></u>	<u><u>59,719</u></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.

(n) Lease liabilities

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u>\$ 94,133</u>	<u>209,962</u>
Non-current	<u>\$ 221,677</u>	<u>352,398</u>

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

For the years ended December 31, 2023 and 2022, the Group recognized its lease liabilities amounting to \$41,332 and \$185,094, with an interest rate of 1.15~6.80% and 1.50%~3.00%, respectively.

The amounts recognized in profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u><u>11,760</u></u>	<u><u>16,471</u></u>
Variable lease payments not included in the measurement of lease liabilities	<u><u>21,145</u></u>	<u><u>7,022</u></u>
Expenses relating to short-term leases	<u><u>7,317</u></u>	<u><u>10,898</u></u>
Expenses relating to leases of low-value assets (excluding low-value assets of short-term leases)	<u><u>154</u></u>	<u><u>157</u></u>

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

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

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<b>\$ 175,897</b>	<b>199,321</b>

(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.

(o) Deferred income

According to the “Guidelines of Project Loans for Returning Overseas Taiwanese Businesses”, the low interest loan offered by Bank of Taiwan to the Group can be availed for the purpose of business operation and acquisition of machinery and equipment in early 2020.

The Group received the government low-interest loan for its business operation, resulting in the difference between the market interest imputed using the effective interest method and the actual preferential interest to be reclassified from deferred income to other income over time.

The Group received the government low-interest loan for the acquisition of its machinery and equipment, resulting in the difference between the market interest imputed using the effective interest method and the actual preferential interest to be reclassified from deferred income to other income based on the useful life of the assets. Furthermore, the Group will have to comply with all the conditions associated with grant.

As the preferential loan interest rate period only extended until December 31, 2022, the government grant income totaling \$2,074 was recognized from 2020 to 2021. Additionally, the amount of \$2,501 had been reclassified from deferred income to other income in 2022, please refer to note(6)(w). There were no such transactions for the year ended December 31, 2023.

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

(p) Employee benefits

(i) Defined benefit plans

Reconciliation of the Company's defined benefit obligations at present value and plan assets at fair value are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefit obligations	\$ 15,157	13,922
Fair value of plan assets	(19,398)	(19,483)
Net defined benefit assets (recognized under other non-current assets)	<u>\$ (4,241)</u>	<u>(5,561)</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

As of December 31, 2023 and 2022, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$19,398 and \$19,483, respectively. For information on the utilization of the labor pension fund assets, including the yield of the fund and asset allocation, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	<b>2023</b>	<b>2022</b>
Defined benefit obligation at January 1	\$ 13,922	15,948
Current service costs and interest	254	192
Benefits paid from plan assets	(506)	(676)
Remeasurement in net defined benefit liability		
– Experience adjustments to actuarial losses (gains)	1,344	(688)
– Actuarial loss from changes in financial assumption	143	(854)
Defined benefit obligation at December 31	<u>\$ 15,157</u>	<u>14,598</u>

(Continued)

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

**3) Movements of defined benefit plan assets**

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<b>2023</b>	<b>2022</b>
Fair value of plan assets at January 1	\$ 19,483	18,478
Interest income	251	130
Benefits paid from plan assets	(506)	(676)
Remeasurement in net defined benefit liability		
– Expected return on plan assets (excluding interest income)	162	1,427
Contributions made	8	124
Fair value of plan assets at December 31	<u><u>\$ 19,398</u></u>	<u><u>19,483</u></u>

**4) Movements in effect of limiting net defined benefit assets to asset ceiling**

For the years 2023 and 2022, there were no change in effect of limiting net defined benefit assets to asset ceiling.

**5) Pension recognized through profit or loss**

The pension costs of the defined benefit plans recognized as expenses for the years 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Current service cost	\$ 77	82
Interest on net defined benefit obligation	(74)	(20)
Total (recognized under "Administrative expense – pension")	<u><u>\$ 3</u></u>	<u><u>62</u></u>

**6) Remeasurements of net defined benefit obligation recognized under other comprehensive income**

The cumulative remeasurement of net defined benefit obligations recognized under other comprehensive income were as follows:

	<b>2023</b>	<b>2022</b>
Cumulative amount at January 1	\$ 10,935	7,966
Obligations recognized (reversed)	(1,325)	2,969
Cumulative amount at December 31	<u><u>\$ 9,610</u></u>	<u><u>10,935</u></u>

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

7) Actuarial assumptions

The Company's principal actuarial assumptions were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate	1.20 %	1.30 %
Future salary rate increases	2.00 %	2.00 %

As of December 31, 2023 and 2022, the amount of contributions expected to be made to the defined contribution plans within one year of the report date were \$295 and \$310, respectively. The weighted average term of defined contribution plans were 9 and 9 years, respectively.

8) Sensitivity analysis

In the event of changes in actuarial assumptions, the impact on defined benefit obligations are as follows:

	<b>Impact on defined benefit obligation</b>	
	<b>Increased</b>	<b>Decreased</b>
December 31, 2023		
Discount rate (at a 0.25% change)	\$ 367	355
Future salary increase (at a 0.25% change)	363	353
December 31, 2022		
Discount rate (at 0.25% change)	347	335
Future salary increase (at 0.25% change)	344	333

The sensitivity analysis above is performed on the impact of changes in a single actuarial assumption, based on the condition that all other assumptions are held constant. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for the years 2023 and 2022.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations. Other subsidiaries established the defined benefit retirement plans in accordance with each local regulation.

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

The Company's pension expenses under the defined contribution method amounted to \$4,185 and \$4,630 for the years ended December 31, 2023 and 2022, respectively. Payments were made to the Bureau of Labor Insurance.

Pension expenses made in accordance with local regulations for all subsidiaries amounted to \$23,888 and \$28,083 for the years ended December 31, 2023 and 2022, respectively.

Pension expenses recognized by the Group were as follows:

	<b>2023</b>	<b>2022</b>
Operating costs	5,902	7,831
Selling expenses	16,838	18,702
Administrative expenses	3,485	4,586
Research and development expenses	1,848	1,594
<b>Total</b>	<b>28,073</b>	<b>32,713</b>

(q) Income tax

(i) Income tax expense

The components of income tax expense (income) for the years ended December 31, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Current tax expense (income)		
Current period	\$ 46,722	672,603
Adjustments for prior periods	3,157	5,593
Subtotal	<u>49,879</u>	<u>678,196</u>
Deferred tax (income) expense		
Origination and reversal of temporary differences	(241,848)	(44,150)
Subtotal	<u>(241,848)</u>	<u>(44,150)</u>
Income tax (income) expense	<u><b>\$ (191,969)</b></u>	<u><b>634,046</b></u>

The amounts of income tax expense (income) recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations \$ <u><b>(5,060)</b></u>	<u><b>76,083</b></u>	

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

Reconciliation of income tax and profit before tax for 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
(Loss) income before tax	\$ (631,866)	1,438,217
Income tax expense at the statutory rate	(126,373)	287,643
Effect of tax rates in foreign jurisdiction	(76,716)	209,334
Under (over) provision in prior periods	3,157	5,593
Changes in unrecognized deductible temporary differences	(1,753)	52,867
Unrecognized current tax loss of deferred tax assets	10,609	83,760
Others	(893)	(5,151)
Income tax (income) expense	<u>\$ (191,969)</u>	<u>634,046</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, due to the need of increasing the funds for foreign operation, funds associated with investments in subsidiaries will not be transferred back in the foreseeable future. Thus, under IAS 12, the temporary difference associated with investments in subsidiaries was recognized as permanent difference. Details were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 504,718</u>	<u>622,521</u>

2) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Deductible temporary differences	\$ 54,330	56,083
Tax losses	42,883	103,459
Total	<u>\$ 97,213</u>	<u>159,542</u>

Tax losses, that were approved by local tax authorities from the current year profit, were deductions of deficits from the previous 5, 5, and 3 years of the subsidiaries in China, Vietnam, and the Philippines, respectively, in accordance with income tax law. On the other hand, there was no annual limit of tax losses on the deductible period for the US based subsidiaries. The tax losses of the subsidiaries in China, Vietnam, and the Philippines are considered unrecognized deferred tax assets because the Group determines that it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

(Continued)

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

As of December 31, 2023, China-based subsidiaries' income tax rate was 25%, the information of the China-based subsidiaries' unused tax losses for which no deferred tax assets were recognized are as follows:

<b>Year of occurrence</b>	<b>Remaining creditable amount</b>	<b>Expiry Year</b>
The subsidiaries		
2022 (declared)	17,619	2027
2023 (forecast)	<u>29,267</u>	2028
Total	<u><u>\$ 46,886</u></u>	

As of December 31, 2023, Vietnam-based subsidiaries' income tax rate was 20% , the information of the Philippines-based subsidiaries' unused tax losses for which no deferred tax assets were recognized are as follows:

<b>Year of occurrence</b>	<b>Remaining creditable amount</b>	<b>Expiry Year</b>
The subsidiaries		
2021 (filing)	2,586	2026
2022 (declared)	<u>4,981</u>	2027
Total	<u><u>\$ 7,567</u></u>	

As of December 31, 2023, Philippines-based subsidiaries' income tax rate was 30% , the information of the Philippines-based subsidiaries' unused tax losses for which no deferred tax assets were recognized are as follows:

<b>Year of occurrence</b>	<b>Remaining creditable amount</b>	<b>Expiry Year</b>
The subsidiaries		
2021 (filing)	\$ 57,473	2024
2022 (declared)	30,384	2025
2023 (forecast)	<u>10,973</u>	2026
Total	<u><u>\$ 98,830</u></u>	

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

**3) Recognized deferred tax assets and liabilities**

Movements of deferred tax assets and liabilities for the years 2023 and 2022 were as follows:

**a) Deferred tax assets**

	Unrealized inventory valuation and obsolescence loss	Unrealized exchange loss	Creditable loss amount in Taiwan and USA	Difference between the book value and tax base from lease liability	Exchange difference on transaction of foreign financial statements	Other	Total
<b>January 1, 2023</b>	\$ 132,042	11,506	1,909	100,225	26,306	28,085	300,073
Recognized in profit or loss	44,656	9,412	206,310	(30,434)	-	(1,808)	228,136
Recognized in other comprehensive income	-	-	-	-	5,060	-	5,060
Effect of changes in foreign exchange rates	(300)	-	(2,830)	-	(1)	5	(3,126)
<b>December 31, 2023</b>	<b>\$ 176,398</b>	<b>20,918</b>	<b>205,389</b>	<b>69,791</b>	<b>31,365</b>	<b>26,282</b>	<b>530,143</b>
<b>January 1, 2022</b>	<b>\$ 70,294</b>	<b>-</b>	<b>18,426</b>	<b>105,216</b>	<b>102,389</b>	<b>22,297</b>	<b>318,622</b>
Recognized in profit or loss	52,704	11,506	(17,990)	(4,991)	-	3,287	44,516
Recognized in other comprehensive income	-	-	-	-	(76,083)	-	(76,083)
Effect of changes in foreign exchange rates	9,044	-	1,473	-	-	2,501	13,018
<b>December 31, 2022</b>	<b>\$ 132,042</b>	<b>11,506</b>	<b>1,909</b>	<b>100,225</b>	<b>26,306</b>	<b>28,085</b>	<b>300,073</b>

**b) Deferred tax liabilities**

	Temporary differences from depreciation and amortization	Difference between the book value and tax base from right-of-use assets	Other	Total
<b>January 1, 2023</b>	\$ 50,961	100,225	1,340	152,526
Recognized in profit or loss	18,062	(30,434)	(1,340)	(13,712)
Effect of changes in foreign exchange rates	(254)	-	-	(254)
<b>December 31, 2023</b>	<b>\$ 68,769</b>	<b>69,791</b>	<b>-</b>	<b>138,560</b>
<b>January 1, 2022</b>	<b>\$ 39,094</b>	<b>105,216</b>	<b>3,340</b>	<b>147,650</b>
Recognized in profit or loss	7,376	(4,991)	(2,019)	366
Effect of changes in foreign exchange rates	4,491	-	19	4,510
<b>December 31, 2022</b>	<b>\$ 50,961</b>	<b>100,225</b>	<b>1,340</b>	<b>152,526</b>

**(iii) Examination and approval**

The Company's income tax returns for all years through 2021, have been examined by the R.O.C. income tax authorities.

The Group's overseas subsidiaries' income tax returns for all years through 2022 have been declared to, but have yet to be examined by, the local tax authorities.

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

(r) Capital and other equities

As of December 31, 2023 and 2022, the Company's registered total authorized capital amounted to \$1,800,000 with par value of \$10 per share (in NT dollars), which includes employee share option of \$3,500 thousand shares. Total issued common stock as of December 31, 2023 and 2022 were \$146,463 and \$143,868 thousand shares, respectively. All issued shares were issued and outstanding.

(i) Issuance of common stock

The Group converted its bonds by issuing 683 thousand shares of common stocks amounting to \$6,831. The related registration procedures had already been completed in April, 2023.

The Group increased its capital by cash through issuing 7,500 thousand shares of common stock, at the actual issuance price of NTD20 per share, amounting to \$150,000, minus the amount of \$2,500 of brokerage underwriting fee, totaling \$147,500; with the base date of cash capital increase set on August 25, 2022, based on the resolution decided during the board of directors' meeting held on April 26, 2022. The above transaction was approved by the Financial Supervisory Commission with Letter No.110342536 on May 24, 2022. All related registration procedures had been completed in September 2022.

The employee remuneration, in shares, amounting to \$46,000, with the approval of shareholders on June 20, 2023, had been converted into approximately 1,595 thousand new shares based on the closing price of ordinary shares on March 27, 2023, which was \$28.85 per share. The related legal registration procedures were completed in October 2023.

The Group converted its bonds by issuing 4,713 thousand shares of common stocks amounting to \$47,128. The related registration procedures were completed in November 2022 ( 4,396 thousand shares ) and February 2023 ( 317 thousand shares ).

Changes in the numbers of outstanding shares for the years ended December 31, 2023 and 2022, were as follows:

	<b>Common Shares</b> <b>(in thousand shares)</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance at January 1	144,185	131,972
Cash capital increase	-	7,500
Conversion of employee remuneration in shares	1,595	-
Conversion of convertible bonds	683	4,713
Ending balance at December 31	<b>146,463</b>	<b>144,185</b>

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

**(ii) Capital surplus**

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Premium of issuance	\$ 936,752	896,237
Transaction of treasury stock	19,741	19,741
Difference between consideration and carrying amount of shares	334	334
Stock options of convertible bonds issued	-	2,026
Expired employee stock options	<u>32,002</u>	<u>30,685</u>
<b>Total</b>	<b><u>\$ 988,829</u></b>	<b><u>949,023</u></b>

Premium of issuance, 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 recognized as premium issuance when the bonds converted ,and recognized as expired stock options when the repayment of bonds is due. Expired employee stock options may only be used to offset a deficit.

In accordance with the Amended Companies Act, realized capital surplus can only be distributed as share capital or cash dividends (proportionate to the shareholders' respective interest) after offsetting against losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be distributed to capital shall not exceed 10% of the actual paid-in capital.

**(iii) Retained earnings and dividend policy**

Under the amended Company's Articles of Incorporation, upon closing of accounts, if there is profit, the Company shall first offset a deficit in the previous years and pay the income tax accordingly, then set aside a legal reserve of 10% of the profits left over as special reserve in accordance with the law, until the accumulated legal capital reserve equals paid-in capital. For any retained earnings left over, the board of directors shall propose distribution of unappropriated earnings to be approved in shareholders meeting, with the exception of distributable earnings that are lower than actual paid-in capital by 0.5%.

The payment of dividends could be done through transferring retained earnings to capital, transferring capital surplus to capital, or through cash dividend, depending on anticipated future development and growth, the Company's financial structure, and the rights and interests of shareholders. The distribution of dividends depends on the retained earnings of the year. In considering the maturing stage of the industry and the capital structure of the Company, dividends are mainly distributed through a combination of stock dividends and cash dividends wherein cash dividends may not be less than 10% of the sum of stock dividend and cash dividend. However, the actual methods and ratio of distribution may be adjusted through the shareholders meetings according to actual earnings and capital of the year.

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

1) Legal reserve

In accordance with the Company Act, 10% of the net income after tax should be set aside as legal reserve, until the legal reserve is equal to the authorized capital. If the Group experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting. The distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with FSC's regulations, the Company is required to set aside an additional special capital reserve from its current-period earnings and undistributed prior-period earnings equivalent to the net debit balances of the other components of its stockholders' equity.

For the earnings in 2022 to be distributed in 2023, the Company did not need to set aside an additional special capital reserve.

For the earnings in 2021 to be distributed in 2022, the Company set aside an additional special capital reserve from its undistributed prior period earnings and current-period earnings, which include other comprehensive income that were not reclassified subsequently to profit or loss, but instead, into retained earnings.

Similarly, for any cumulative prior period net debit balances of the other components of stockholders' equity, special reserve is set aside from prior year unappropriated earnings. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed.

3) Earnings distribution

In the board of directors' meeting held on March 15, 2024, the resolution for the distribution of earnings from the year 2023 has been approved. Based on the resolution, distributable earnings are calculated as net loss after tax of \$439,986 for the year 2023, plus, actuarial loss of \$1,325 and used the beginning balance of unappropriated earnings of \$445,983 to offset the deficit, then, reversed the special reserve of \$117,170, which amounted to \$121,842. The cash dividends, yet to be approved by the shareholders, amounted to \$117,170, with a par value of \$0.8 per share.

In the shareholders' meeting held on June 20, 2023, the resolution for the distribution of earnings from the year 2022 has been approved. Based on the resolution, distributable earnings is calculated as net income after tax of \$803,702 for the year 2022, plus, actuarial gain of \$2,969 and the beginning balance of unappropriated earnings of \$154,584, less the required legal reserve of \$80,667, which amounted to \$880,588. The cash dividends, that were finished to distribution in August 2023 amounted to \$434,605, with a par value of \$3 per share.

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

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 finished to distribution in August 2022 amounted to \$17,000, with a par value of \$0.13 per share.

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

(iv) Other equity interest (net taxes)

	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2023	\$ (110,053)
Exchange differences on foreign operation	(20,240)
Balance at December 31, 2023	<u>\$ (130,293)</u>
Balance at January 1, 2022	\$ (414,386)
Exchange differences on foreign operation	304,333
Balance at December 31, 2022	<u>\$ (110,053)</u>

(s) Share-based payment

The Group has completed a cash capital increase between July and August 2022 and has retained it for subscription by employees in accordance with the provisions of the company law. For the year ended December 2022, the share-based payment of the Group was as follows: There was no such transaction in 2023.

	<b>Equity-settled Cash capital increase reserved for employee subscription</b>
Grant date	July 12, 2022
Number of shares granted	903 thousand shares
Contract term	July 19 to August 19, 2022
Recipients	employee
Vesting conditions	Immediately vested

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

(i) Fair value of the share-based payment at the grant date

The Group used Black-Scholes method in measuring the fair value of the share-based payment at the grant date.

	<b>Cash capital increase reserved for employee subscription</b>
Fair value at grant date	2.88 dollars
Stock price at grant date	22.85 dollars
Execution price	20.00 dollars
Expected volatility (%)	29 %
The duration (year)	0.07 year
Expected dividend (%)	0 %
Risk-free interest rate (%)	0.72 %

(ii) For the the year ended December 2022, the expense of share-based payment for cash capital increase was \$2,604 thousand.

(t) Earnings per share

The calculations of basic (loss) earnings per share and diluted (loss) earnings per share for the years 2023 and 2022 were as follow:

	<b>2023</b>	<b>2022</b>
<b>Basic (losses) earnings per share</b>		
(Loss) profit attributable to ordinary shareholders of the Company	\$ (439,986)	803,702
Weighted-average number of ordinary shares (in thousands of shares)	<u>145,246</u>	<u>136,873</u>
<b>Basic (losses) earnings per share (in dollars)</b>	<u>(3.03)</u>	<u>5.87</u>
<b>Diluted (losses) earnings per share</b>		
(Loss) profit attributable to ordinary shareholders of the Company	\$ (439,986)	803,702
Effects of dilutive potential ordinary shares:		
Interest of convertible bond		1,630
Profit (loss) attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary share)		<u>805,332</u>
Weighted-average number of ordinary shares (in thousand of share)	<u>145,246</u>	136,873
Effects of dilutive potential ordinary shares:		
Effect of employee stock bonus (in thousand of share)		2,065
Effect of conversion of convertible bond (in thousand of share)		3,661
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>142,599</u>
<b>Diluted (losses) earnings per share (in dollars)</b>	<u>(3.03)</u>	<u>5.65</u>

The conversion of convertible bonds and effects of employee stock bonus were not disclosed due to its anti-dilutive effect for the year ended December 2023.

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

(u) Revenue from contracts with customers

(i) Details of revenue

	<b>2023</b>	<b>2022</b>
Goods sold	\$ 9,827,512	11,652,688
Rental income	10,419	17,937
<b>Total</b>	<b>\$ 9,837,931</b>	<b>11,670,625</b>

(ii) Disaggregation of revenue

	<b>For the year ended December 31, 2023</b>			
	<b>Manufacturing</b>	<b>Wholesaling</b>	<b>Online retailing</b>	<b>Total</b>
<b>Primary geographical markets</b>				
United States	\$ 2,338,407	2,400,609	3,626,840	8,365,856
China	255,244	-	-	255,244
Taiwan	319,090	-	-	319,090
Canada	25,321	280,530	-	305,851
United Kingdom	52,156	-	-	52,156
Others	303,148	226,167	-	529,315
<b>Total</b>	<b>\$ 3,293,366</b>	<b>2,907,306</b>	<b>3,626,840</b>	<b>9,827,512</b>
<b>Main products/services lines</b>				
CABLE	\$ 1,097,290	139,587	1,636,719	2,873,596
POWER CORD	1,906,426	2,681,488	-	4,587,914
Consumer electronics	-	-	1,990,121	1,990,121
Others	289,650	86,231	-	375,881
<b>Total</b>	<b>\$ 3,293,366</b>	<b>2,907,306</b>	<b>3,626,840</b>	<b>9,827,512</b>
<b>Timing of revenue recognition:</b>				
Product transferred at a point in time	<b>\$ 3,293,366</b>	<b>2,907,306</b>	<b>3,626,840</b>	<b>9,827,512</b>
<b>Sales channels</b>				
Directly to customers	<b>\$ 3,293,366</b>	<b>2,907,306</b>	<b>3,626,840</b>	<b>9,827,512</b>

(Continued)

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

	<b>For the year ended December 31, 2022</b>			
	<b>Manufacturing</b>	<b>Wholesaling</b>	<b>Online retailing</b>	<b>Total</b>
Primary geographical markets				
United States	\$ 3,203,851	2,614,109	4,204,459	10,022,419
China	293,716	-	-	293,716
Taiwan	298,890	-	-	298,890
Canada	14,725	332,009	-	346,734
United Kingdom	93,031	-	-	93,031
Others	374,684	223,214	-	597,898
Total	<b><u>4,278,897</u></b>	<b><u>3,169,332</u></b>	<b><u>4,204,459</u></b>	<b><u>11,652,688</u></b>
Main products/services lines				
CABLE	\$ 1,681,961	144,727	1,926,455	3,753,143
POWER CORD	2,331,173	2,958,534	-	5,289,707
Consumer electronics	-	-	2,278,004	2,278,004
Others	265,763	66,071	-	331,834
Total	<b><u>4,278,897</u></b>	<b><u>3,169,332</u></b>	<b><u>4,204,459</u></b>	<b><u>11,652,688</u></b>
Timing of revenue recognition:				
Product transferred at a point in time	<b><u>4,278,897</u></b>	<b><u>3,169,332</u></b>	<b><u>4,204,459</u></b>	<b><u>11,652,688</u></b>
Sales channels				
Directly to customers	<b><u>4,278,897</u></b>	<b><u>3,169,332</u></b>	<b><u>4,204,459</u></b>	<b><u>11,652,688</u></b>

(iii) Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Contract liabilities—advance sales receipts	<b><u>\$ 138,192</u></b>	<b><u>\$ 84,422</u></b>

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

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$79,584 and \$94,995, 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.

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

**(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 years ended December 31, 2023, no remunerations to employees and directors were accrued due to the loss incurred by the Group.

For the years ended December 31, 2022, the Group accrued its remuneration to employees of \$52,181, as well as its remuneration to directors amounted to \$34,787. These amounts were calculated by using the Group'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 Group's articles of association. These remunerations were expensed under operating costs or expenses for the year.

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 actual remunerations to employees and directors in 2022 amounted to \$71,000 and \$15,000, respectively, were based on the resolution decided during the board of directors' meeting held on March 28, 2023. Except for the employee remuneration of \$46,000 in stock, all other remunerations will be paid in cash and had already been reported in the shareholders' meeting on June 20, 2023.

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.

As mentioned above, the differences between the actual amounts and the estimated amounts of the remuneration to employees and directors for the years ended 2022 and 2021 had been adjusted accordingly.

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

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

(w) Other non-operating income and expenses

(i) Interest income

	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	<b><u>29,371</u></b>	<b><u>7,056</u></b>

(ii) Other income

	<b>2023</b>	<b>2022</b>
Government grants	616	7,363
Other income	<u>10,332</u>	<u>2,174</u>
Total	<b><u>10,948</u></b>	<b><u>9,537</u></b>

(iii) Other gains and losses

	<b>2023</b>	<b>2022</b>
Gain on disposal of property, plant, and equipment	15	2,007,544
Impairment loss of non-financial assets	-	(104,473)
Foreign exchange gain (loss)	8,730	58,799
Gain on disposal of lease-back right-of-use-assets and lease liabilities	98,247	-
Other non-operating expenses	<u>(488)</u>	<u>(8,896)</u>
Other gains and losses, net	<b><u>106,504</u></b>	<b><u>1,952,974</u></b>

(iv) Financial costs

	<b>2023</b>	<b>2022</b>
Interest expense		
Interest on bank and non-financial institution loans	144,185	140,093
Interest on lease liabilities	11,760	16,471
Short-term notes and bills payable	3,717	2,674
Bonds payable	<u>20</u>	<u>1,630</u>
Total	<b><u>159,682</u></b>	<b><u>160,868</u></b>

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

(x) Financial instruments

(i) Credit risk

1) Credit risk from 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.

2) Credit risk exposure

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

3) Concentration of credit risk

Customers of the Group are mainly concentrated in off-line retail of internet cables and power code products. In order to lower the credit risk of accounts receivable, the Group continuously examines the financial situation of customers and periodically assess the recoverability of accounts receivable, recognizing allowances for bad debt when necessary. The losses on doubtful debts were within the expectations of management. As of December 31, 2023 and 2022, five clients contributed to 57% and 44%, respectively, of the accounts receivable, hence, the Group has a significant concentration on credit risk.

(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.

	<b>Carrying value</b>	<b>Contractual cash flow</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,272,353	2,294,610	2,294,610	-	-	-
Short-term notes and bills payable	99,830	100,000	100,000	-	-	-
Notes and accounts payable	1,185,419	1,185,419	1,185,419	-	-	-
Other payables	526,696	526,696	526,696	-	-	-
Lease liabilities - current and noncurrent	315,810	341,673	104,166	73,620	152,396	11,491
Long-term borrowings (includes current portion)	1,164,785	1,211,450	975,054	70,163	96,835	69,398
<b>Total</b>	<b>\$ 5,564,893</b>	<b>5,659,848</b>	<b>5,185,945</b>	<b>143,783</b>	<b>249,231</b>	<b>80,889</b>

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

	<b>Carrying value</b>	<b>Contractual cash flow</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,023,640	2,037,864	2,037,864	-	-	-
Short-term notes and bills payable	229,737	230,000	230,000	-	-	-
Notes and accounts payable	829,852	829,852	829,852	-	-	-
Other payables	708,542	708,542	708,542	-	-	-
Bonds payable (includes current portion)	16,662	16,700	16,700	-	-	-
Lease liabilities - current and noncurrent	562,360	604,681	227,319	152,666	180,482	44,214
Long-term borrowings (includes current portion)	<u>1,584,122</u>	<u>1,628,581</u>	<u>1,324,023</u>	<u>67,761</u>	<u>153,461</u>	<u>83,336</u>
<b>Total</b>	<b>\$ 5,954,915</b>	<b><u>6,056,220</u></b>	<b><u>5,374,300</u></b>	<b><u>220,427</u></b>	<b><u>333,943</u></b>	<b><u>127,550</u></b>

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

(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)					
	<b>December 31, 2023</b>			<b>December 31, 2022</b>		
	<b>Local currency</b>	<b>Exchange rate</b>	<b>TWD</b>	<b>Local currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<b>Financial assets:</b>						
<u>Monetary items</u>						
USD	\$ 22,800	30.66	698,934	38,352	30.66	1,175,872
HKD	1,112	3.92	4,363	3,160	3.93	12,426
CNY	1,243	4.33	5,380	705	4.40	3,104
EUR	780	33.78	26,348	747	32.52	24,292
CAD	1,071	23.92	25,615	454	23.92	10,860
<b>Financial liabilities:</b>						
<u>Monetary items</u>						
USD	29,325	30.66	898,958	20,893	30.66	640,579

(Continued)

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

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 years ended December 31, 2023 and 2022, assuming the TWD appreciated by 1%, were increase (decrease) of \$1,383 and \$(5,860), respectively. The analysis is performed on the same basis for the prior year.

3) Exchange gains and losses of monetary item

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 years ended December 31, 2023 and 2022, the foreign exchange (loss) gain (including both realized and unrealized) amounted to \$8,730 and \$58,799, respectively.

(iv) 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 1% (increase and decrease). This rate also represents management's assessment on the reasonable interval of interest rate change.

If the interest rate had increased by 1% at the reporting date, all things held constant, the net profit before tax would have decreased by \$34,371 and \$36,078 for the years ended December 31, 2023 and 2022, respectively, which mainly results from bank loans with variable interest rates.

(v) 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.

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

(y) Financial risk management

(i) Overview

By using financial instruments, the Group is exposed to the following:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information on the exposure to risks, the Group's objectives, policies, and process for managing the aforementioned risks are listed below.

(ii) Risk management framework

The Board of directors is responsible for establishing and supervising the risk management framework of the Group. The Board authorizes each department to manage different controls, with the operations and finance department mainly in charge of managing risks with regards to sales and finances and controlling the overall risk management policy of the Group. The department periodically submits reports to the director and chief executive officer regarding the performance of the framework and reports to the board when necessary.

The risk management policies are built on identifying and analyzing risks that the Group faces. The Group determines and establishes certain risk limits and controls and monitors to see whether risk limits are being followed. Risk management policy and systems are periodically reviewed to reflect changes in market conditions and the consequent changes in the Group's operations. Through advocating and through the usage of management policies and operation procedures, the Group intends to develop a disciplined and constructive control environment with engaging employees who understand their own roles and responsibilities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group when its customer fails to meet its contractual obligations. The maximum exposure to credit risk is mainly from items below:

1) Accounts receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's credit limits are offered. The review of creditworthiness involves inspecting credit information provided by the customer and customers' prior years and current years payment records, or appointing institutions to perform credit checks. Credit limits are established for each customer and are reviewed periodically. The Group's receivables include various categories of customers, located in different geographical area. The Group manages its customers' credit risk exposure with based on of their financial condition, and will purchase credit and guarantee insurance when necessary.

(Continued)

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

The Group set the loss allowance account to reflect the estimated losses for accounts receivable. The loss allowance account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The loss allowance account is based on historical collection record of similar financial assets.

2) Investments

The credit risk exposure in bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Endorsements and guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to wholly-owned subsidiaries. For the endorsements provided to subsidiaries as of December 31, 2023, please refer to note (13)(a)(ii).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to manage liquidity is to periodically examine whether current funds are sufficient to cover operations. In the case that funds are insufficient, the Group shall arrange for financings from banks in advance in order to have enough funds on hand to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing in the estimation of costs of its products and services in order to monitor the cash flow needs and ideal return on cash investments. In general, the Group ensures that there is sufficient funds to cover expected operating expenditures for 60 days, including fulfilments of financial obligation, but excluding the potential effects of extreme circumstances that cannot be reasonably expected, such as natural disasters. In addition, unused credit lines as of December 31, 2023 and 2022 were \$2,134,302 and \$2,338,347 and, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD), the Euro, and US Dollars (USD). The currencies used in these transactions are denominated in TWD, USD, and CNY.

Interest on loans are calculated based on the principal. In general, the currency of loans are the same as the currency of the cash flow from operations, which are primarily in New Taiwan Dollars. Certain loans are denominated in US dollars, but because the Group did not use forward exchange contracts or other derivative instruments, hedge accounting is not applied.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Cash flow risk related to interest rate change

Short and long-term borrowings of the Group are considered as debts with variable rates. Thus, the interest rate change in the market will also affect the change in the weighted average interest rate of the short- and long-term borrowings, as well as the future cash flow.

(z) Capital management

The policy of the Board is aimed towards managing capital to safeguard the capacity to continue to operate and to maximize the returns to shareholders through maintaining an optimal capital structure. Capital includes the share capital of the Group, capital surplus, and retained earnings. The Board controls return on capital while simultaneously overseeing the level of dividends on common stock.

The Group manages its capital using debt-to-equity ratio, which is calculated by dividing the net debt by shareholder's equity. The net debt equals to the total liabilities in the balance sheet, minus cash and cash equivalent; and the shareholder's equity equals to net debt, plus all components of equity, including ordinary shares, capital surplus, retained earnings, and other equity interest.

The debt-to-equity ratio as of the reporting date were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 5,987,283	6,205,429
Less : cash and cash equivalents	<u>(1,372,418)</u>	<u>(2,100,360)</u>
Net liabilities	4,614,865	4,105,069
Total equity (excluding non-controlling interests)	<u>3,056,468</u>	<u>3,890,042</u>
Adjust capital (aka the shareholder's equity)	<u>\$ 7,671,333</u>	<u>7,995,111</u>
Debt-to-equity ratio	<u>60 %</u>	<u>51 %</u>

(Continued)

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

In 2023, due to the ongoing stage of inventory destocking in the overall international economic environment, the Company experienced temporary operational losses. Hence, the Company will continue to adjust its operational strategy and enhance its working capital management. Additionally, the Company will replenish its working capital and optimize its financial structure through future operational profits.

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

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

	January 1, 2023	Cash inflow	Cash Outflow	Foreign exchange movement	Non-cash changes		December 31, 2023	
					Increase (decrease) in right-of-use assets and disposal of lease liability	Conversion of convertible bonds and Others		
Short-term borrowings	\$ 2,023,640	3,382,079	(3,122,440)	(10,926)	-	-	2,272,353	
Short-term notes and bills payable	229,737	-	(129,907)	-	-	-	99,830	
Bonds payable (includes current portion)	16,662	-	(100)	-	-	(16,562)	-	
Lease liabilities	562,360	-	(135,521)	3,493	(114,522)	-	315,810	
Long-term borrowings (includes current portion)	1,584,122	1,161,380	(1,584,096)	3,379	-	-	1,164,785	
Total liabilities from financing activities	<u>\$ 4,416,521</u>	<u>4,543,459</u>	<u>(4,972,064)</u>	<u>(4,054)</u>	<u>(114,522)</u>	<u>(16,562)</u>	<u>3,852,778</u>	
Non-cash changes								
	January 1, 2022	Cash inflow	Cash Outflow	Foreign exchange movement	Unrealized gain of the saleleaseback	Increase in Right-of-use assets	Conversion of convertible bonds and Others	December 31, 2022
Short-term borrowings	\$ 2,917,638	5,156,538	(6,057,294)	6,758	-	-	-	2,023,640
Short-term notes and bills payable	229,906	(169)	-	-	-	-	-	229,737
Bonds payable (includes current portion)	128,930	-	-	-	-	-	(112,268)	16,662
Lease liabilities	494,641	-	(164,773)	47,398	148,599	36,495	-	562,360
Long-term borrowings (includes current portion)	2,369,245	1,169,531	(2,101,553)	146,899	-	-	-	1,584,122
Total liabilities from financing activities	<u>\$ 6,140,360</u>	<u>6,325,900</u>	<u>(8,323,620)</u>	<u>201,055</u>	<u>148,599</u>	<u>36,495</u>	<u>(112,268)</u>	<u>4,416,521</u>

(Continued)

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

**(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

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	30,878	46,663
Post-employment benefits	544	596
Total	<u><u>31,422</u></u>	<u><u>47,259</u></u>

For the years ended December 31, 2023, the Group rented 3 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$3,803, and the balance of lease liabilities amounted to \$2,539 (including current and non-current).

For the years ended December 31, 2022, the Group rented 3 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$3,784, and the balance of lease liabilities amounted to \$5,428 (including current and non-current), also, no rent expense was recognized during the period.

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land ,plant and buildings	Long-term borrowings	\$ 247,366	249,841
Other financial asset — non-current	Long-term borrowings	6,190	6,063
Guarantee deposits paid	Long-term borrowings and Customs security deposits	338	15,331
Total		<u><u>\$ 253,894</u></u>	<u><u>271,235</u></u>

(Continued)

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

**(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:

<b>Supplier</b>	<b>Contract Period</b>	<b>Pricing Terms</b>	<b>Product</b>	<b>Breach Clause</b>
A	2024.01~2024.12	Average price (in USD) listed in LME of the previous month, plus, US\$148, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$7,800 per ton of conversion cost	710~950 tons of copper wire	Late payment surcharge at 10% annual rate
D	2023.04~2024.03	Spot price listed in LME agreed by both parties, considering any premiums or discounts, plus, an additional amount of US\$225 per ton of conversion cost	240~1,800 tons of copper rods	1. 30% of the amount overdue 2. Late payment surcharge at 1% rate per day
F	2024.01~2024.12	Average price (in USD) listed in LME of the previous month, plus, US\$148, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$7,800 per ton of conversion cost	340~1,020 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Acquisition of equipments and software	<u><u>\$ 79,032</u></u>	<u><u>13,037</u></u>

(iii) Unused letters of credit: None.

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

(b) Significant contingencies: None.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

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

**(12) Other:**

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

by Nature	2023			2022		
	by Function	Operating costs	Operating expenses	Total	Operating costs	Operating expenses
Employee benefit						
Salaries (including employee remuneration)	263,672	693,201	956,873	296,978	767,118	1,064,096
Labor and health insurance (Note 1)	7,672	88,139	95,811	8,942	104,515	113,457
Pension (Note 2)	5,903	22,173	28,076	7,831	24,944	32,775
Remuneration of directors	-	1,600	1,600	-	36,274	36,274
Other employee benefits	5,401	16,377	21,778	5,602	13,938	19,540
Depreciation	40,940	166,188	207,128	68,225	175,407	243,632
Amortization	798	47,120	47,918	2,287	31,734	34,021

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.

(Continued)

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

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions for the years ended December 31, 2023 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	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	
												Item	Value			
0	The Company	YUE FONG COMPANY LIMITED	Other receivables	Yes	30,400 (USD1,000 thousand)	15,328 (USD500 thousand)	15,328	-	2	-	Business operation	-	-	-	764,117	1,222,587
0	The Company	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Other receivables	Yes	171,920 (USD5,600 thousand)	85,834 (USD2,800 thousand)	85,834	-	1	1,242,996	Business operation	-	-	-	1,242,996	1,242,996
1	PRIME WIRE & CABLE INC.	BESTLINK NETWARE INC.	Other receivables	Yes	45,990 (USD1,500 thousand)	- (USD thousand)	-	2.30~ 3.25%	2	-	Business operation	-	-	-	988,960	988,960
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	797,940 (USD26,000)	705,065 (USD23,000)	705,065	-	2	-	Business operation	-	-	-	789,122	789,122
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	19,929 (USD650 thousand)	- (USD thousand)	-	-	2	-	Business operation	-	-	-	789,122	789,122
3	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	Other receivables	Yes	155,450 (USD5,000 thousand)	- (USD thousand)	-	-	2	-	Business operation	-	-	-	1,185,425	1,185,425
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	97,125 (USD3,000 thousand)	91,965 (USD3,000 thousand)	87,663		2	-	Business operation	-	-	-	3,097,133	3,097,133
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	The Company	Other receivables	Yes	469,438 (USD14,500 thousand)	444,498 (USD14,500 thousand)	352,533		2	-	Business operation	-	-	-	3,097,133	3,097,133
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	PREMIUM-LINE KSI GMBH	Other receivables	Yes	58,667 (EUR1,700 thousand)	57,426 (EUR1,700 thousand)	56,630		2	-	Business operation	-	-	-	3,097,133	3,097,133
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	139,213 (USD4,300 thousand)	131,817 (USD4,300 thousand)	130,526		2	-	Business operation	-	-	-	3,097,133	3,097,133
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE INC.	Other receivables	Yes	521,900 (USD17,000 thousand)	275,895 (USD9,000 thousand)	232,978	3%	2	-	Business operation	-	-	-	1,582,564	1,582,564
5	UNC INVESTMENT & DEVELOPMENT INC.	MONOPRICE INC.	Other receivables	Yes	906,500 (USD28,000 thousand)	858,340 (USD28,000 thousand)	858,340	3%	2	-	Business operation	-	-	-	1,582,564	1,582,564

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 the 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	3,056,468	893,293	798,627	209,688	-	26.13 %	6,112,936	Y	N	Y
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1, 2	3,056,468	100,000	100,000	-	-	3.27 %	6,112,936	Y	N	N
0	The Company	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	1, 2	3,056,468	155,450	-	-	-	- %	6,112,936	Y	N	N
1	UNC INVESTMENT & DEVELOPMENT INC.	MONOPRICE, INC.	1, 4	1,582,564	388,500	367,860	291,223	-	12.04 %	3,165,128	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 December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	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 %	-	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 December 31, 2023.

(Continued)

**YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES**  
**Notes to the 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: None.
- (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	WUXI UNIVERSAL NETWORK CORPORATION	Parent company to subsidiary	Purchases	1,258,290 (USD41,053 thousand)	35.11 %	OA 90 days	-	-	(343,298) (USD11,199 thousand)	(61.51)%	
The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Parent company to subsidiary	Purchases	1,242,996 (USD40,554 thousand)	34.68 %	OA 60 days	-	-	(85,485) (USD2,779 thousand)	(15.27)%	
PRIME WIRE & CABLE, INC.	The Company	Subsidiary to parent company	Purchases	321,520 (USD10,359 thousand)	19.68 %	OA 90 days	-	-	(192,076) (USD6,266 thousand)	(100.00)%	
MONOPRICE, INC.	YFC-EUROPOWER INTERNALTIONAL CO., LTD	Subsidiary to subsidiary	Purchase	931,850 (USD29,899 thousand)	53.98 %	OA 60 days	-	-	(383,422) (USD12,504 thousand)	(68.45)%	
BESTLINK NETWARE INC.	YFC-EUROPOWER INTERNALTIONAL CO., LTD	Subsidiary to subsidiary	Purchase	135,239 (USD4,327 thousand)	95.40 %	OA 90 days	-	-	(83,265) (USD2,715 thousand)	(100.00)%	
YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	WUXI UNIVERSAL NETWORK CORPORATION	Subsidiary to subsidiary	Purchase	425,406 (USD13,689 thousand)	31.68 %	OA 90 days	-	-	(397,015) (USD12,951 thousand)	(53.32)%	
YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	DONGGUAN YFCBONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	Subsidiary to subsidiary	Purchases	274,237 (USD8,824 thousand)	20.42 %	OA 90 days	-	-	(152,649) (USD4,980 thousand)	(20.50)%	
YFC-EUROPOWER INTERNATIONAL CO., LTD	The Company	Subsidiary to parent company	Purchases	245,570 (USD7,871 thousand)	25.09 %	OA 90 days	-	-	(220,823) (USD7,203 thousand)	(77.24)%	

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 31.0775.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 30.655.

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).

- (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	YFC-EUROPOWER INTERNATIONAL CO., LTD	Parent company to subsidiary	Accounts receivable: 220,823	1.36	-	-	9,688	-
The Company	PRIME WIRE & CABLE, INC.	Parent company to subsidiary	Accounts receivable: 192,076	2.21	-	-	123,587	-
DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Subsidiary to subsidiary	Accounts receivable: 152,649	2.53	-	-	68,177	-
WUXI UNIVERSAL NETWORK CORPORATION	The Company	Subsidiary to parent company	Accounts receivable: 343,298	4.25	-	-	132,420	-

(Continued)

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

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		
WUXI UNIVERSAL NETWORK CORPORATION	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Subsidiary to subsidiary	Accounts receivable: 397,015	1.62	-	-	-	-
YFC-EUROPOWER INTERNALTIONAL CO., LTD	MONOPRICE INC.	Subsidiary to subsidiary	Accounts receivable: 383,422	2.30	-	-	63,347	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of March 1, 2024.

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 31.0775.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 30.655.

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 December 31, 2023 (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	321,520	A percentage of gross profit	3%
0	The Company	PRIME WIRE & CABLE, INC.	1	Accounts Receivable	192,076	OA 90 days	2%
0	The Company	YFC-EUROPOWER INTERNALTIONAL CO., LTD	1	Sales	245,570	A percentage of gross profit	2%
0	The Company	YFC-EUROPOWER INTERNALTIONAL CO., LTD	1	Accounts Receivable	220,823	OA 90 days	2%
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1	Sales	80,337	A percentage of gross profit	1%
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1	Accounts Receivable	92,025	OA 90 days	1%
0	The Company	YUE FONG COMPANYLIMITED	1	Other Receivables	15,328	Based on collectionstatus	-%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivables	85,834	Based on collection status	1%
0	The Company	YFC-EUROPOWER INTERNALTIONAL CO., LTD	1	Other Receivables	81,633	The Company payment for goods on behalf of the subsidiary	1%
0	The Company	YFC-EUROPOWER INTERNALTIONAL CO., LTD	1	Other income	45,000	Management and service revenue	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	24,396	The Company collection on sales goods on behalf of the subsidiary	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	705,065	Based on collection status	8%
1	EUROPOWER INTERNATIONAL LIMITED	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Other Receivables	10,969	Payment on behalf of the goods	-%

(Continued)

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

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended December 31, 2023 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Sales	274,237	A percentage of gross profit	3%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivables	152,649	OA 90 days	2%
2	DONGGUAN YFC	WUXI UNIVERSAL	3	Sales	17,295	A percentage of gross profit	-%
3	WUXI UNIVERSAL	The Company	2	Sales	1,258,290	A percentage of gross profit	13%
3	WUXI UNIVERSAL	The Company	2	Accounts Receivables	343,298	OA 90 days	4%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Sales	425,406	A percentage of gross profit	4%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivable	397,015	OA 90 days	4%
3	WUXI UNIVERSAL	PREMIUM-LINE KSI GMBH	3	Sales	12,423	A percentage of gross profit	-%
3	WUXI UNIVERSAL	PREMIUM-LINE KSI GMBH	3	Accounts Receivables	40,703	OA 90 days	-%
3	WUXI UNIVERSAL	YUE FONG COMPANY LIMITED	3	Accounts Receivable	26,589	OA 90 days	-%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Sales	12,692	A percentage of gross profit	-%
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE, INC.	3	Other Receivables	232,978	Based on collection status	3%
5	UNC INVESTMENT & DEVELOPMENT INC.	MONOPRICE INC.	3	Other Receivables	858,340	Based on collection status	9%
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE, INC.	3	Rental income	36,189	Changed monthly	-%
5	UNC INVESTMENT & DEVELOPMENT INC.	BESTLINK NETWARE INC.	3	Rental income	11,069	Changed monthly	-%
5	UNC INVESTMENT & DEVELOPMENT INC.	MONOPRICE INC.	3	Interest income	19,898	Changed monthly	-%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Sales	1,242,996	A percentage of gross profit	13%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Accounts Receivable	85,485	OA 90 days	1%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	WUXI UNIVERSAL	2	Sales	10,928	A percentage of gross profit	-%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	WUXI UNIVERSAL	2	Accounts Receivable	40,306	OA 90 days	-%
7	YFC-EUROPOWER INTERNALTIONAL CO., LTD	MONOPRICE INC.	3	Sales	931,850	A percentage of gross profit	9%
7	YFC-EUROPOWER INTERNALTIONAL CO., LTD	MONOPRICE INC.	3	Accounts Receivable	383,422	OA 60 days	4%

(Continued)

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

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended December 31, 2023 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
7	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWARE INC.	3	Sales	135,239	A percentage of gross profit	1%
7	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWARE INC.	3	Accounts Receivable	83,265	OA 90 days	1%
7	YFC-EUROPOWER INTERNATIONAL CO., LTD.	YFC-BONEAGLE INTERNATIONAL, INC.	3	Accounts Receivable	16,358	OA 90 days	-%
8	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	The Company	2	Other Receivable	352,533	Based on collection status	4%
8	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	3	Other Receivable	87,663	Based on collection status	1%
8	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC-BONEAGLE INTERNATIONAL, INC.	3	Other Receivable	130,526	Based on collection status	1%
8	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	PREMIUM-LINE KSI GMBH	3	Other Receivable	56,630	Based on collection status	1%
9	MONOPRICE INC.	UNC INVESTMENT & DEVELOPMENT INC.	3	Rental income	50,526	Charged monthly	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.

**(b) Information on investees:**

The following is the information on investees for the years ended December 31, 2023 (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 December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Investment income (loss)	Note
				December 31, 2023	December 31, 2022	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	1,665,613 (USD50,876 thousand)	1,794,633 (USD54,876 thousand)	53,906	100.00 %	3,035,504	100.00 %	(172,342)	(174,356)	The difference between the subsidiary's profit and loss, and the Company's recognized profit and loss was due to the increasing in downstream unrealized gain amounting to \$2,094 and the decreasing in sidestream unrealized gain amounting to \$80.
"	BESTLINK NETWARE INC.	USA	Trading business	31,393 (USD1,000 thousand)	31,393 (USD1,000 thousand)	1,000	100.00 %	35,467	100.00 %	(20,594)	(20,594)	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50 thousand)	1,496 (USD50 thousand)	50	100.00 %	1,582,564	100.00 %	169,907	169,907	
"	PREMIUM-LINE KSI GMBH	Austria	Trading business	28,193 (EUR600 thousand)	28,193 (EUR600 thousand)	-	100.00 %	(68,216)	100.00 %	(8,770)	(8,770)	
"	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 %	273,834	100.00 %	(555,442)	(555,442)	
"	PREMIUM-LINE SYSTEMS GMBH	Germany	Trading business	1,077 (EUR30 thousand)	1,077 (EUR30 thousand)	-	100.00 %	-	100.00 %	-	-	
"	YUE FONGCOMPANY LIMITED	Vietnam	Trading business	5,989 (USD200 thousand)	5,989 (USD200 thousand)	-	100.00 %	(7,756)	100.00 %	242	242	
"	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Taiwan	Trading business	500	500	50	100.00 %	32,029	100.00 %	36,611	36,611	

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Investment income (loss)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of Ownership	Carrying value				
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	622,988 (USD18,807 thousand)	752,008 (USD22,807 thousand)	22,807	100.00 %	1,185,425	100.00 %	(61,965)	(61,965)	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I	Trading business	161,778 (USD4,890 thousand)	161,778 (USD4,890 thousand)	4,890	100.00 %	789,122	100.00 %	(11,744)	(11,744)	
"	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 %	611,351	100.00 %	(34,966)	(34,966)	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720 thousand)	23,392 (USD720 thousand)	720	80.00 %	20,881	80.00 %	445	356	
"	PREMIUM LINE ASIA LTD.	Samoa	Trading business	1,472 (USD50 thousand)	1,472 (USD50 thousand)	50	100.00 %	609	100.00 %	33	33	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	18,558 (USD653 thousand)	18,558 (USD653 thousand)	653	100.00 %	(1,745)	100.00 %	(985)	(985)	
"	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20 thousand)	608 (USD20 thousand)	75	100.00 %	555	100.00 %	-	-	
"	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 %	(144,302)	100.00 %	(63,064)	(63,064)	
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100 thousand)	3,085 (USD100 thousand)	1,000	100.00 %	14,331	100.00 %	152	152	
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 %	988,960	100.00 %	(59,439)	(59,439)	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507 thousand)	1,031,853 (USD32,507 thousand)	500	100.00 %	273,834	100.00 %	(555,442)	(555,442)	

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

**(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 (Note1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 2)	Carrying amount as of December 31, 2023	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	112,978 (USD3,387 thousand)	( 2 )	240,494 (USD7,007 thousand)	-	129,020 (USD4,000 thousand)	111,474 (USD3,007 thousand)	1,455	100.00%	100.00 %	1,455 (1)	173,686	-
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)	(33,381)	100.00%	100.00 %	(33,381) (1)	609,816	-
CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD.	Processing and sale of communication products and internet cables	- (USD - thousand)	( 2 )	9,593 (USD300 thousand)	-	-	9,593 (USD300 thousand)	-	-%	100.00 %	- (1)	- (Note 6)	-
YFC INTERNATIONAL TRADING (WUXI) CO., LTD.	Sale of electronic calculator software and hardware, network equipment and electronic appliances	- (USD - thousand)	( 2 )	23,381 (USD753 thousand)	-	21,420 (USD675 thousand)	- (USD - thousand)	-	-%	- %	(1)	(Note 3)	-
T-MARK	Wholesaling business	900,877 (HKD234,228 thousand)	( 2 )	167,022 (HKD42,000 thousand)	-	-	167,022 (HKD42,000 thousand)	-	15.81%	15.81 %	- (2)	(Note 8)	-

(Continued)

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023 (Note 3 and 7)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3, 4 and 6)	Upper Limit on Investment (Note 5)
934,389 (USD28,968 thousand)	941,156 (USD29,047 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 Group had sold 94.5% of its shares in its subsidiary, YFC INTERNATIONAL TRADING (WUXI) CO., LTD., to a non-controlling interest, resulting in the Group to gain the proceeds of 21,420 (USD 675 thousand), which was repatriated to Taiwan, while having lost control over the above subsidiary. Moreover, the Group's accumulated investment in Mainland China was reduced, with the approval of the Investment Commission MOEA.

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, 2023, and it is applicable from May 4, 2023 to May 3, 2026. Therefore, there is no restriction on the Company's investment in Mainland China.

Note 6: In June 2023, the Group liquidated CHENZHOU YFC, an immaterial subsidiary, who has completed its milestones, at the amount of \$9,593 (USD 300 thousand), which had been written-off, with approval of the Investment Commission MOEA in August 2023.

Due to the deficits incurred by CHENZHOU YFC, there were no funds available to be remitted to Taiwan, and therefore, the cumulative investment amount of CHENZHOU YFC from Taiwan to mainland China was not deducted.

Note 7: DONGGUAN YFC conducted a capital reduction amounting to \$129,020 (USD 4,000 thousand), which had been repatriated to Taiwan in the second half of 2023. Moreover, the Group's accumulated investment in Mainland China was reduced, with the approval of the Investment Commission MOEA.

Note 8: Please refer to note (13)(a)(iii) for details..

Note 9: 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 years ended December 31, 2023 .

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
GOOD WIN INVESTMENT CO., LTD		8,020,359	5.47 %

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

**(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 year ended December 31, 2023				
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
<b>Revenue:</b>					
Revenue from external customers	\$ 3,301,901	2,909,190	3,626,840	-	9,837,931
Inter-segment revenue	3,900,209	1,128,436	2,400	(5,031,045)	-
Interest income	6,835	51,747	2	(29,213)	29,371
<b>Total revenues</b>	<b>\$ 7,208,945</b>	<b>4,089,373</b>	<b>3,629,242</b>	<b>(5,060,258)</b>	<b>9,867,302</b>
Interest expense	\$ 104,405	30,565	53,925	(29,213)	159,682
Depreciations and amortization	84,930	23,311	146,805	-	255,046
<b>Reportable segment profit or loss</b>	<b>\$ (515,224)</b>	<b>124,118</b>	<b>(794,968)</b>	<b>554,208</b>	<b>(631,866)</b>
Capital expenditures on non-current asset	60,974	8,687	9,310	-	78,971
<b>Reportable segment assets</b>	<b>\$ 10,571,187</b>	<b>4,157,101</b>	<b>2,838,265</b>	<b>(8,517,582)</b>	<b>9,048,971</b>
<b>Reportable segment liabilities</b>	<b>\$ 6,085,842</b>	<b>1,616,327</b>	<b>2,528,965</b>	<b>(4,243,851)</b>	<b>5,987,283</b>
For the year ended December 31, 2022					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
<b>Revenue:</b>					
Revenue from external customers	\$ 4,290,364	3,175,802	4,204,459	-	11,670,625
Inter-segment revenue	4,075,107	826,300	10,017	(4,911,424)	-
Interest income	1,625	4,697	734	-	7,056
<b>Total revenues</b>	<b>\$ 8,367,096</b>	<b>4,006,799</b>	<b>4,215,210</b>	<b>(4,911,424)</b>	<b>11,677,681</b>
Interest expense	\$ 83,032	35,123	42,713	-	160,868
Depreciations and amortization	108,773	32,503	136,377	-	277,653
<b>Reportable segment profit or loss</b>	<b>\$ 713,071</b>	<b>1,882,515</b>	<b>(267,629)</b>	<b>(889,740)</b>	<b>1,438,217</b>
Capital expenditures on non-current asset	179,717	5,649	8,673	-	194,039
<b>Reportable segment assets</b>	<b>\$ 11,282,241</b>	<b>4,564,344</b>	<b>3,229,502</b>	<b>(8,975,485)</b>	<b>10,100,602</b>
<b>Reportable segment liabilities</b>	<b>\$ 5,698,655</b>	<b>2,127,816</b>	<b>2,351,438</b>	<b>(3,972,480)</b>	<b>6,205,429</b>

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

**(c) Product and service information**

Information on the Group's revenue from external customers was as follows:

<b>Products</b>	<b>2023</b>	<b>2022</b>
CABLE	\$ 2,873,596	3,753,143
POWER CORD	4,587,914	5,289,707
Consumer electronic	1,990,121	2,278,004
Others	386,300	349,771
Total	<u><u>\$ 9,837,931</u></u>	<u><u>11,670,625</u></u>

**(d) Geographical information**

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets that are based on the geographical location of the assets.

<b>Geographical Information</b>	<b>2023</b>	<b>2022</b>
Revenue from external customers:		
United States	\$ 8,367,740	10,028,889
Mainland China	263,779	305,183
Taiwan	319,090	298,890
Canada	305,851	346,734
United Kingdom	52,156	93,031
Other countries	529,315	597,898
Total	<u><u>\$ 9,837,931</u></u>	<u><u>11,670,625</u></u>

<b>Geographical Information</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Non-current assets:		
Taiwan	\$ 298,382	313,418
Mainland China	381,740	447,840
United States	864,061	859,295
Other countries	326,944	279,163
Total	<u><u>\$ 1,871,127</u></u>	<u><u>1,899,716</u></u>

Non-current assets include property, plant, and equipment, intangible assets, right-of-use assets and prepayments for business facilities, but does not include financial instrument, deferred tax assets, corporate bonds, and time deposits or other assets pledged as collateral.

**(e) Information on revenue from major customers**

For the years ended December 31, 2023 and 2022, the amounts of sales to customers representing greater than 10% of net revenue were as follows:

	<b>2023</b>	<b>2022</b>
Company G	<u><u>\$ 1,718,968</u></u>	<u><u>2,068,683</u></u>