

TWSE: 6220



YFC-BONEAGLE ELECTRIC CO., LTD.

2022 Annual Report

Publication Date: June 20, 2023

This annual report is available at the following websites

Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>

Company Website: <https://www.cables.com.tw>



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2. Deputy Spokesperson

Name : John Shieh
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3. Head Office, Branches and Plants:

Head Office

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5. Independent Auditors

CPA Firm : KPMG
Name : Lee, Fang Yi & Hsieh, Chiu-Hua
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6. Overseas Securities Exchange Market

Not applicable.

7. Corporate Website

<http://www.cables.com.tw>

Notice to Readers

This English version is a summary translation of the Chinese version.

Where any discrepancy arises between the English and Chinese version, the Chinese version shall prevail.

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A. Letter to Shareholders

A. Business Performance for 2022

(1) 2022 Financial Summary

YFC-BonEagle Group's consolidated revenue for 2022 was NT\$11,670,625 thousand, representing a 6.24% decrease compared to NT\$12,446,928 thousand in 2021. The gross profit ratio was 19.59%, showing a 7.38% decrease from 21.15% in 2021. Net profit after tax was NT\$803,702 thousand, an increase of 700.62% from NT\$100,385 thousand in 2021. The consolidated earnings after tax per share was NT\$5.87, reflecting a 672.37% increase from NT\$0.76 in 2021.

The significant growth in YFC-BonEagle Group's Net Profit after Tax in FY2022 compared to FY2021 was mainly due to the net profit from disposal of property, plant, and equipment of NT\$2,007,544 thousand, capital gains taxes of NT\$613,973 thousand, provision for inventory valuation and obsolescence losses of NT\$408,353 thousand, and impairment loss of non-financial assets of NT\$104,473 thousand.

(2) Budget Execution: As the Company did not publicly disclose a financial forecast for FY2022, there is no analysis available.

(3) Analysis of Receipts, Expenditures and Profitability

Unit: NT\$ thousands

Category	Title	2022	2021
Receipts & Expenditures	Net operating revenue	11,670,625	12,446,928
	Gross profit from operations	2,286,817	2,632,499
	Net profit (loss) before tax	1,438,217	132,384
	Net profit (loss) after tax	803,702	100,385
Profitability	ROA (%)	9.08	1.88
	ROE (%)	24.99	3.88
	Operating income to paid-in capital (%)	(25.70)	16.11
	Net profit before tax to paid-in capital (%)	99.72	10.11
	Net profit margin (%)	6.89	0.80
	EPS (NT\$)	5.87	0.76

(4) R&D

1. Lan CM grade PVC wire – Cat.6 UTP series.
2. Lan CMP PVC – Cat.6 UTP & FTP and Cat.6A UTP series.
3. Lan CMR PVC – Cat.6/Cat.5e UTP and Cat.6A UTP cable.
4. Lan PVC/LSOH wire – Cat.6A Shielded wire.
5. Lan PVC/LSOH – Cat.6A UTP.
6. Local sourced materials for 5G foam insulation material development and application-physical foam.
7. Development of new PVC compounds certified under UL & CM.
8. Certification of networking cable products for the Philippines' Plants.
9. POE CAT.6/6A shielded/unshielded module.

10. Product lines of Wuxi Factory were certified in various countries: European Union CPR-certificated Lan Cable, halogen-free cables/VDE-certified plug, 20 types of plugs for Australia and Europe were certified, and 17 certificates were CCC-updated, national standard of China.
11. Certification of K.UL 758, UL10269, UL11627 and UL3817
12. CM Evaluation and Certification for RG174 Coaxial Cable
13. PV energy storage rechargeable battery (outdoor waterproof).
14. PV1-F solar panels connected to PV extension cable.
15. US-spec 3-prong plug LED lighting male plug/female plug (outdoor waterproof).
16. Wire harness assembly board and electrical test board.
17. Large square wire harness riveting and ultrasonic welding production capability (>50 square).
18. Development of 3-in-1 terminal crimping machine.

B. Summary of 2023 Business Plan

(1) Short-term Business Development Plan:

1. Through the integration of sales, distribution, and production into a comprehensive one-stop service, we aim to effectively fulfill our client's needs and optimize manufacturing costs. By doing so, we can deliver the most valuable products for industrial, commercial, and household use to consumers worldwide. This integrated approach will serve as a catalyst for revenue and profitability growth.
2. Besides distributing power cables & network product series, our US channel subsidiaries develop other 5G-related product lines aggressively as well to expand sales and strengthen cash flow to deliver better overall performance.
3. Continue to expand the wiring harness business related to electronic control and ADAS in alternative fuel vehicles (AFV).
4. Promote the Company's high-end cable routing products (Cat.8) to the market by providing complete high-speed network transmission solution models.
5. Conform to the smart manufacturing trend, develop the industrial network patch cord market and differentiate ourselves from the current low-end consumer market and traditional channels.
6. Accelerate non-China sourcing developments, and cooperate with suppliers to meet the needs of the three US channel subsidiaries and North American clients.
7. Increase the capacity efficiency and shorten production lead-time of the Philippine plants to satisfy North American clients' demands.
8. Develop modular center business in North America and Southeast Asia.

(2) Long-term Business Development Plan:

1. Increase sales shares outside US regions, such as Europe, Southeast Asia, New Zealand, and Australia. In addition, set up Southeast Asia Promotion Center of the Group's branded products in the Philippines, cooperate with local related enterprises, and participate in Government infrastructure projects.
2. Provide valuable products to satisfy various demands in the markets via solid manufacturing and quality control ability of the Company's plants and alignment with suppliers.
3. Prime, a self-owned wholesale channel, sells products to consumers fond of in-store shopping.
4. MONOPRICE, a self-owned e-commerce brand, provides Internet users with the most suitable products in time.

5. Expand the automotive market in Mainland China on the ground of automotive high-frequency cable solutions and electric vehicle power cable solutions.
6. Set up manufacturing plants outside China and increase sourcing partners to decentralize our production bases and erase risks raised from the US-China rivalry and geopolitical competition.

C. Impacts of the Competitive Environment, Regulations, and Overall Business Management:

(1) Geopolitical Impact:

Due to the fragile U.S.-China relations and the high tariffs imposed by the U.S. on Chinese imports that are unlikely to be removed in the near future, major clients are demanding higher capacity of our non-China manufacturing facilities.

In addition to renting two plants and building a self-owned warehouse in the Philippines to cater to the needs of clients' production capacity and delivery deadlines, we continue to seek qualified suppliers outside of China, such as Vietnam and Thailand, to manufacture our own-branded and EDM products for our three channel subsidiaries: Prime, Monoprice, and Bestlink. By doing so, we aim to reduce the costs associated with U.S. import tariffs while enhancing our competitiveness in the market.

(2) Impacts of Interest Rates and Exchange Rates

Since March 2022, the FED has begun raising interest rates, and as of the end of March 2023, the federal benchmark interest rate has reached 4.75% to 5.00%, leading to a significant increase in borrowing costs. Further in 2023, the global shortage of shipping containers and shipping crisis has subsided, and congestion at US West Coast ports has eased, resulting in improved shipping speeds. This allows YFC Group to continue depleting its inventory and reducing safety stock, which in turn decreases the demand for working capital and improves the financial structure. As a result, this is expected to mitigate the impact of the significant increase in interest expenses.

We truly appreciate the support and encouragement from all shareholders over the years. The Company's management and staff will continue to make every effort to achieve remarkable results. Lastly, we wish you all the best of health and good luck!

Sincerely,

Andrew Yeh

Chairman

(Representative of Good Win Investment Co., Ltd.)

B. Company Profile

I. Date of Incorporation: September 3, 1983

II. Company History & Evolution

The Company was formerly known as “YFC-BonEagle Electric Ltd.,” founded on September 3, 1983. The Company produced power cords and plugs at its early stage and has transformed into producing Local Area Network (LAN) cables and other related products.

1983	YFC-BonEagle Electric Ltd., was established with an initial capital of NT\$12 million. The Company manufactures power cords and plugs.
1990	Capital increase with NT\$17.5M cash, paid-in capital raised to NT\$29.5M. Purchased a piece of land for Plant 1.
1995	Developed LAN cable manufacturing equipment and obtained Underwriters Laboratories (UL) certification.
1996	Capital increase with NT\$12.5M cash, paid-in capital raised to NT\$42M. Started mass production in LAN cable and officially set foot in Networking and Telecom Industry.
1997	Capital increase with NT\$18M cash, raised paid-in capital to NT\$ 60M. Obtained approval from the MOEAIC on investment in China and established Dongguan YFC BonEagle Electronic Technology Co., Ltd. (Dongguan YFC).
1998	Capitalization of NT\$10.5M retained earnings, paid-in capital raised to NT\$70.5M. Demolished an old metal sheet factory building and constructed a modernized factory to act in concert with the production conditions of newly acquired equipment at Plant 1. Signed a business management counseling contract with the Chinese Management Association and was listed as a model manufacturer. Quality System qualified on UL ISO9002 Certification and IECQ Certification. YFC products were the first in Asia to be awarded 3P Certification by IBM. Purchased a piece of land for warehousing of Plant 1.
1999	Capital increase with NT\$66M cash and capitalization of NT\$11.28M retained earnings, paid-in capital raised to NT\$147.28M. Completed Plant 1 site construction and introduced foam extrusion process and high-speed cable testing equipment made in Switzerland . The Company name was changed to “YFC-BonEagle ELECTRIC CO., LTD.” Signed IPO contract, listing plan advisory, and accounting & tax service with Moores Rowland CPAs.
2000	Purchased a new piece of land and dismantled the original warehouse to build Plant 2. Procured the latest pair twister machine and copper processing equipment. The Industrial Development Bureau of the MOEA approved the Company’s LAN cable products qualification for applying the Regulations on Investment Incentives for Important Science and Technology Businesses. Entered contracts with the Industrial Technology Research Institute(ITRI) on developing projects such as Fiber Transceiver and Optical Module, Bluetooth Wireless Transmission Module, and so on. Diplomats, representatives and ambassadors of the foreign envoys visited the Company. Capital increase with NT\$27.06408M cash and capitalization of NT\$24.23592M retained earnings, paid-in capital raised to NT\$199.08M.

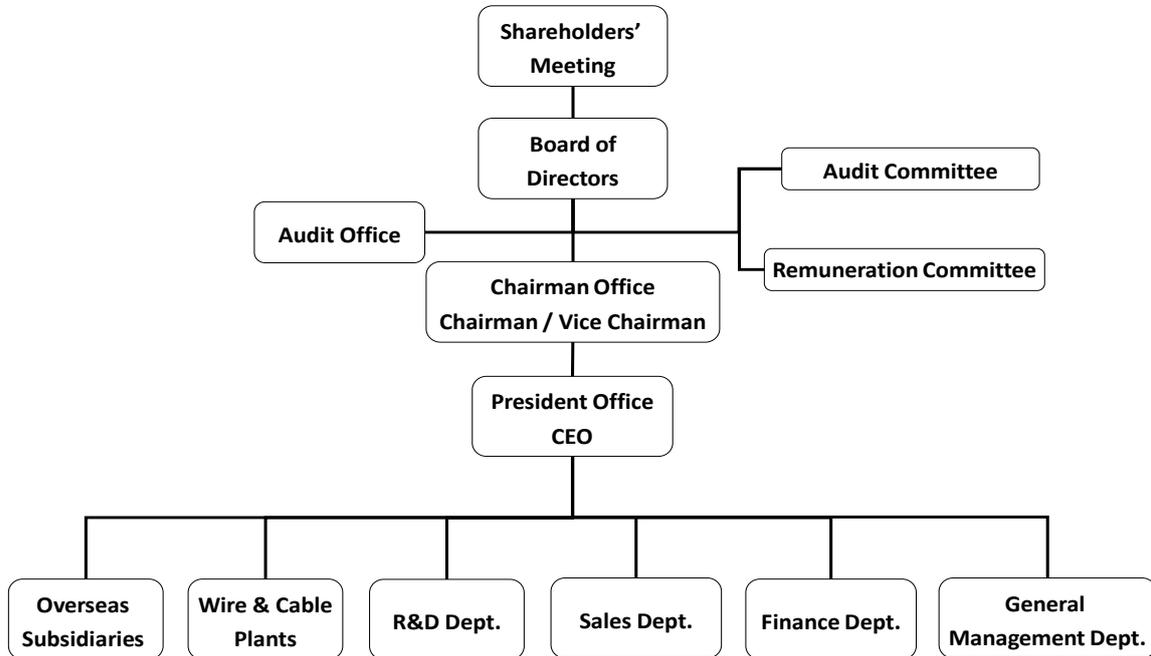
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- Received the 3rd Rising Star Award from the Small and Medium Enterprise Administration of the MOEA on December 23.
-
- 2001 May 31, obtained approval for IPO re-issuance from the Securities and Futures Commission of the Ministry of Finance (SFC).
Capital increase with NT\$96.32224M cash and capitalization of NT\$54.59776M retained earnings, paid-in capital raised to NT\$350M.
August 8, Dongguan YFC completed relocation to the new constructed manufacturing site.
November 11, receive the 10th National Award of Outstanding SMEs from Small and Medium Enterprise Administration of the MOEA.
-
- 2002 Established Europe Office to extend sales market in Structured Wiring & Cable Systems.
-
- 2003 With the authority's approval, listed on Taiwan Stock Exchange on January 9 (code: 6220).
June 19, obtained approval by SFC for capital increase by NT\$44.4609M retained earnings, raised the paid-in capital to NT\$463.9784M.
Established new subsidiary Bestlink Netware Inc. in Los Angeles in November; to expand the US market through B2B online sales.
Established Wuxi Universal Network Corporation, which manufactures Ethernet patch cables and optoelectronics packaging, and also obtained domestic sales license for manufacturing FIEs in China.
-
- 2004 In December, Cat.7 High-Speed LAN Cable products obtained 3P certificate, a professional and leading third party testing laboratory in Europe.
-
- 2005 With the acquisition of 10 patents, the ZEBLE trademark, US and German product certification, and manufacturing rights of multiple connectors, YFC successfully integrated its connector products and improved the integrity and competitiveness of Network Cabling System products.
-
- 2006 The Financial Supervisory Commission of Executive Yuan (FSC) approved capitalization of NT\$41.59497M retained earnings and capital surplus on May 18. In November, conducted private placement to raise NT\$130M capital; converted NT\$107.1933M convertible bonds, and execute NT\$8.895M employee stock options. The total paid-in capital was raised to NT\$751.66167M.
Acquired Prime Wire & Cable, Inc. With the acquisition, YFC was equipped with greater control over sales in the target market and becoming more aggressive with outstanding service. Moreover, YFC sales performance elevates in continuous speed growth and keeps achieving profitability goals.
-
- 2007 July 17, the FSC approved capital increase with NT\$200M cash. July 26, the FSC approved capitalization of NT\$73.11622M retained earnings and exercised NT\$3.635M employee stock options, paid-in capital was raised to NT\$1028.40289M.
The new plant of Wuxi Universal Network Corporation came into operation.
-
- 2008 August 4, the FSC approved capital increase by transferring capital surplus NT\$54.25136M; retired NT\$99.4M of treasury stock from the buybacks conducted during the year; accumulative paid-in capital was NT\$983.26425M.
-
- 2009 July 16, the FSC approved to increase capital by transferring capital surplus NT\$48.57172M, retired NT\$11.83M of treasury stock from the 6th buyback; total paid-in capital was NT\$1020.00597M.
To develop the domestic market in China, Wuxi Clear Power Network Technology Limited Company (later renamed "YFC International Trading (Wuxi) Co., Ltd.") was established.
-
- 2010 July 21, the FSC approved to increase capital by capitalizing NT\$21.983296M retained earnings, allotting 2,198,329 new shares. With an employee stock bonus of NT\$8.674241M, based on the closing price of the Company's common stock on June 15, 2010, and taking into account the effect of
-

	ex-dividends, it is to issue 381,453 new shares; the total stock bonus was NT\$30.657531M, of which was resolved to issue 2,579,782 new shares. Converted NT\$95.65449M convertible bonds whole year; accumulated paid-in capital raised to NT\$1141.45828M.
2011	Converted NT\$19.08935M convertible bonds; increasing paid-in capital raised to NT\$1160.54763M.
2012	Retired NT\$24.46M of treasury stock from the 7th buyback, which reduced paid-in capital to NT\$1136.08763M. Premium Line Asia Ltd. was established with the aim of establishing a self-owned brand in Asia and enhancing sales competitiveness.
2013	Retired NT\$27.79M of treasury stock from the 8th and 9th buyback, which reduced paid-in capital to NT\$1108.29763M. Established US subsidiary, UNC Investment & Development, Inc. Purchased real estate in Cerritos to serve as warehouse and office of Bestlink Netware, Inc. and Prime Wire & Cable, Inc. Adopt IFRSs Standards on accounting and finance works.
2014	Converted NT\$36.83808M convertible bonds; paid-in capital raised to NT\$1145.13571M.
2015	Converted NT\$165.95558M convertible bonds for capital increase; retired NT\$1.19M of treasury stock from the 10th buyback; paid-in capital accumulated to NT\$1309.90129M.
2016	To expand the European market, Kontakt-Systeme Inter Gesellschaft M.B.H. (later renamed "Premium-Line KSI GmbH") in Austria was acquired in August. In November of the same year, we indirectly acquired 100% equity of Monoprice, Inc., a leading online retailer selling consumer electronics, formerly owned by the public corporation Blucora, Inc. This acquisition further enhances the Company's competitive advantage. Converted NT\$28.44162M convertible bonds for capital increase; retired NT\$99.74M of treasury stock from the 11th and 12th buyback; paid-in capital accumulated to NT\$1238.60291M.
2017	Converted NT\$6.94197M convertible bonds; increasing paid-in capital raised to NT\$1245.54488M. Established YFC-BonEagle International, Inc. to expand ASEAN and the Philippine market. Received the 18th Golden Peak Award from the Outstanding Enterprise Manager Association.
2018	In response to the US-China trade war and requests from clients, YFC purchased lands for building new plants and warehouse in the Philippines.
2019	In view of the Company's future development and actual business needs, purchased land serial No. 417, 417-1, 418, and 418-1 located at Qingshan Section, Dayuan District, Taoyuan City. Furthermore, YFC rented and built a plant in Yangmei District, Taoyuan City, and set up a subcontract manufacturing plant for assembly and processing in the Philippines to decentralize the current production capacity concentration in China.
2020	Converted NT\$64.9213M convertible bonds; paid-in capital raised to NT\$1310.46618M. Invest in Vietnam and established Yue Fong Company Limited to expand the Southeast Asia market.
2021	Converted NT\$92.577M convertible bonds; increasing paid-in capital raised to NT\$1319.72388M.
2022	To enrich the working capital, the warehouse of subsidiary UNC Investment and Development, Inc. in California was sold. Additionally, through a cash capital increase and the conversion of convertible bonds into new shares (up to February 18, 2023), the total increased capital amounts to NT\$128.95798M. The cumulative paid-in capital has now reached NT\$1448.68186M.

C. Corporate Governance Report

I. Organization

1. Organization Chart



2. Department Functions

Department	Responsibilities & Functions
President Office	Responsible for formulating business strategies and policies, including project planning, auditing, information, operations management, R&D, and overseas investment.
Audit Office	Responsible for the review of the implementation of the Company's internal control system.
General Management Department	Responsible for the management of IT infrastructure, human resources, general affairs, and welfare policies of the Company.
Finance Department	Establish and promote the accounting system, financial, stock affairs, taxation, and cost control work.
Sales Department	Develop both overseas and domestic markets, and drive sales of products managed by the Company.
R&D Department	Responsible for the research and development of new products, and design and management of processes and materials.
Wire & Cable Plants	Responsible for the production of LAN-related products, promotion of quality assurance system, inspection of raw materials procurement, product certifications, and quality control.
Overseas Subsidiaries	Marketing, planning, and operations management of the foreign business.

II. Profiles of Directors, President, Vice Presidents, Senior Managers and Department Heads

(I) Information on Directors

1. Directors

April 22, 2023

Title	Name	Gender & Age	Nationality/Place of Registration	Date of Election	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minors' Current Shareholding		Shareholding by Proxy		Education & Experience	Concurrent Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	Good Win Investment Co., Ltd.	-	R.O.C.	2022.06.21	3	2022.06.21	6,620,361	5.32%	7,520,359	5.19%	-	-	-	-	-	-	-	-	-	None
	Representative: Andrew Yeh	Male 61~70	R.O.C.	2022.06.21	3	2016.06.22	1,575,260	1.26%	1,075,260	0.74%	305,117	0.21%	-	-	Education Entrepreneur Management Advanced Program by NCCU EMBA Association Experience Chairman, YFC BonEagle Electric Co., Ltd.	1. YFC President 2. Chairman of YFC-BonEagle Electric (B. V.I.) Co., Ltd. / Premium-Line KSI GmbH / YFC-BonEagle Holdings (CAYMANS) Co., Ltd / Europower International Limited / Universal Network Corporation / Max Synergy Limited / Premium Line Asia Ltd. / Dongguan YFC BonEagle Electronic Technology Co., Ltd.	Director	Yeh, Chia-Yi	Father & Daughter	None
Vice Chairman	Great King Investment Development Ltd.	-	R.O.C.	2022.06.21	3	2022.06.21	2,126,000	1.71%	2,388,556	1.65%	-	-	-	-	-	-	-	-	-	None
	Representative: Grow Lin	Male 71~80	R.O.C.	2022.06.21	3	2016.06.22	527,677	0.42%	550,167	0.38%	181,343	0.13%	-	-	Education National Taipei University, EMBA Experience 1. Vice Chairman, YFC BonEagle Electric Co., Ltd. 2. Lecturer, Taiwan Academy of Banking and Finance 3. Associate Professor, Asia Eastern University of Science and Technology	1. YFC Vice President 2. Chairman of Bestlink Network Inc. / UNC Investment & Development, Inc. / Monoprice Holdings, Inc. / Monoprice, Inc. / Chenzhou YFC BonEagle Electronic Co., Ltd. / Wuxi Universal Network Corporation / YFC International Trading (Wuxi) Co., Ltd. 3. Director of Prime Wire & Cable, Inc. / Dongguan YFC BonEagle Electronic Technology Co., Ltd. / Weishun Construction (Weishun Group) 4. Independent Director of ACON Holding Inc.	-	-	-	None
Director	Chang, Lung-Kwang	Male 71~80	R.O.C.	2022.06.21	3	1994.09.01	2,967,085	2.38%	3,094,503	2.14%	2,009,041	1.39%	-	-	Education Bachelor in Mechanical Engineering, National Cheng Kung University Experience Manager, Lu Her Wires and Cables Co., Ltd.	1. Director of Dongguan YFC BonEagle Electronic Technology Co., Ltd. / Wuxi Universal Network Corporation 2. Chairman of Prime Wire & Cable, Inc. / Dorris-Mic International Company Ltd.	-	-	-	None
Director	Yeh, Shou-Wen	Male 51~60	R.O.C.	2022.06.21	3	2022.06.21	321,000	0.24%	314,809	0.22%	68,813	0.05%	-	-	Education Taibei Senior High School Experience 1. Office Staff, Taipei City Government 2. Consultant, Care360Tek Co., Ltd.	1. Consultant, Fabulous Trade Co., Ltd. 2. Supervisor, Chemsearch Technology Co., Ltd.	-	-	-	None
Director	Yu Yao Investment Co., Ltd.	-	R.O.C.	2022.06.21	3	2022.06.21	809,000	0.65%	5,742,470	3.96%	-	-	-	-	-	-	-	-	-	None

Title	Name	Gender & Age	Nationality/Place of Registration	Date of Election	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minors' Current Shareholding		Shareholding by Proxy		Education & Experience	Concurrent Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Representative: Yeh, Chia-Yi	Female 41-50	R.O.C.	2022.06.21	3	2022.06.21	409,213	0.31%	426,654	0.29%	-	-	-	-	Education Dowling College, Finance Major Experience Chief Administrative Officer, VA&G Bioscience Inc.	1. Finance Manager, Jie-Shou Investment Co., Ltd. 2. Representative, Di-Mi-Te Co., Ltd.	Chairman	Andrew Yeh	Father & Daughter	None
Director	He Ding Investment Co., Ltd.	-	R.O.C.	2022.06.21	3	2022.06.21	3,016,776	2.42%	3,562,407	2.46%	-	-	-	-	-	-	-	-	-	None
	Representative: Lin, Yen-Ting	Male 31~40	R.O.C.	2022.06.21	3	2019.06.18	115,972	0.09%	3,972	0.003%	-	-	-	-	Education Entrepreneur Management Advanced Program by NCCU EMBA Association	1. Vice President of Ho Yu International Co., Ltd.	-	-	-	None
Independent Director	Lee, Han-Tzong	Male 71~80	R.O.C.	2022.06.21	3	2002.05.20	354,959	0.28%	390,088	0.27%	47,709	0.03%	-	-	Education University of South Australia, Business Management PhD Experience 1. Manager, ITRI and Communications Research Laboratories 2. Assistant Professor, Minghsin University of Science and Technology, BA Dept.	1. Supervisor, Lightwave Link, Inc. 2. Managing Supervisor, Association of Digital Technology Innovation and Development 3. Convener of YFC Audit Committee and Remuneration Committee.	-	-	-	None
Independent Director	Chen, Chao-Ting	Male 51~60	R.O.C.	2022.06.21	3	2019.06.18	-	-	-	-	-	-	-	-	Education National Central University, MBA Experience CPA, Top New & Co., CPAs Firm	1. CPA of Cheng-Xin CPA Firm 2. Director, Xi-Le-Jian Management Consultants Co., Ltd. 3. Independent Director, Sunplus Innovation Technology Inc. 4. Member of YFC Audit Committee and Remuneration Committee.	-	-	-	None
Independent Director	Lin, Tzeng-Show	Male 71~80	R.O.C.	2022.06.21	3	2019.06.18	-	-	-	-	-	-	-	-	Education National Taipei University of Technology, MBM Experience Executive Director & President, Taiwan Business Bank	Member of YFC Audit Committee and Remuneration Committee.	-	-	-	None
Director (Stepped Down)	Eddy Ku	Male 61~70	R.O.C.	2019.06.18	3	1994.09.01	1,062,412	0.85%	1,177,694	0.81%	8,933	0.01%	-	-	Education Department of Electrical Engineering, National Chin-Yi University of Technology Experience Director, China Wires & Cables Co., Ltd.	1. CTO of the Company 2. Chairman of YFC-BonEagle Electronic Technology Phils. Corporation / YFC-BonEagle International, Inc. / YFC Development Corporation	-	-	-	Note 1
Director (Stepped Down)	Yu Yao Investment Co., Ltd.	-	R.O.C.	2019.06.18	3	2019.06.18	809,000	0.65%	5,742,470	3.96%	-	-	-	-	-	-	-	-	-	
	Representative: Chang, Chu-Tzu	Female 71-80	R.O.C.	2019.06.18	3	2019.06.18	9,410,306	7.56%	4,715,306	3.25%	-	-	-	-	Education National Hualien Commercial High School Experience Employee, Taiwan Power Company	-	Chairman	Andrew Yeh	In-laws	Note 1

Note 1: Director Eddy Ku and Director Chang, Chu-Tzu (representative of Yu-Yao Investment Co., Ltd.) have both stepped down following the re-election on June 20, 2022.

Note 2: Where the chairman and the president, or person of an equivalent post (the highest-level officer) of a company are the same person, spouses, or first-degree relatives, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., method of increase the number of independent directors with a majority of the directors not serving as an employee or officer): None

2. Major Shareholders of Corporate Shareholders

2023.4.30

Name of Corporate Shareholder	Major Shareholders of the Corporate Shareholder	Shareholding Ratio
Good Win Investment Co., Ltd.	Yeh, Chia-Yi	28.75%
	Glen Yeh	28.75%
	Yeh, Chia-Hao	32.50%
	Andrew Yeh	3.75%
	Chang, Hsiu-E	6.25%
Great King Investment Development Ltd.	Grow Lin	32.00%
	Lin, Feng Shih	29.43%
	Lin, Rong Yi	38.57%
Yu Yao Investment Co., Ltd.	Chang, Chu-Tzu	64.54%
	Chiu, Ching-Di	13.64%
	Lu, Yuan-Chun	13.64%
	Glen Yeh	8.18%
He Ding Investment Co., Ltd.	Lin, Hsin-Yi	20.00%
	Lin, Hsin-Yu	20.00%
	Lin Chih-Meng	20.00%
	Kuo Shu-Chuan	40.00%

- If any of the 10 largest shareholders is a corporate shareholder, the name of the corporate shareholder and the holding percentage of each shall be stated. If the major shareholder is a legal entity, Table 2 should be filled in: N/A
- If a corporate shareholder is not a corporate organization, the name of the shareholder and shareholding ratio disclosed in the preceding paragraph shall be the name of the contributor or donor and their contribution or donation ratio: N/A
- Table 2 for major corporate shareholders of the Company's corporate shareholders: N/A

3. Professional Qualifications and Independence State of Directors:

Name		Criteria	Professional Qualifications & Experiences	State of Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Chairman	Good Win Investment Co., Ltd. Representative: Andrew Yeh		<ol style="list-style-type: none"> 1. Currently Serving as the Chairman and President of YFC. 2. With more than five years of required working experience in commerce, law, finance, accounting, or other fields necessary for the business of the Company. Demonstrates capabilities in international perspective, operations management, leadership, and decision-making. 3. Not under any circumstances set in Article 30 of the Company Act. 	Note 1& 2	0
Vice Chairman	Great King Investment Development Ltd. Representative: Grow Lin		<ol style="list-style-type: none"> 1. Currently Serving as the Vice Chairman and VP of YFC. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in international perspective, operations management, leadership and decision-making. 3. Not under any circumstances set in Article 30 of the Company Act. 	Note 1& 2	1
Director	Chang, Lung-Kwang		<ol style="list-style-type: none"> 1. Current Director. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in industry management, marketing, operational judgment, and decision-making. 3. Not under any circumstances set in Article 30 of the Company Act. 	Note 1& 2	0
Director	Yeh, Shou-Wen		<ol style="list-style-type: none"> 1. Current Director. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in industry management, marketing, marketing, and crisis handling 3. Not under any circumstances set in Article 30 of the Company Act 	Note 1& 2	0
Director	Yu Yao Investment Co., Ltd Representative: Yeh, Chia-Yi		<ol style="list-style-type: none"> 1. Current Director. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in operational judgment and decision-making. 3. Not under any circumstances set in Article 30 of the Company Act. 	Note 1& 2	0

Director	He Ding Investment Co., Ltd. Representative: Lin, Yen-Ting	1. Current Director. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in operations management, decision-making, marketing and experience in legal affairs. 3. Not under any circumstances set in Article 30 of the Company Act.	Note 1& 2	0
Independent Director	Lee, Han-Tzong	1. Education and experiences are stated in the pages before 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in industry and operations management. 3. Not under any circumstances set in Article 30 of the Company Act.	Note 3	0
Independent Director	Chen, Chao-Ting	1. Education and experiences are stated in the pages before. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates professional capabilities in regulatory compliance, as well as financial and accounting analysis. 3. Not under any circumstances set in Article 30 of the Company Act.	Note 3	1
Independent Director	Lin, Tzeng-Show	1. Education and experiences are stated in the pages before. 2. With more than five years of required working experience in commerce, law, finance, accounting, or profession necessary for the business of the Company. Demonstrates capabilities in operations management, leadership, and decision-making. 3. Not under any circumstances set in Article 30 of the Company Act.	Note 3	0

Note 1: Not a spouse or relative within the second degree of kinship to any other directors.

Note 2: Not under any circumstances set in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

Note 3: Meets the independence requirements stipulated in Subparagraphs 1 to 9, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

4. Diversity and Independence of the Board of Directors:

(1) Diversity of the Board of Directors

The Board of Directors of the Company abide by the Articles of Incorporation, Rules for the Election of Directors, and Best Practice Principles of Corporate Governance.

I. Board structure: In accordance with the Articles of Incorporation, the Company has a total of 9 directors. The candidate nomination system is adopted and directors are elected from a list of candidates at the shareholders' meeting. The Board is required to have a minimum of three independent directors, representing at least 1/5 of the total Board members. These independent directors are also appointed to form the Audit Committee, with the objective of assisting the Board in decision-making.

II. Composition of the Board Members:

The composition of the Board of Directors should consider diversity. It is recommended that directors who also serve as company officers should not exceed one-third of the total number of board members. Furthermore, an appropriate diversity policy should be formulated based on the Company's business operations, operating dynamics, and development needs. This policy should include, but not be limited to, the following two general standards:

A. Basic requirements and values: Gender, age, nationality, and culture.

B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

III. Execution of the Board Diversity Objectives:

Taking into account the concepts of the Board member diversity, the objectives include:

A. To include at least one female director;

B. The number of directors who concurrently serve as managerial officers does not exceed 1/3 of the Board;

C. No more than two directors are a spouse or relatives within the second degree of kinship to any other directors;

D. At least two independent directors shall serve no more than three consecutive terms.

The current (11th) Board of Directors comprises nine directors, including one female director and three independent directors. There are two directors who hold concurrent positions as managerial officers of the Company. Additionally, two representatives of the corporate directors are relatives within the second degree of kinship. However, there are no directors who are spouses or have direct kinship relations with each other. Regarding the three independent directors, two were newly elected from the re-election in 2019, and the other has served for over a 9-year-term in the account of apparent benefits to the Company by his finance and business profession background. The directors are thoroughly evaluated and elected based on the principles of board diversity, taking into consideration their professional backgrounds and skills in various areas such as operations management, leadership, decision-making, financial analysis, and marketing. Additionally, they possess the qualifications to lead, make informed decisions, and have ample industry knowledge and experience. This demonstrates that the Company has given careful thought to the requirements, implemented the concept effectively, and successfully achieved its diversity objectives.

(2) Independence of the Board:

The Company has three independent directors, accounting for 1/3 of the Board. All of the Company's directors (including the independent directors) meet the criteria for independence and do not fall under any of the circumstances outlined in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

(II) Information on General Manager, vice presidents, senior managers, and heads of departments and branches

April 22, 2023/Unit: shares

Title	Name	Gender	Nationality	Date of Appointment	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Proxy		Education & Experience	Concurrent Positions	Company officers who are spouses or relatives within the 2nd degree of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	Andrew Yeh	Male	R.O.C.	2016.06	1,575,260	0.74%	305,117	0.21%	—	—	Education Entrepreneur Management Advanced Program by NCCU EMBA Association Experience Chairman of YFC BonEagle Electric Co., Ltd.	1. Chairman of YFC-BonEagle Electric (BVI.) Co., Ltd. / Premium-Line KSI GmbH / YFC-BonEagle Holdings (CAYMANS) Co., Ltd / Europower International Limited / Universal Network Corporation / Max Synergy Limited / Premium Line Asia Ltd. / Dongguan YFC BonEagle Electronic Technology Co., Ltd.	Senior Manager	Glen Yeh	Father & Son	
VP & Corp. General Manager	Grow Lin	Male	R.O.C.	2016.06	550,167	0.38%	181,343	0.13%	—	—	Education National Taipei University, EMBA Experience 1. Vice Chairman, YFC BonEagle Electric Co., Ltd. 2. Lecturer, Taiwan Academy of Banking and Finance 3. Associate Professor, Asia Eastern University of Science and Technology	1. Chairman of Bestlink Netware Inc. / UNC Investment & Development, Inc. / Monoprice Holdings, Inc. / Monoprice, Inc. / Chenzhou YFC BonEagle Electronic Co., Ltd. / Wuxi Universal Network Corporation / YFC International Trading (Wuxi) Co., Ltd. 2. 3. Director of Prime Wire & Cable, Inc. / Dongguan YFC BonEagle Electronic Technology Co., Ltd. 3. Director of Weishun Construction (Weishun Group) 4. Independent Director of ACON Holding Inc.	-	-	-	
CEO	Arthur Hua	Male	R.O.C.	2015.07	197,816	0.14%	—	—	—	—	Education National Taiwan University, MBA Experience Vice President of 3CEMS	1. President of Dongguan YFC BonEagle Electronic Technology Co., Ltd. / Wuxi Universal Network Corporation 2. Director of Chenzhou YFC BonEagle Electronic Co., Ltd.	-	-	-	
CTO	Eddy Ku	Male	R.O.C.	1989.10	1,117,694	0.81%	8,933	0.01%	—	—	Education National Chin-Yi University of Technology, BEE Experience Director of China Wire & Cable Co., Ltd.	1. Chairman of YFC-BonEagle Electronic Technology Phils. Corporation / YFC-BonEagle International, Inc. / YFC Development Corporation	-	-	-	
VP (Head of Prime)	John Hsieh	Male	R.O.C.	1999.02	609,917	0.42%	—	—	—	—	Education Georgia State University, Master of Science in Finance Experience 1. Section Chief, Longchen Paper & Packaging Co., Ltd. 2. Senior Manager of YFC BonEagle Electric Co., Ltd.	1. President of Prime Wire & Cable, Inc. 2. Director of Monoprice Holdings, Inc. 3. Director & President of Monoprice, Inc.	-	-	-	
CFO & VP	Conni Tsai	Female	R.O.C.	2012.11	654,046	0.45%	—	—	—	—	Education Feng Chia University, Bachelor in Public Finance Experience 1. Horwath Chien Hsing CPAs 2. Senior Manager of YFC BonEagle Electric Co., Ltd.	1. Director of Monoprice Holdings, Inc. 2. Director of Monoprice, Inc.	-	-	-	

Overseas Plants VP	Fred Shan	Male	R.O.C.	2012.11	266,201	0.18%	13,000	0.01%	—	—	Education National Chiao Tung University, Bachelor in Mechanical Engineering Experience Production Engineering Supervisor of Chin Chun Motor Co., Ltd.	1. Vice President of Wuxi Universal Network Corporation	-	-	-	
Sales VP	Jack Lee	Male	R.O.C.	2012.02	55,234	0.04%	—	—	—	—	Education Tunghai University, BBA Experience Sales Manager, Wei-Chin Enterprise Limited	N/A	-	-	-	
Senior Manager	Glen Yeh	Male	R.O.C.	2020.05	1,468,602	1.01%	—	—	—	—	Education California State University Fullerton, MSA Experience 1. Assistant Manager, KPMG Taiwan 2. Associate Manager, KGI Securities Co. Ltd.,	N/A	President	Andrew Yeh	Father & Son	
Senior Manager	Anderson Huang	Male	R.O.C.	2020.05	154,413	0.11%	—	—	—	—	Education Yuan Ze University, CSE Master's degree Experience 1. Assistant IT Manager, Tai-Saw Technology Co., Ltd. 2. Manager, YFC BonEagle Electric Co., Ltd.	N/A	-	-	-	

Note: Where the president or person of an equivalent post (the highest-level officer) of a company are the same person as the chairman of the Board of Directors, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures (such as adding more independent directors and having more than half of the directors who are neither employees nor officers) adopted in response thereto: None.

III. Compensation Paid to Directors, President, and Vice Presidents in the Most Recent Year

(I) Compensation to general directors and independent directors

Dec. 31, 2022

Unit: NT\$K / thousands of shares

Title	Name	Director Compensation								Total(A+B+C+D) & Ratio to Net Income (%)		Compensation Received as an Employee								Total(A+B+C+D+E+ F+G) & Ratio to Net Income (%)		Compensation received from investees other than subsidiaries or parent company
		Remuneration (A)		Retirement pension (B)		Bonus (C)		Expenses for Services Rendered (D)				Salary and Allowance (E)		Pension (F)		Employee Bonus(G)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities			
Chairman	Good Win Investment Co., Ltd. Representative: Andrew Yeh																					
Vice Chairman	Great King Investment Development Ltd. Representative: Grow Lin																					
Chairman	Andrew Yeh																					
Vice Chairman	Grow Lin																					
Director	Chang, Lung-Kwang																					
Director	Yeh, Shou-Wen	0	0	0	0	15,000	15,000	996	996	15,996/ 1.99%	15,996/ 1.99%	10,373	12,094	101	101	4,630	14,261	4,630	14,261	47,082 /5.86%	47,082 /5.86%	N/A
Director	Yu Yao Investment Co., Ltd. Representative: Yeh, Chia-Yi																					
Director	He Ding Investment Co., Ltd. Representative: Lin, Yen-Ting																					
Director	Lin, Yen-Ting																					
Director	Eddy Ku																					
Director	Yu Yao Investment Co., Ltd. Representative: Chang, Chu-Tzu																					
Director	Chang, Chu-Tzu																					
Independent Director	Lee, Han-Tzong																					
Independent Director	Chen, Chao-Ting	1,600	1,600	0	0	0	0	234	234	1,834/ 0.23%	1,834/ 0.23%	0	0	0	0	0	0	0	0	1,834/ 0.23%	1,834/ 0.23%	N/A
Independent Director	Lin, Tzeng-Show																					

- Please outline the policy, system, standards, and structure of remuneration for independent directors, and explain how the remuneration correlates with their responsibilities, risks, time invested, and other relevant factors:
On June 18, 2019, the Company conducted a re-election, and elected independent directors forming the Audit Committee to replace the function and authority of supervisors. Further, the Board of Directors is authorized to determine the remuneration for directors and independent directors based on their involvement with and contribution to the Company's operations, taking into account the general payment levels in both domestic and international business.
- Apart from the disclosure in the above table, the remuneration received by directors for providing service to all companies in financial reports of recent years (such as taking a post as an advisor, other than employee): None.
- Director Eddy Ku and Representative of Yu Yao Investment Co., Ltd., Director Chang, Chu-Tzu stepped down from their positions at the election that took place at the general shareholders' meeting on June 21, 2022.

Table of Remuneration Ranges

Range of Remuneration for Directors	Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Under NT\$ 1,000,000	Andrew Yeh; Grow Lin; Eddy Ku; Chang, Chu-Tsu; Lin, Yen-Ting; Lee, Han-Tzong; Chen, Chao-Ting; Lin, Tzeng-Show	Andrew Yeh; Grow Lin; Eddy Ku; Chang, Chu-Tsu; Lin, Yen-Ting; Lee, Han-Tzong; Chen, Chao-Ting; Lin, Tzeng-Show	Chang, Chu-Tsu; Yeh, Chia-Yi; Lin, Yen-Ting; Lee, Han-Tzong; Chen, Chao-Ting; Lin, Tzeng-Show	Chang, Chu-Tsu; Yeh, Chia-Yi; Lin, Yen-Ting; Lee, Han-Tzong; Chen, Chao-Ting; Lin, Tzeng-Show
NT\$1,000,000 ~ Under NT\$2,000,000	Yu Yao Investment Co., Ltd.; He Ding Investment Co., Ltd.; Chang, Lung-Kwang; Yeh, Shou-Wen	Yu Yao Investment Co., Ltd.; He Ding Investment Co., Ltd.; Chang, Lung-Kwang; Yeh, Shou-Wen	Yu Yao Investment Co., Ltd.; He Ding Investment Co., Ltd.; Chang, Lung-Kwang; Yeh, Shou-Wen	Yu Yao Investment Co., Ltd.; He Ding Investment Co., Ltd.; Chang, Lung-Kwang; Yeh, Shou-Wen
NT\$2,000,000 ~ Under NT\$3,500,000	-	-	Eddy Ku	Eddy Ku
NT\$3,500,000 ~ Under NT\$5,000,000	Good Win Investment Co., Ltd. Great King Investment Development Ltd.	Good Win Investment Co., Ltd. Great King Investment Development Ltd.	Good Win Investment Co., Ltd. Great King Investment Development Ltd.	Good Win Investment Co., Ltd. Great King Investment Development Ltd.
NT\$5,000,000 ~ Under NT\$10,000,000	-	-	-	-
NT\$10,000,000 ~ Under NT\$15,000,000	-	-	Andrew Yeh, Grow Lin	Andrew Yeh, Grow Lin
NT\$15,000,000 ~ Under NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ Under NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ Under NT\$100,000,000	-	-	-	-
NT\$100,000,000 & above	-	-	-	-
Total	11	11	11	11

*The remuneration content disclosed in this table is different from the income concept of the Income Tax Act, so the purpose of this table is for information disclosure and not for taxation.

(II) Remuneration of President and Vice Presidents

Dec. 31, 2022

Unit: NT\$K / thousands of shares

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowance (C)		Employee Bonus (D)				Total(A+B+C+D) & Ratio to Net Income (%)		Remuneration received from investees other than subsidiaries or parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
President	Andrew Yeh	19,667	22,646	596	596	0	0	10,493	32,323	10,493	32,323	63,079 /7.85%	66,058 /8.22%	N/A
VP & Corp. General Manger	Grow Lin													
CEO	Arthur Hua													
CTO	Eddy Ku													
Vice President (Head of Prime)	John Hsieh													
VP & CFO	Conni Tsai													
Overseas Plants VP	Fred Shan													
Sales VP	Jack Lee													

Note: Remuneration for FY2022 was approved by the Board on March 28, 2023. As the list of employees entitled to remuneration has not yet been determined, the above amounts are estimates.

Table of Remuneration Ranges

Range of Remuneration for President and Vice Presidents	Name	
	The Company	Companies in the Consolidated Financial Statements
Under NT\$1,000,000	-	-
NT\$1,000,000 ~ Under NT\$2,000,000	-	-
NT\$2,000,000 ~ Under NT\$3,500,000	Fred Shan; Jack Lee	Fred Shan; Jack Lee
NT\$3,500,000 ~ Under NT\$5,000,000	Arthur Hua; John Hsieh; Eddy Ku; Conni Tsai	Arthur Hua; John Hsieh; Eddy Ku; Conni Tsai
NT\$5,000,000 ~ Under NT\$10,000,000	Andrew Yeh; Grow Lin	Andrew Yeh; Grow Lin
NT\$10,000,000 ~ Under NT\$15,000,000	-	-
NT\$15,000,000 ~ Under NT\$30,000,000	-	-
NT\$30,000,000 ~ Under NT\$50,000,000	-	-
NT\$50,000,000 ~ Under NT\$100,000,000	-	-
NT\$100,000,000 & above	-	-
Total	8	8

*The remuneration content disclosed in this table is different from the income concept of the Income Tax Act, so the purpose of this table is for information disclosure and not for taxation.

(III) Distribution of Employee Bonus to President and Vice Presidents

Unit: NT\$K

Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of Total to Net Income (%)	
					The Company	All Consolidated Entities
President	Anderson Yeh	36,000	11,687	47,687	5.93%	5.93%
Vice President & Corp. General Manager	Grow Lin					
CEO	Arthur Hua					
CTO	Eddy Ku					
Vice President (Head of Prime)	John Hsieh					
VP & CFO	Conni Tsai					
Overseas Plants VP	Fred Shan					
Sales VP	Jack Lee					
Senior Manger	Glen Yeh					
Senior Manger	Anderson Huang					

(IV) Analysis of the total remuneration paid to directors, presidents, and vice presidents as a percentage of the net income after tax in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

A. Remuneration to directors, presidents, and vice presidents and in proportion to the net income after tax are analyzed as follows:

	Net Income After Tax	Remuneration to directors, presidents and vice presidents (NT\$K)		Ratio of the total amount to net income after tax (%)	
		The Company	All Consolidated Entities	The Company	All Consolidated Entities
2021	100,385	32,712	35,331	32.59%	35.20%
2022	803,702	80,909	83,888	10.07%	10.44%

The Company's net income after tax was NT\$ 803,702 thousand for 2022 and NT\$100,385 thousand for 2021. The Company ratio of the total amount to net income after tax is 10.07% and 32.59% for 2022 and 2021. And ratio for all consolidated entities is separately 10.44% and 35.20%. There are No discrepancies in the remuneration policy between the two years; however, the significant decrease in ratios were due to the significant increase in *net income after tax* in 2022 from 2021.

B. The remuneration policy, standard, package, procedure of determination, connection with business performance and future risk:

I. The Company offers the directors remuneration and a fixed monthly transportation allowance. Pursuant to the Articles of Incorporation, no more than 6% of profits shall be allocated as director's remuneration when the Company has profits. The independent directors shall not participate in the distribution of remuneration to the directors. The profit referred to in the preceding paragraph shall mean the earnings before tax prior to deduction of employees' and directors' remuneration. The Board of Directors is

authorized to determine the remuneration or salary for the directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry. The remuneration standards for the directors are regularly assessed in accordance with the “Management Procedures for Remuneration to Directors and Senior Officers” and the “Rules for Performance Evaluation of Board of Directors.” The relevant performance evaluation and remuneration distribution are reviewed by the Remuneration Committee and reported to the Board of Directors for resolution.

- II. Remuneration paid to the managements includes salary, allowances and bonuses, as well as 6% of the Company’s annual profit as remuneration to the officers as set forth in the Articles of Incorporation. Remuneration is determined based on the scope of each officer’s responsibility, their achievement rate of the Company’s overall operational objectives (such as the Company’s revenue, net profit before tax and net profit after tax), personal performance and academic background and experience, with reference to the salary level of similar positions in the industry. The remuneration standards for the officers are regularly assessed by the Remuneration Committee in accordance with the Company’s “Procedures for Evaluation of the Board of Directors” and the annual distribution of remuneration to the officers is reviewed to be submitted to the meeting of the Board of Directors for resolution.
- III. The Company’s remuneration paid to the officers includes employee stock bonuses, which are long-term bonuses managed by a trust account. The basis for distribution is linked with the individual’s performance in an effort to retain outstanding management talent. As the actual value of officers is related to the Company’s future stock price, we hope to share and prosper with them to jointly bear the future business risks.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors:

The Board of Directors convened 9 meetings in the most recent year(A), the attendance of directors is as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note 2)	Remarks
Chairman	Good Win Investment Co., Ltd. Representative: Andrew Yeh	9	0	100%	
Vice Chairman	Great King Investment Development Ltd. Representative: Grow Lin	9	0	100%	
Director	Chang, Lung-Kwang	8	1	88.8%	
Director	Yeh, Shou-Wen	4	0	100%	Newly elected on June 21, 2022
Director	Yu Yao Investment Co., Ltd. Representative: Yeh, Chia-Yi	4	0	100%	
Director	He Ding Investment Co., Ltd. Representative: Lin, Yen-Ting	9	0	100%	
Director	Eddy Ku	5	0	100%	Term expired on June 21, 2022
Director	Yu Yao Investment Co., Ltd. Representative: Chang, Chu-Tsu	4	1	80%	
Independent Director	Lee, Han-Tzong	9	0	100%	
Independent Director	Chen, Chao-Ting	9	0	100%	
Independent Director	Lin, Tzeng-Show	9	0	100%	

Other matters that are required to be disclosed:

- I. In the event of either of the following situations, dates, sessions, contents of motion, opinions from all independent directors, and the Company's responses should be specified:
 - (I) Issues specified in Article 14-3 of the Securities and Exchange Act: As the Company has an Audit Committee in place, matters listed in Article 14-3 do not apply pursuant to Article 14-5 of the Securities and Exchange Act. For more details on the Audit Committee, please refer to page 27~30.
 - (II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.
- II. Recusal of directors from motions involving their interests should be documented, including the names of the directors, the content of the motions, the reasons for recusal, and their participation in voting:

Date and Session: March 28, 2022 - The 20th Board Meeting of the 10th term
 Motion: Examination of the Candidate Qualification of Independent Director
 Recusing Party: Independent Director Han-Tzong Lee, Chao-Ting Chen and Tzeng-Show Lin
 Reason for recusal and voting status: Except for the independent directors being the case in discussion and recusing themselves from the meeting and voting, the motion was passed without objections after the chair consulted with all attending directors.
- III. Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the Board self-evaluation:

Please refer to the following section for 2022 The Board of Directors Evaluation and Implementation
- IV. Objectives to enhance the Board functions in the current and the most recent year (e.g., forming an audit committee, improving information transparency etc.), and the evaluation of the implementation:

(I) Improvement of Information Transparency

The Company has formulated its Rules of Procedure for Board of Directors Meeting pursuant to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. As well as this, the Company also reports the attendance of the Board of Directors at the Board meeting on the MOPS and discloses major resolutions made by the Board at the Corporate Governance section on the Company's website. To establish a management mechanism for material inside information to prevent improper leakage of information, while ensuring the consistency and accuracy of information released to the public, the Company has also formulated its Procedures for Handling Material Inside Information and Prevention of Insider Trading and Procedures Governing the Trading Halt and Resumption which are internally announced and implemented. An internal control system has been incorporated at the same time to implement the principle of fairness in information symmetry.

(II) Publicization of Corporate Governance Laws and Regulations

In an effort to increase the familiarity of the board on the securities acts, we continue to strengthen the promotion of corporate governance-related laws and regulations. In addition to providing information on the latest regulatory changes, the directors also proactively take part in corporate governance-related seminars and conventions organized by the competent authorities. Moreover, further education courses on corporate governance regulations are arranged on a regular basis to improve the efficiency of the promotion, further achieving the objective of a robust corporate governance structure. In 2022, the directors completed 77 hours of further education.

(III) After the re-election held on June 18, 2019 at the annual general meeting of shareholders, an audit committee was formed to take over the responsibilities of supervisors, which are assisting the Board in performing duties and supervisory responsibilities as well as enhancing the functions of the Board.

(IV) Robust Company Salary and Remuneration System

The Company has a Remuneration Committee in place and responsible for carrying out recommendations, evaluating and supervising the Company's remuneration policy as a whole, setting remuneration standards for directors and officers, and employee remuneration distribution. In the future, the Company will continue to review the improvement of relevant systems in order to strengthen the remuneration system.

Note: (1) If there is a director resigns before the end of the year, the resignation date shall be indicated in the remark's column. The actual attendance rate (%) is calculated based on the number of board meetings held during each director's term of office and their actual attendance.

(2) If there was a re-election of directors before the end of the year, the new and outgoing directors shall be filled in the form, and specify if the director is newly elected to office or re-elected for a second term of office, and the date of the election. The actual attendance rate (%) is calculated based on the number of board meetings held during each director's term and their actual attendance.

(II) The Board of Directors Evaluation and Implementation

The Company's 2022 Board evaluation implementation status is as follows:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspect
Annual	2022.01.01 ~ 2022.12.31	The Board of Directors as a whole	Internal self-evaluation by the Board of Directors, self-assessment by	1. Involvement in the Company's operation 2. Enhancement of the quality of the Board's decision-making 3. Board composition and structure

			directors(on themselves or peers) and functional committees. Scoring criteria for each aspect	4. Election and continuing knowledge development of the directors 5. Internal controls
		Individual Directors	evaluation is rated on a 5-point scale: Very satisfied (Strongly agree)/ Satisfied(Agree)/ Neither satisfied nor dissatisfied (Neutral)/ Dissatisfied (Disagree)/ Very dissatisfied (Strongly disagree). The results of the Board Evaluation for the year ended December 31, 2022 have been disclosed on the Company's website.	1. Alignment of the Company's objectives and tasks 2. Awareness of the duties of a director 3. Involvement in the Company's operation 4. Internal relationship management and communication 5. Director's professionalism and continuing knowledge development 6. Internal controls
		Functional Committees (Remuneration Committee and Audit Committee)		1. Involvement in the Company's operation 2. Awareness of the functional committees' duties 3. Improvement of the decision-making quality of the functional committees 4. Composition and selection of functional committee members 5. Internal controls
External evaluation is carried out every 3 years. The Board was under evaluation in 2022 by the Taiwan Investor Relations Institute	2021.10.01 ~ 2022.09.30	The Board of Directors as a whole	1. Survey and Questionnaire 2. On-site Evaluation The external performance evaluation results of the Board of Directors for 2022 have been disclosed on the Company's website.	1. The survey was divided into five major aspects: Board composition and professional development, Board decision quality, Board operational efficiency, internal control and risk management, Board participation in corporate social responsibility. 2. On-site evaluation targets: The Company's chairman, independent director (convener of the Audit Committee) and the Independent Director.

(III) Operations of the Audit Committee

The Audit Committee convened 7 meetings in 2022(A), the attendance of directors are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Lee, Han-Tzong	7	0	100%	
Independent Director	Chen, Chao-Ting	7	0	100%	
Independent Director	Lin, Tzeng-Show	7	0	100%	

Other matters that are required to be disclosed:

I. If any of the following circumstances occur concerning the operations of the Audit Committee, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's responses to its opinions should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Meeting Date & Session	Contents, Resolutions and the Company's Response to the Opinions
1 st Term 17 th Meeting 2022.3.17	<p>1. Proposal:</p> <p>(1) Loaning of funds to YFC-BonEagle International, Inc. past due over 3 months</p> <p>(2) Change the nature of the loans to YFC-BonEagle International, Inc. and YFC-BonEagle Electronic Technology Phils. Corporation</p> <p>(3) Extension of the Company's due loan from Europower International Limited</p> <p>(4) Loaning of funds to Yue Fong Company Limited</p> <p>(5) Amendments to the subsidiary's "Procedures for Loaning Funds to Others"</p> <p>(6) Endorsement/guarantee for Wuxi Universal Network Corporation</p> <p>2. Independent Directors' Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution:</p> <p>All motions were passed by all attendants.</p> <p>The Company's Response to the Opinions of the Audit Committee: None.</p>
1 st Term 18 th Meeting 2022.3.28	<p>1. Proposal:</p> <p>(1) FY2021 Internal Audit and Fraud Investigation Report</p> <p>(2) FY2021 Statement of Internal Control System</p> <p>(3) Evaluation of independence and appointment of CPAs for FY2021</p> <p>(4) FY2021 Business Report, Parent-Company-Only & Consolidated Financial Statements</p> <p>(5) Change of CPAs due to the internal organizational adjustment of KPMG Taiwan</p> <p>(6) FY2021 earnings distribution</p> <p>(7) Amendments to the Articles of Incorporation</p> <p>(8) Amendments to the Procedures for the Acquisition and Disposal of Assets</p> <p>(9) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds</p> <p>(10) Loaning of funds to YFC-BonEagle Electronic Technology Phils. Corporation</p> <p>2. Independent Directors' Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution:</p> <p>The all above proposals were approved by all attendants</p> <p>4. The Company's Response to the Opinions of the Audit Committee: None.</p>
1 st Term 19 th Meeting 2022.4.26	<p>1. Proposal:</p> <p>(1) Capital increase in cash to issue new shares</p> <p>(2) Application and issuance of the Company's 10TH Convertible Bonds</p> <p>(3) Amendments to the subsidiary's Procedures for Loaning Funds to Others</p>

	<p>(4) Revision and extension of the Company’s due loan from Europower International Limited</p> <p>(5) Extension of the subsidiary’s due loan from Europower International Limited</p> <p>2. Independent Directors’ Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution: All motions were passed by all attendants.</p> <p>4. The Company’s Response to the Opinions of the Audit Committee: None.</p>
1 st Term 20 th Meeting 2022.5.9	<p>1. Proposal:</p> <p>(1) 2022 Q1 Internal Audit and Fraud Investigation Report</p> <p>(2) 2022 Q1 Consolidated Financial Report</p> <p>(3) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds</p> <p>(4) Endorsement/guarantee for Wuxi Universal Network Corporation</p> <p>(5) Motion to sell the warehouse in Cerritos, U.S. owned by UNC Investment & Development, Inc., a company 100% owned by YFC.</p> <p>2. Independent Directors’ Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution: All motions were passed by all attendants.</p> <p>4. The Company’s Response to the Opinions of the Audit Committee: None.</p>
2 nd Term 1 st Meeting 2022.8.10	<p>1. Proposal:</p> <p>(1) 2022 Q2 Internal Audit and Fraud Investigation Report</p> <p>(2) 2022 Q2 Consolidated Financial Report</p> <p>(3) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds</p> <p>(4) Endorsement/guarantee for Wuxi Universal Network Corporation</p> <p>2. Independent Directors’ Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution: All motions were passed by all attendants.</p> <p>4. The Company’s Response to the Opinions of the Audit Committee: None.</p>
2 nd Term 2 nd Meeting 2022.10.5	<p>1. Proposal:</p> <p>(1) Extension of the Company’s loan limit from Europower International Limited</p> <p>(2) Set resolution dates for capital increase from the conversion of convertible bonds</p> <p>(3) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds</p> <p>2. Independent Directors’ Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution: All motions were passed by all attendants.</p> <p>4. The Company’s Response to the Opinions of the Audit Committee: None.</p>
2 nd Term 3 rd Meeting 2022.11.11	<p>1. Proposal:</p> <p>(1) 2022 Q3 Internal Audit and Fraud Investigation Report</p> <p>(2) Audit plan for FY2023</p> <p>(3) 2022 Q3 Consolidated Financial Report</p> <p>(4) Withdrawing the application and issuance of the Company’s 10TH domestic Convertible Bond</p> <p>(5) Loaning of funds from UNC Investment & Development, Inc. to Prime Wire & Cable, Inc.</p> <p>(6) Loaning of funds from UNC Investment & Development, Inc. to Monoprice, Inc.</p> <p>(7) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds</p> <p>(8) Endorsement/guarantee for Wuxi Universal Network Corporation</p> <p>2. Independent Directors’ Dissenting Opinions, Reservations or Significant Recommendations: None.</p> <p>3. Audit Committee Resolution:</p>

	All motions were passed by all attendants. 4. The Company's Response to the Opinions of the Audit Committee: None.
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- (II) Other matters which were not approved by the Audit Committee but has been adopted with the approval of two-thirds or more of all board directors: None.
- II. Recusal of independent directors from motions involving their interests should be documented, including their names, the content of the motions, the reasons for recusal, and their participation in voting: None.
- III. Communications between the independent directors, Chief Internal Auditor and CPAs (e.g., material matters, methods and results of communications on the Company's finance and operations, etc.):
 - (I) Independent Directors and Chief Internal Auditor may communicate via telephone or emails as needed during normal times; in case of momentous issues, a meeting may be called at any time. The communication channel is seamless. The Chief Internal Auditor submits a monthly audit work progress report and deficiency tracking report of the previous month to the independent directors for review. Questions raised regarding the reports by independent directors are subsequently replied and improvements and tracking are conducted according to the recommendations of the independent directors. Past communications in the most recent year or during the current year up to the date of publication of the annual report are summarized as follows:

Date	Key Points of Communications	Opinions and Recommendations of Independent Directors
2022.03.28	<ul style="list-style-type: none"> • Report on implementation of internal audits • Discussion of the evaluation of the effectiveness of the FY2021 internal control system 	None
2022.05.09	<ul style="list-style-type: none"> • Report on implementation of internal audits 	None
2022.11.11	<ul style="list-style-type: none"> • Report on implementation of internal audits • Discussion of the FY2023 audit plan 	None
2023.03.28	<ul style="list-style-type: none"> • Report on implementation of internal audits • Discussion of the evaluation of the effectiveness of the FY2022 internal control system 	None
2023.05.11	<ul style="list-style-type: none"> • Report on implementation of internal audits 	None

- (II) In addition to reporting on the audit or review of financial reports to the independent directors, the appointed CPAs regularly disseminate new knowledge on tax laws and regulations, as well as the corresponding measures to address their impact. The recent communication is as follows:

Date	Key Points of Communications	Opinions and Recommendations of Independent Directors
2022.03.28	<ul style="list-style-type: none"> • Audit findings, results and KAMs of the FY2021 consolidated and parent-company-only financial reports • Impact and countermeasures of important regulatory updates on the Company 	None
2023.03.28	<ul style="list-style-type: none"> • Audit findings, results and KAMs of the FY2022 consolidated and parent-company-only financial reports • Impact and countermeasures of important regulatory updates on the Company • Corporate governance promotion and communication with the dedicated division 	None

IV. Responsibilities of the Audit Committee:

- (1) Establish or revise the Internal Control System in accordance with the provisions stipulated in Article 14-1 of the Securities and Exchange Act
- (2) Evaluation of the effectiveness of the Internal Control System.
- (3) In accordance with the provisions of Article 36-1 of the Securities and Exchange Act, formulate or amend the procedures for acquiring or disposing of assets, engaging in derivatives transactions, making loans to others, endorsing or providing guarantees for others, and procedure for major financial operations.
- (4) Matters involving directors' interest.
- (5) Transactions of major assets or derivatives.
- (6) Major loans or provision of endorsement/guarantee.
- (7) Raising, issuance or private placement of marketable securities of an equity nature.
- (8) Appointment, dismissal or remuneration of CPAs.
- (9) Appoint and dismissal of heads of finance and accounting or Chief Internal Auditor
- (10) Annual financial report or 6-month financial report.
- (11) Other significant matters required by the Company or competent authorities.

(IV) Enforcement of Corporate Governance and Reasons for Discrepancy

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated its “Corporate Governance Best-Practice Principles” in 2019 which are disclosed on the Company’s website and the MOPS.	No discrepancy
2. Shareholding structure & shareholders’ rights				
(1) Has the company formulated internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters and have the procedures been implemented accordingly?	✓		(1) In addition to engaging a stock agent, the Company’s internal procedures also specify the responsibilities of related departments for assisting in the handling of suggestions, questions, disputes, and litigation matters of shareholders as well investor relations (spokesperson and deputy spokespersons), and stock and legal affairs. There is a stakeholder’s section and contact methods on the Company’s website for suggestions or questions of shareholders.	No discrepancy
(2) Does the company possess a list of the company’s major shareholders and a list of the ultimate controllers of its major shareholders?	✓		(2) The Company has set up dedicated personnel to keep a close eye on the shareholdings of directors, officers and major shareholders holding 5% or more of the shares.	No discrepancy
(3) Has the company established and implemented the risk control and firewall mechanisms between the affiliates?	✓		(3) For managing affiliates, the Company has formulated the Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises, Procedures for Subsidiary Monitoring, and rules for internal controls and internal audits. The authority division for management of subsidiaries is carried out in accordance with the Procedures and any dealings or transactions are handled in accordance with applicable laws and regulations. The implementation is regularly monitored by the auditors in order to establish an appropriate risk control mechanism and firewall mechanism.	No discrepancy

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(4) Has the company set up internal regulations to prohibit internal personnel from utilizing the undisclosed information to trade securities?	✓		<p>(4) The Company has formulated the Procedures for Handling Material Inside Information and Prevention of Insider Trading to prohibit insiders from using the information not available in the market to obtain improper benefits for themselves or others. Each year, we promote these Procedures, which are disclosed on the intranet for officers and employees. We also inform insiders and employees from time to time of material information that they should pay attention to.</p> <p>On August 10, 2022, violations of reporting changes for insider ownership and common patterns and explanations of short-term trading rights were promoted; a seminar on insider ownership held by the TPEx in 2022 was also held, totaling 15 participants and 20 hours. Through promoting the relevant laws and regulations that specify that directors, officers and employees shall not make a profit from information that is not publicly available in the market, while also regulating the Company’s insiders and employees who have access to material insider information, we ensure that regulations are followed and confidentiality mechanism practiced.</p> <p>Article 11 of the Company’s “Corporate Governance Best-Practice Principles” sets forth stock trading control measures from the date of the Company’s financial report or relevant performance contents, including (but not limited to) that directors may not trade their shares during the trading closure period of 30 days prior to the annual financial report announcement and 15 days prior to the quarterly financial report announcement. The Company sends an email reminder prior to the trading closure period as stated above.</p>	No discrepancy
3. Composition and duties of the Board of Directors				
(1) Has the board formulated a diversity policy and	✓		(1) The Board of Directors of the Company abide by the Articles of	No discrepancy

Evaluation Items	Enforcement Status		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No		
specific management objectives, and have they been implemented?			<p>Incorporation, the Procedures for Election of Directors, and the Corporate Governance Best-Practice Principles.</p> <p>a. Board structure: In accordance with the Articles of Incorporation, the Company has nine directors who are elected under the nomination system from a list of candidates by directors at the shareholders' meeting. Among all directors, the number of independent directors shall not be less than 3 and not less than 1/5 of the number of directors. Moreover, the Audit Committee is composed of all independent directors who assist the Board of Directors in decision-making</p> <p>b. Composition of the Board members: The policy on diversity is formulated by taking into account the requirements of the Company's operations and development in accordance with the Corporate Governance Best-Practice Principles. The composition of the Board of Directors is subject to the professional backgrounds, industry experience, gender and age of the members.</p> <p>c. Execution of the objectives of diversity of the Board of Directors:</p> <p>(1) There should be at least one female director;</p> <p>(2) The number of directors who concurrently serves as the Company's officers does not exceed 1/3 of the total number of directors;</p> <p>(3) No more than two directors are a relative within the second degree of kinship of another;</p> <p>(4) At least two independent directors shall serve no more than three consecutive terms.</p> <p>The current Board of Directors is composed of nine directors, including one female director and three independent directors. There are two directors concurrently serving as key officers of the Company and there</p>	

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(2) Apart from the remuneration committee and audit committee, has the company voluntarily established other functional committees?	✓		<p>are two Representative of corporate director who are of second-degree relatives of each other. Two of the independent directors were newly elected in 2019. One independent director has served for nearly three terms as their professional background in finance and business management is highly beneficial to the Company. The professional background and capabilities of directors include business management, leadership and decision-making, financial accounting, and marketing. All company directors have the ability to lead and make decisions, equipped industry-related knowledge and experience. The concepts of diversity have been fully considered and implemented, with the objectives of diversity achieved.</p> <p>For the implementation of the diversity policy of the Board members, please refer to Note 1.</p> <p>(2) We have set up a Remuneration Committee and Audit Committee in accordance with the law. The establishment of other functional committees is subject to the regulatory requirements and the Company's actual operations.</p>	No significant discrepancy
(3) Has the company established Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company conduct a performance evaluation each year, submit the performance evaluation results to the board of directors and use them as reference in determining remuneration for individual directors, and nomination for reappointment?	✓		<p>(3) The Company established its Regulations Governing the Board Performance Evaluation in 2020. Each year, a regular evaluation on the performance of the Board of Directors, Board members as well as each functional committee and review of the effectiveness of the Board of Directors are carried out. The evaluation results are submitted to the Board of Directors to be used as a reference basis to determine each individual director's remuneration and nomination for reappointment. The results for the 2022 performance evaluation of the Board of Directors have been reported at the meeting of the Board of Directors on March 28, 2023.</p>	No discrepancy

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(4) Does the company regularly assess the independence of its CPAs?	✓		(4) The Company's Audit Committee evaluates the independence and suitability of the CPAs once a year. The evaluation is performed based on the criteria set out in Note 2 with reference to the audit quality indicators (AQIs) disclosure framework released by the FSC with respect to 13 indicators in 5 major aspects, including professionalism, independence, quality control, supervision, and innovation. The accountants issue a statement on the roles, responsibilities and independence of CPAs. The evaluation results for the most recent fiscal year were submitted to the Audit Committee for discussion on March 28, 2023 and reported to the Board of Directors for resolution on the same date.	No discrepancy
4. Has the company designated an appropriate number of personnel that specialize in corporate governance affairs (including but not limited to providing directors with the information needed and assist directors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders' meetings, preparation of board meeting and shareholders' meeting minutes)?	✓		The Chief Financial Officer was appointed to serve as the Chief of Corporate Governance at the meeting of the Board of Directors on March 28, 2023. The CFO has more than 20 years of experience in accounting, finance, shareholders or meetings, as well as management. The CFO supervises the personnel of the Financial Accounting Department over corporate governance-related affairs, mainly in charge of matters related to the meeting of the Board of Directors and shareholders, providing information necessary for directors to carry out their duties, collecting and managing the latest legal and regulatory developments related to the operation of the Company, as well as assisting directors in regulatory compliance and appointment and continuous education. The duties and continuing education of the Chief of Corporate Governance in 2023 have been disclosed on the Company's website.	No discrepancy
5. Has the company established channels for communication with the stakeholders (including but not limited to shareholders, employees, customers and suppliers), and set up a section for	✓		The Company has a spokesperson system in place as well as a stakeholders section on its website to promptly respond to stakeholders (suppliers, customers, employees, investors/shareholders and community/non-profit organizations) regarding CSR issues of important companies. The channels for communication	No discrepancy

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
stakeholders on the official website of the Company with a proper response to the concerns of the stakeholders on issues related to corporate social responsibility?			with the stakeholders are smooth.	
6. Does the company engage a professional stock transfer agency to handle affairs related to shareholders' meetings?	✓		The Company engaged SinoPac Securities as its professional stock transfer agency to handle affairs related to shareholders' meetings.	No discrepancy
7. Information disclosure				
(1) Does the company have a website set up where its financial business, and corporate governance information is disclosed?	✓		(1) The Company discloses information regarding its finance, operations, and the enforcement of corporate governance in both Mandarin and English on YFC Group website (https://www.cables.com.tw/index.html), which is regularly updated for investors.	No discrepancy
(2) Has the company adopted other information disclosure methods (e.g. establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, and upload the procedure of investors conference on its website)?	✓		(2) The Company has set up dedicated personnel responsible for disclosing the Company's financial business information on the MOPS and its website. The Company also facilities a spokesperson system, and information of the Company is released to the public by the spokesperson. Moreover, information on the investors conference is also available on the Company's website at the section dedicated to the investors in accordance with the requirements.	No discrepancy
(3) Has the company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second, and third quarters, as well as its operating status for each month before the specified deadline?	✓		(3) In accordance with the requirements, the Company has published its financial reports for the first, second, and third quarters, as well as its operating status for each month. Depending on the Company's situation, the feasibility of early announcement will be assessed	No significant discrepancy

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
8. Is there any important information (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, further education of the directors and supervisors, risk management policy and risk assessment implementation, customer policy implementation, and the purchase of liability insurance for the company's directors and supervisors) that is helpful in understanding the corporate governance operation of the company?	✓		<p>(1) Employee rights and interests and employee care: At YFC, we have established our "Personnel Management Regulations," served as a basis for the management of attendance, employee benefits and business trips and leave. The Personnel Management Regulations were formulated in accordance with the Labor Standards Act with reference to the industry and social order, protecting the legal rights and interests of employees. Our employees are covered by labor and health insurance and employee group insurance. We also provide employee health examinations, year-end bonuses and remuneration. Furthermore, an Employee Welfare Committee has been set up responsible for coordinating various benefits of employees, including gifts or money for three major festivals, birthdays, and subsidies for weddings, funerals, childbirths and injuries, as well travels and year-end parties, providing all-round care for employees.</p> <p>(2) Investor relations: It is the Company's ongoing objective to protect the rights and interests of shareholders. To do this, we publish material financial and business information of the Company on the Market Observation Post System (MOPS) in accordance with the regulations. At the same time, we have set up a spokesperson system in place and engaged SinoPac Securities to handle affairs related to stock affairs. The relevant information is disclosed on the company website, providing investors with a channel for consultation and exchange of opinions.</p> <p>(3) Supplier relations and stakeholder rights: Based on the concept of co-prosperity and co-existence, we maintain sound and interactive relationships with suppliers and stakeholders. Moreover, we</p>	No discrepancy

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			<p>provide effective communication channels and information conveyance while adhering to the principle of good faith, establishing long-term cooperation and economic operation mode as a direction for development.</p> <p>(4) Further education of directors: The directors take part in corporate governance and professional knowledge courses each year under the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” and obtain certificates. For further education of the directors in 2022, please refer to Note 3.</p> <p>(5) Risk management policy and risk assessment implementation The Company has set up an internal control system pursuant to the law. The implementation of the internal control system is regularly checked by the internal auditors. The Company also takes out insurance for relevant assets to hedge risks and to effectively manage risks.</p> <p>(6) Customer policy implementation: Adhering to the principle that customers come first, we maintain sound relationships with our customers in a bid to create maximum company profits and share a win-win situation with customers.</p> <p>(7) The Company’s directors are covered by liability insurance. An insurance policy was taken out in August 2022 and was reported at the meeting of the Board of Directors.</p>	

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	

9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose priorities for enhancement matters and measures for any issues that are to be improved.

The Company's evaluation results for 2022 were 21–35% ahead of all evaluated companies. The improvements made in 2022 and the priorities and measures for improvement in 2023 are summarized as follows:

Improvements Made in 2022			
Indicator Category	No.	Indicator Contents	Continuous improvement
Protection of shareholder rights and interests and fair treatment of shareholders	1.15	Has the company established internal rules that prohibit insiders, such as directors and employees, from making a profit using information that is not available in the market and are these rules and their implementation disclosed on the company website?	The Company promotes insider ownership-related laws at the meeting of the Board of Directors and directors participate in the seminar on insider ownership held by competent authorities. The “Corporate Governance Best-Practice Principles” also set forth that directors may not trade their shares during the trading closure period of 30 days prior to the annual financial report announcement and 15 days prior to the quarterly financial report announcement. The Company sends an email reminder prior to the trading closure period as stated above.
Improvement of information transparency	3.17	Does the company website contain disclosure of financial, business and corporate governance information?	Product descriptions have been added to the Company's website.
	3.18	Does the company have a website in English containing financial, business and corporate governance information?	The Articles of Incorporation and dividend information have been added to the Company's English website.

Evaluation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	

Improvement Priorities and Measures for 2023			
Strengthening Board Structure and Operations	2.14	Has the company set up a functional committee other than the ones required by law, such as the nomination committee, risk management committee or sustainable development committee, with no less than three members and the majority of the members being independent directors, and more than one member with the required professional competence of the committee, and has the company disclosed its composition, duties and state of operations?	In an effort to continue to promote and strengthen the Company's sustainability, the establishment of a sustainable development committee is being planned.
Improvement of Information Transparency	3.2	Does the company release material information in English simultaneously?	The Company is planning to release material information in English simultaneously.
Implementing Corporate Social Responsibility	4.15	Is the Ethical Corporate Management Policy, established by the Company specifying concrete practices and plans to prevent unethical conduct, disclosed on the company website or in the annual report?	The Company will strengthen its practices and organize seminars on ethical corporate management regarding ethical corporate management and prevent unethical conduct. The directors and internal senior officers sign a statement of compliance with the Ethical Corporate Management Policy.

Note 1: Implementation of the diversity policy of Board members.

Title	Name	Basic Composition							Core Competency/Professional Expertise						
		Nationality	Gender	Concurrent Positions in the Company	Age				Independent Directors Tenure (Terms & Years)	Business Management	Leadership & Decision Making	Risk Management	Industry Knowledge	Finance & Accounting	Marketing
					36 { 50	51 { 60	61 { 70	71 { 80							
Chairman	Andrew Yeh	R.O.C.	Male	✓			✓			✓	✓	✓	✓	✓	✓
Vice Chairman	Grow Lin	R.O.C.	Male	✓				✓		✓	✓	✓	✓	✓	✓
Director	Chang, Lung-Kwang	R.O.C.	Male					✓		✓	✓	✓	✓		✓
Director	Yeh, Shou-Wen	R.O.C.	Male			✓	✓			✓	✓	✓			✓
Director	Yeh, Chia-Yi	R.O.C.	Female		✓			✓		✓	✓	✓		✓	✓
Director	Lin, Yen-Ting	R.O.C.	Male		✓					✓	✓	✓		✓	✓
Independent Director	Lee, Han-Tzong	R.O.C.	Male					✓	7 terms / 20 years	✓	✓	✓	✓	✓	✓
Independent Director	Chen, Chao-Ting	R.O.C.	Male			✓			2 terms / 4 years	✓	✓	✓	✓	✓	✓
Independent Director	Lin, Tzeng-Show	R.O.C.	Male				✓		2 terms / 4 years	✓	✓	✓		✓	✓

Note 2: Assessment criteria of CPA's independence

Assessment	Assessment Result (Y/N)	Independence (Y/N)
1. Not an employee of the Company or any of its affiliates.	N	Y
2. Not a director of the Company or any of its affiliates (this restriction does not apply to independent directors of the Company or its parent company, or of a subsidiary in which the Company directly or indirectly holds more than 50% of the voting rights).	N	Y
3. An individual shareholder is not considered as such if they hold shares, either individually or collectively with their spouse, minor children, or under others' names, that account for 1% or more of the total number of issued shares of the Company or rank within the top 10 in terms of holdings.	N	Y
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of an officer under the preceding three subparagraphs.	N	Y
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings.	N	Y
6. Not a director, supervisor, officer, or shareholder holding more than 5% of a specified company or institution that has financial or business relationships with the Company.	N	Y
7. Not a spouse or relative within the second degree of kinship of another director.	N	Y
8. Does not meet any of the circumstances stated in Article 30 of the Company Act.	N	Y
9. Not elected as a government, legal person or its representative in accordance with Article 27 of the Company Act	N	Y
10. Did not serve as a director or officer or pose material effect on audits in the most recent years.	N	Y
11. May not involve in the management functions of the decisions made by the Company.	N	Y

Note 3: 2022 Further Education of the Directors:

Title	Name	Date	Organizer	Course Name	Hours
Chairman	Andrew Yeh	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
Vice Chairman	Grow Lin	2022.6.23	Taiwan Corporate Governance Association	Responsibility of Directors and Supervisors Under the Securities and Exchange Act and Legal Practice of Corporate M&A	3
		2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
		2022.12.22	Taiwan Corporate Governance Association	Risks and Crises Caused by Digital Wave Faced by Companies	3
Director	Chang, Lung-Kwang	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
Director	Yeh, Shou-Wen	2022.8.2	Securities and Futures Institute	Technological Development and Business Opportunities for Electric Vehicles and Smart Vehicles	3
		2022.8.2	Securities and Futures Institute	From Corporate Fraud Prevention to Functions of the Board of Directors	3
		2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
Director	Lin, Yen-Ting	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
Director	Yeh, Chia-Yi	2022.8.25	Taipei Exchange	Seminar on Insider Ownership for TPEX-Listed Companies	3

Title	Name	Date	Organizer	Course Name	Hours
		2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
		2022.10.19	Taiwan Corporate Governance Association	The 18th Corporate Governance Summit – Enhancing Directors’ Functions & Implementing Sustainable Corporate Governance	3
Independent Director	Lee, Han-Tzong	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
		2022.9.29	Jointly Organized by TWSE and TPEX	Release of Guidelines for Exercising Power and Functions of Independent Directors and Audit Committee of TPEX-Listed Companies	3
Independent Director	Chen, Chao-Ting	2022.7.20	Jointly Organized by TWSE and TPEX	Seminar on Sustainable Development Path for Industries	3
		2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3
Independent Director	Lin, Tzeng-Show	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
		2022.9.21	Securities and Futures Institute	Competitiveness vs. Survivability, ESG Trends and Strategies	3

(V) Operations of the Compensation Committee

The Company's Board of Directors resolved to establish a Remuneration Committee on December 30, 2011. The Remuneration Committee is responsible for evaluating the remuneration to the Company's directors and officers and providing a basis for the Board of Directors to evaluate the performance and determine the remuneration of the directors and officers. The composition, duties and its state of operation of the Remuneration Committee are as follows:

1. Information on members of the Remuneration Committee (5th term)

December 31, 2022

Identity	Name	Criteria Professional qualifications and experience	State of independence	Number of serving members of the Remuneration Committees of other public companies
Independent Director (Convener)	Lee, Han-Tzong	Holds Ph.D. in Business Management of the University of South Australia, and has been an assistant professor at Department of Business Administration at Mingsin University of Science and Technology for more than 5 years. Supervisor of Lightwave Link, Inc.; Managing Director, Digital Technology Innovation and Development Association; Advisor, Taiwan Shuangfu 3 Triple Development Association; member of the Company's Audit Committee and Remuneration Committee, with more than 5 years of required working experience in commerce, law, finance, accounting or other fields required by the business of the Company.	The independence of the Company's directors is judged based on the actual situation and the directors are independent (please refer to the following table for description of independence criteria)	None
Independent Director	Chen, Chao-Ting	M.S. in Management, National Central University; qualified accountant; CPA at Sheng-Xing CPAs and Top New & Co., CPAs; Director, Xi-Le-Jian Management Consultants Co., Ltd.; Independent Director, Sunplus Innovation Technology Inc.; Member of the Company's Audit Committee and Remuneration Committee; with more than 5 years of required working experience in commerce, law, finance, accounting or other fields required by the business of the Company.	The independence of the Company's directors is judged based on the actual situation and the directors are independent (please refer to the following table for description of independence criteria)	1
Independent Director	Lin, Tzeng-Show	M.B.A., National Taipei University of Technology; former President, Taiwan Business Bank; Chairman, TBB International Leasing Co., Ltd.; Director, Tai-Qi Property Insurance Agency Co., Ltd.; currently serving as a member of the Company's Audit Committee and Remuneration Committee; with more than 5 years of required working experience in commerce, law, finance, accounting or other fields required by the business of the Company.	The independence of the Company's directors is judged based on the actual situation and the directors are independent (please refer to the following table for description of independence criteria)	None

2. Responsibilities of the Remuneration Committee:

The Committee shall exercise duty of care of a good manager and faithfully perform the following duties:

(1) Establish and regularly review the policy, system, standards and structure of the performance evaluation and remuneration of the directors and officers.

(2) Periodically evaluate the remuneration to the Company's directors and officers.

3. Information on how the Remuneration Committee is operated

(1) The Company's Remuneration Committee consist of three members.

(2) Term of this Remuneration Committee: From June 21, 2021 to June 20, 2025. The Audit Committee had three meetings in 2022. The attendance of the Remuneration Committee members is as follows:

Title	Name	Actual attendance (B)	By proxy	Actual attendance rate (B/A) (Note)	Remark
Convener	Lee, Han-Tzong	3	0	100%	
Member	Chen, Chao-Ting	3	0	100%	
Member	Lin, Tzeng-Show	3	0	100%	

Other information required:

1. If the Board declines to adopt or modify a recommendation from the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.

2. As to the resolution of the remuneration committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

3. Matters discussed by the Remuneration Committee, resolution results and how the Company responded to the opinions of the members for the most recent year:

Date & Session	Content of the motion	Resolution result	Company's Response to the Opinions
2022.03.28 4th term 7th meeting	(1) FY2022 Remuneration Committee Work Plan	Passed by all attendants	None
	(2) FY2021 Implementation of Performance Evaluation of the Board of Directors	Passed by all attendants	None
	(3) FY2021 Remuneration Distribution to Employees and Directors	Passed by all attendants	None
2022.07.14 5th term 1st meeting	(1) FY2021 Remuneration Distribution to Directors	Passed by all attendants	None
	(2) Motion for the number of shares issued by capital increase in cash that can be subscribed by officers in 2022	Passed by all attendants	None
2022.11.11 2nd meeting	(1) FY2021 Remuneration Distribution to Employees	Passed by all attendants	None
	(2) Review of the Remuneration Items Carried Out in 2022	Passed by all attendants	None

Note 1: If a member of the Remuneration Committee resigned from office prior to the end of the fiscal year, the resignation date should be specified. The attendance (or attend as observer) rate shall be calculated on the basis of the number of sessions held in such period and the number of meetings actually attended by that member.

Note 2: If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the member is newly elected to office or re-elected for a second term of office, and the date of the election. The percentage of actual (proxy) attendance (%) will be calculated based on the number Remuneration Committee meetings held during active duty and the number of actual (proxy) attendance.

(VI) State of the promotion of sustainable development operations and any difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference

Promotion of sustainable development	Implementation status (Note 1)			Difference from the Principles and the reasons for discrepancy
	Yes	No	Summary	
I. Has the company established a governance structure to promote sustainable development and set up a special unit to promote sustainable development which is authorized by the board of directors to be handled by senior management and supervised by the board of directors?	✓		To promote sustainable development, the Company's General Management Division is dedicated to promoting sustainable development with respect to environmental, social and corporate governance, with material motions proposed at the meeting of the Board of Directors approved. The Company prepared and released its "2021 Sustainability Report" in September 2022 and was reported to the Board of Directors.	No difference
II. Has the company conducted risk assessments of environmental, social and corporate governance issues pertaining to company operation in accordance with the materiality principle and established the relevant risk management policy or strategy? (Note 2)	✓		The Company's management incorporates environmental, social and corporate governance issues related to operations into the Company's operational strategies. In accordance with the materiality principle, a risk assessment is conducted by evaluating external factors and the Company's internal management. The Company has formulated its "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies." If there are practical needs in the future, the Company will formulate a risk management policy and measures.	Environment related to the Company's operation, social and corporate governance issues The risk management policy and measures are under planning.
III. Environmental issues				
(I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	✓		(I) To keep up with international trends, the Company has gradually facilitated its business groups according to the characteristics of the industry. Given the effort, the Company has been certified by ISO 9001, ISO 14001, IATF 16949, IECQ, UL, USB, MHL, and RoHS. The product manufacturing process and the use of raw materials meet the standards in a bid to mitigate the negative impact on the environment. For the certifications obtained by the Group and expiration dates of these certifications, please see the Company's website.	No difference
(II) Is the company committed to enhancing the utilization efficiency of resources and using renewable materials that have low impact on the environment?	✓		(II) We make good use of natural water resources by storing water for firefighting and watering plants. We use recycled plastic in packaging for product storage and transportation. As well as this, we have also replaced all lighting in the Company with energy-saving and high-efficiency LED lighting. We continue to promote digitization and reduce the use of paper, while at the same time implementing resource sorting so that resources can be reused to protect the ecology and improve resource reutilization	No difference

Promotion of sustainable development	Implementation status (Note 1)			Difference from the Principles and the reasons for discrepancy																														
	Yes	No	Summary																															
(III) Does the company assess the present and future potential risk and opportunities of climate change and adopt countermeasures related to climate issues?	✓		rate. (III) The global climate is affected by the greenhouse effect, gradually posing potential risks on the sustainable management of companies. The Company will continue to keep a close eye on the relevant issues and comply with the government's energy-saving and GHG reduction polices so as to respond to the possible impact.	No difference																														
(IV) Has the company prepared statistics on greenhouse gas emissions, water consumption and total volume of waste for the past two years, and formulated policies for to save energy saving and reduce carbon, greenhouse gas, water use, or other waste management?	✓		(IV) The Company conducts a monthly statistical analysis on water and electricity consumption for the relations of production of the previous period and the same period of the previous year. Waste management is handled in accordance with the declaration operations of the Environmental Protection Administration, Executive Yuan. For relevant statistical analysis, please see the following table: <table border="1" data-bbox="954 759 1677 1042"> <thead> <tr> <th>Year</th> <th>Name of waste</th> <th>Waste cleaning method</th> <th>Total amount of waste (metric tons)</th> <th>Waste increase (decrease) ratio</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>Waste wires and cables</td> <td>Physical treatment</td> <td>871.51</td> <td></td> </tr> <tr> <td>2022</td> <td>Waste wires and cables</td> <td>Physical treatment</td> <td>777.99</td> <td>(10.73)%</td> </tr> </tbody> </table> <table border="1" data-bbox="954 1118 1729 1361"> <thead> <tr> <th>Year</th> <th>Water consumption (degree)</th> <th>Production capacity (kilometer)</th> <th>Energy production efficiency (kilometer/degrees)</th> <th>Water production to improve efficiency</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>44,083</td> <td>334,477</td> <td>7.59</td> <td></td> </tr> <tr> <td>2022</td> <td>42,458</td> <td>354,040</td> <td>8.34</td> <td>9.90%</td> </tr> </tbody> </table>	Year	Name of waste	Waste cleaning method	Total amount of waste (metric tons)	Waste increase (decrease) ratio	2021	Waste wires and cables	Physical treatment	871.51		2022	Waste wires and cables	Physical treatment	777.99	(10.73)%	Year	Water consumption (degree)	Production capacity (kilometer)	Energy production efficiency (kilometer/degrees)	Water production to improve efficiency	2021	44,083	334,477	7.59		2022	42,458	354,040	8.34	9.90%	No difference
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Promotion of sustainable development	Implementation status (Note 1)				Difference from the Principles and the reasons for discrepancy														
	Yes	No	Summary																
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Year	Electricity consumption (degree)	Production capacity (kilometer)	Energy production efficiency (kilometer/degrees)	Electric production to improve efficiency															
2021	21,844,100	334,477	0.0153																
2022	16,432,701	354,040	0.0215	40.71%															
			<p>The Company enforces GHG emission inventory and converts the CO₂ amount according to the annual electricity emission coefficient announced by the Bureau of Energy and the annual water carbon emission coefficient announced by Taiwan Water Corporation. These are managed and calculated by the Company without external verification. The actual data inventory scope for 2022 is Scope 2, covering the Company's Xinwu Plant, Dongguan Plant, Wuxi Plant and Philippine Plant II, which were indirect GHG emissions caused by the input of electricity, heat or steam. In 2022, total electricity consumption 16,432,701 kWh and CO₂ emissions were 8,364.24 metric tons, compared to total electricity consumption of 21,844,100 kWh and CO₂ emissions of 10,965.74 metric tons in 2021, total electricity consumption reduced by 5,411,399 kWh and CO₂ emissions reduced by 2,601.5 metric tons, or approximately 23.72%. In 2022, total water consumption was 42,458 degrees and CO₂ emissions were 6.84 metric tons, compared to total water consumption of 44,083 degrees and CO₂ emissions of 6.7 metric tons in 2021, total water consumption decreased by 1,625 degrees and CO₂ emissions increased by 0.14 metric tons, or approximately 2.02% (this was due to the increase in the carbon emission coefficient of the water company used in 2022). The Company will continue to implement relevant energy conservation and carbon reduction measures:</p> <ol style="list-style-type: none"> 1. The production cooling water is recycled to achieve minimum water consumption, promoting the concept of water conservation. 2. Old power systems and wiring were replaced, reducing power consumption. 3. The indoor air conditioning temperature is set at 26 degrees or higher 																

Promotion of sustainable development	Implementation status (Note 1)			Difference from the Principles and the reasons for discrepancy
	Yes	No	Summary	
			<p>and air conditioning is checked after work to ensure it is turned off.</p> <p>4. Fully use energy-saving lights, develop the habit of turn off the lights after use, turn off the lights during lunch break and after work.</p> <p>5. Make good use of the email ERP process, scanned archives are used for data storage, recycled paper is reused for photocopying documents, reducing the use of paper and toner.</p> <p>6. Garbage is properly recycled, reducing the amount of garbage.</p> <p>7. Enforced water control to avoid unnecessary pipeline leaks.</p>	
IV. Social issues				
(I) Does the company have the relevant management policies and procedures stipulated in accordance with the applicable laws and regulations and international conventions on human rights?	✓		(I) The Company complies with the Labor Standards Act and the spirit of international human rights conventions to protect the legal rights of employees while ensuring no differential treatment when it comes to employment. We also have the “Personnel Management Regulations” in place and hold a labor–management meeting on a regular basis to promote and communicate the related issues.	No difference
(II) Has the company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits) that appropriately reflects the business performance or achievements in the employee remuneration?	✓		(II) The Company complies with the Labor Standards Act and the spirit of international human rights conventions to protect the legal rights of employees while ensuring no differential treatment when it comes to employment. We also have the “Personnel Management Regulations” in place and hold a labor–management meeting on a regular basis to promote and communicate the related issues.	No difference
(III) Has the company provided employees with a safe and healthy work environment and regularly provided safety and health education to employees?	✓		(III) The health of our employees is our top priority. To maintain the work environment and the physical and mental health of employees, we have formulated our own Safety and Health Work Rules, Firefighting Protection Plan and Protective Gear Management Rules, which all employees are required to comply with in order to effectively prevent occupational disasters. In doing this, we ensure that the safety and health of our employees are not affected by hazards arising from various types of machinery and equipment and dangerous factors. The machinery and equipment at the workplace undergo maintenance and inspection on a periodic basis in accordance with ISO 9001 management process. This way, we are able to ensure their normal operation and prevent work accidents. In an effort to provide a safe workplace to ensure the safety	No difference

Promotion of sustainable development	Implementation status (Note 1)			Difference from the Principles and the reasons for discrepancy
	Yes	No	Summary	
			<p>and health of employees, the following items are provided:</p> <ol style="list-style-type: none"> 1. Employees are covered by labor, health and group insurance. 2. Employees are entitled to health examinations and medical consultation is available on site once a month. 3. Smoking is prohibited across the plant and the quality of drinking water is regularly inspected. 4. Education and training on worker safety and health, disaster prevention training, and firefighting safety seminar and exercises are regularly arranged. 5. Annual inspection and maintenance of firefighting facilities. 6. Professional technicians are engaged each month for inspection of electrical and mechanical equipment. 7. A safe workplace is provided in accordance with the Rules for Labor Safety and Health Facilities. 8. Employees are with healthy and hygienic food and beverages. 	
(IV) Has the company established an effective career development training program for its employees?	✓		(IV) At YFC, we encourage employees to take on further education. Through a variety of internal and external training, we are able to strengthen the professional functions, knowledge, and skills of employees, further boosting their career development capabilities. At the same time, we also promote employees with outstanding performance frequently.	No difference
(V) Does the company comply with laws and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and have the company implemented consumer protection policies and complaint procedures?	✓		(V) We comply with strict quality management systems and product-related regulations to ensure that products are in line with customer needs as well as the standards in the countries or regions our products are sold. In addition, our products are covered by liability insurance in an effort to protect the rights of our customers and consumers. We also have customer complaint handling process in place for any related issues and there are channels for customer suggestions and complaints at the stakeholders' section on the website, which will be dealt with in an appropriate manner by applying the principle of good faith.	No difference
(VI) Has the company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health or work rights/human	✓		(VI) The supplier appraisal process is prescribed in the Company's "Procurement Management Regulations." Suppliers who have business dealings with the Company must meet the Company's requirements for product safety and environmental protection. The Company pursues high	No difference

Promotion of sustainable development	Implementation status (Note 1)			Difference from the Principles and the reasons for discrepancy
	Yes	No	Summary	
rights issues, and does the company track suppliers' performance on a regular basis?			quality and works closely with suppliers on strict control of sources: batches of main raw material suppliers are sampled and scored each month; main raw material suppliers are audited on the quality system and GP system each year and suppliers from whom we purchase in bulk are inspected for harmful substances each year. Where a supplier violates environmental protection, occupational safety or health or labor rights regulations, the Company may terminate the cooperative relationship with said supplier at any time and seek compensation as necessary.	
V. Has the company prepared a sustainability report or a report on non-financial information with reference to internationally accepted standards or guidelines? Are these reports supported by the assurance or opinion of a third-party verification entity?	✓		The Company prepared a CSR report in 2022 with reference to internationally accepted standards or guidelines. The sustainability report is disclosed on the Company's website and MOPS.	No difference
<p>VI. If the company has formulated its own Sustainable Development Best-Practice Principles in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," please describe the differences between its operation and the Principles: To accommodate Letter Jin-Guan-Zheng-Fa-Zi No.1100375814 dated on November 25, 2021 by the FSC, the Company amended some provisions of its "Corporate Social Responsibility Best-Principles" which have been renamed "Sustainable Development Best-Principles." The actual practices of the "Sustainable Development Best-Practice Principles" are not significantly different from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies."</p>				
<p>VII. Other important information to help understand the promotion of sustainable development implementation:</p> <p>(I) We take part in social welfare activities from time to time. For example, we sponsor the funds of the Chinese Professional Management Association and the Straits Economic & Cultural Interchange Association, and "Study Tours in China by Taiwan University Students" organized by the Management Institute in Taipei; as we focus on the concept of health and wellness, we sponsor a series of seminars on health organized by the Management Institute in Taipei. We also support the event "Sending Love to Rural Areas" put together by KPMG Taiwan by donating computers to rural schools.</p> <p>(II) In recent years, corporate social responsibility has become a key indicator for measuring the sustainability of enterprises. At YFC, we will deepen our focus on various aspects covering occupational safety, employee health, rights promotion, business ethics compliance, intellectual property rights and protection of trade secrets.</p>				

(VII) State of ethical corporate management and any difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Item	State of implementation			Difference from the Principles and the reason for discrepancy
	Yes	No	Summary	
I. Establishment of the ethical corporate management policy and action plans				
(I) Has the company established an ethical corporate management policy approved by the board of directors? Does the policy clearly specify in its rules and external documents the ethical corporate management policies, and the commitment of the board of directors and the senior management to proactively implement the management policy?	✓		(I) We have formulated the “Ethical Corporate Management Principles” and “Procedures for Ethical Management and Guidelines for Conduct,” which are available on the MOPS and company website. All directors and senior officers have signed the “Declaration of Compliance with the Ethical Corporate Management Policy” as the highest principle of ethical management. The Company is committed to facilitating ethical corporate management in order to build a good corporate governance and risk control mechanism.	No difference
(II) Has the company established a risk assessment mechanism against unethical acts, analyzed and assessed business activities within their business scope regularly that are at a higher risk of being involved in unethical acts, and established prevention programs covering at least the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		(II) The Company has established an evaluation mechanism in its “Ethical Corporate Management Principles” for the risk of ethical conduct. On a regular basis, the Company analyzes and evaluates operating activities within its business scope with higher risk of unethical conduct. The results of the analysis and evaluation will be used to formulate prevention plans which are periodically reviewed for their appropriateness and effectiveness. To ensure that employees comply with the law and occupational ethics regulations in the course of performing their duties, while adhering to the principle of good faith, the Company has formulated the “Guidelines for the Adoption of Codes of Ethical Conduct for Employees” for compliance. All new employees have signed the “Terms and Conditions of Employee Service,” which covers prevention measures set forth in Paragraph 2 of Article 7 of the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.”	No difference
(III) Has the company clearly provided the operating procedures, conduct guidelines, disciplines for violations and a grievance system in its program	✓		(III) In the process of formulating a prevention plan, the Company analyzes and evaluates operating activities within its business scope with higher risk of unethical conduct and enhance the related prevention measures. The	No difference

Item	State of implementation			Difference from the Principles and the reason for discrepancy
	Yes	No	Summary	
to prevent unethical acts and have these been implemented, and has the formally disclosed program been regularly reviewed and amended?			<p>prevention measures established are as follows:</p> <ol style="list-style-type: none"> 1. Offering or receiving a bribe. 2. Offering illegal political contributions. 3. Improper charitable donations or sponsorships. 4. Offering or accepting unreasonable gifts, hospitality or other improper benefits. 5. Infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights. 6. Engaging in unfair competitive practices. 7. The products and services developed, procured, manufactured, provided or sold directly or indirectly harm the rights, health and safety of consumers or other interested parties. 	
<p>II. Implementation of ethical corporate management</p> <p>(I) Has the company evaluated the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements entered into with business partners?</p>	✓		<p>(I) Prior to doing business, the Company verifies the authenticity of suppliers and customers on the website of Department of Commerce, MOEA as well as various channels (e.g. credit check) for any breach of integrity records. The Company maintains the principle of good faith with its suppliers and customers to ensure fairness, impartiality and transparency in business dealings. If a counterparty is found to be involved in unethical conduct, the transaction will be immediately and strictly controlled. At the same time, the Company will learn the Company's exposure to the risk and carefully evaluate whether to terminate the transaction.</p>	No difference
<p>(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and has such unit reported to the Board of Directors its execution in terms of ethical management policy and preventive programs against unethical conducts and the supervision status on a regular basis (at least once a year)?</p>	✓		<p>(II) The General Management Division is responsible for formulating the Ethical Corporate Management Policy and prevention plans as well as the supervision of their implementation. The Audit Unit is responsible for auditing the state of the Company's implementation of ethical corporate management. The implementation is reported annually at the meeting of the Board of Directors.</p>	No difference

Item	State of implementation			Difference from the Principles and the reason for discrepancy
	Yes	No	Summary	
(III) Has the company formulated a policy that prevents conflicts of interest and a channel that facilitates the reporting of conflicts of interests?	✓		(III) The Company’s “Ethical Corporate Management Principles” and the “Rules of Procedure for Board of Directors Meetings” set forth the recusal system for directors. Directors or their proxies must recuse themselves from any motion that they have a conflict of interest in and shall explain to the Board of Directors the reason. They shall not participate in the discussion or vote.	No difference
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and proposed relevant audit plans according to the assessment results of the risks of unethical conducts, and reviewed the compliance of the prevention of unethical conducts, or entrusted an accountant to carry out the review?	✓		(IV) In an effort to implement ethical corporate management, we have established an effective accounting system and internal control system. According to the risk assessment, the internal audit unit lists high-risk operations as the focus of the annual audit plan in order to strengthen the prevention measures. The actual implementation situation is periodically submitted to the Audit Committee and the Board of Directors and is reported to the competent authorities in accordance with the regulations.	No difference
(V) Does the company organize internal or external training on a regular basis to maintain ethical management?	✓		(V) In addition to establishing the “Ethical Corporate Management Principles” and “Procedures for Ethical Management and Guidelines for Conduct” that are disclosed on the company website, we also promote the prevention of unethical conduct. Furthermore, we arrange regular internal and external education and training courses for employees and internal personnel.	No difference
III. State of operations of the company’s reporting system				
(I) Has the company set up a specific reporting and incentive system, and established a channel to facilitate grievances and assigned dedicated personnel to receive grievances?	✓		(I) The Company has set up a specific reporting and incentive system in its “Procedures for Ethical Management and Guidelines for Conduct.” If a violation of ethical corporate management is discovered, the employee shall take the initiative and reports the matter to the independent directors, officers, Chief Internal Auditor or other appropriate personnel. There is a dedicated channel set up on the Company’s website for the report of unlawful or unethical conduct.	No difference
(II) Has the company implemented any standard operating procedures and/or subsequent measures	✓		(II) The acceptance, investigation process and results as well as document records and storage for cases reported are handled in accordance with the	No difference

Item	State of implementation			Difference from the Principles and the reason for discrepancy
	Yes	No	Summary	
<p>after carrying out an investigation or confidentiality measures for handling grievances filed?</p> <p>(III) Has the company taken appropriate measures to protect the whistleblower from mistreatment as a result of whistleblowing?</p>	✓		<p>internal handling process and are kept confidential.</p> <p>(III) The Company provides legitimate reporting channels and keeps the identity of the whistleblower as well as the contents of the case confidential, protecting the whistleblower from mistreatment.</p>	No difference
<p>IV. Information disclosure strengthening</p> <p>Has the company disclosed the content of its ethical corporate management Best-Practice principles and the results of implementation on its official website and MOPS?</p>	✓		<p>The “Ethical Corporate Management Principles” and the “Procedures for Ethical Management and Guidelines for Conduct” are disclosed on the Company’s website and MOPS. Furthermore, we adhere to ethical corporate management principles in promoting corporate governance information to ensure shareholder interests.</p>	No difference
<p>V. If the company has formulated its own Ethical Corporate Management Best-Practice Principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe the differences between its operation and the Principles: There are no differences between the contents of the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and the Company’s “Ethical Corporate Management Principles” and “Procedures for Ethical Management and Guidelines for Conduct.”</p>				
<p>VI. Any other important information that may help understanding the performance of ethical corporate management better (e.g. review of an amendment to its Ethical Corporate Management Best-Practice Principles): The Company’s “Ethical Corporate Management Principles” and “Procedures for Ethical Management and Guidelines for Conduct” have been formulated and amended as required by the competent authority. The ethical corporate management-related regulations are reviewed and amended according to the Company’s actual operation. The amendments made have been reported at the shareholders’ meeting on June 18, 2021.</p>				

(VIII) If the company has adopted corporate governance best-practice principles or related by-laws, disclose how these are to be searched:

Corporate governance-related rules are available for download on the Company’s website (<http://www.cables.com.tw>) in the Investors section; or on the [MOPS](#) under Corporate Governance.

(IX) Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance:

Further education of the Company’s officers and Chief Internal Auditor in 2022:

Title	Name	Date	Organizer	Course Name	Hours
President	Andrew Yeh	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
				Competitiveness vs. Survivability, ESG Trends and Strategies	3
VP & Corp. General Manager	Grow Lin	2022.6.23	Taiwan Corporate Governance Association	Responsibility of Directors and Supervisors Under the Securities and Exchange Act and Legal Practice of Corporate M&A	3
		2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
				Competitiveness vs. Survivability, ESG Trends and Strategies	3
		2022.12.22	Taiwan Corporate Governance Association	Risks and Crises Caused by Digital Wave Faced by Companies	3
CEO	Arthur Hua	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
				Competitiveness vs. Survivability, ESG Trends and Strategies	3
CTO	Eddy Ku	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
				Competitiveness vs. Survivability, ESG Trends and Strategies	3
CFO & Executive VP	Conni Tsai	2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
				Competitiveness vs. Survivability, ESG Trends and Strategies	3
		2023.1.12–2023.1.13	Accounting Research and Development Foundation	Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Chief Internal Auditor	Happy Chen	2022.6.23	Internal Audit Association	Exploring the Impact of ESG Risk on Corporate Internal Control and Response Measures Under the Wave of Climate Change and Sustainability	6
		2022.9.21	Securities and Futures Institute	The Applicability of the Cyber Security Management Act Under Ransomware Threat	3
				Competitiveness vs. Survivability, ESG Trends and Strategies	3
		2022.12.12	Internal Audit Association	Policy Analysis of “Self-Preparation of Financial Report” and “Sustainability Report” and Key Points of Internal Audits and Internal Controls	6
2022.12.20	“Insider Trading” and “Financial Report Misrepresentation” Practical Discussion and Response	6			

(X) Implementation of the Internal Control System

1. Statement of Internal Control

(The Statement applies to all regulatory compliance)

YFC-BonEagle Electric Co., Ltd.
Statement of Internal Control System

Date: March 28, 2023

The Company declares the following concerning its internal control system during the fiscal year 2022, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and Managers of the Company. Therefore, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take immediate remedial actions.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. Control of the environment, 2. Risk evaluation, 3. Control of operations, 4. Information and communication, and 5. Supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2022, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This Statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment, it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities

and Exchange Act.

VII. The Statement has been passed by the Board of Directors Meeting of the Company held on March 28, 2023, where none of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

YFC-BonEagle Electric Co., Ltd.
(affixed with Company Chop)

Chairman: *Andrew Yeh*

President: *Grou Lin*

Note 1: Any significant deficiencies in the design and implementation of the internal control system of a public company for the year should be explained after the 4th paragraph in the Statement of Internal Control System. Significant deficiencies identified by self-inspection and the actions taken for improvement before the balance sheet date and the improvement status shall be specified.

Note 2: The date of the statement is the “fiscal year-end date.”

2. CPA audit report, where a CPA was engaged to carry out a special audit of the internal control system: None.

(XI) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XII) In the most recent year and up to the date of publication of the annual report, important resolutions adopted at the shareholders’ meeting or board of directors meeting:

1. Shareholders’ meeting

Date	Important Resolution
2022.06.21	(1) Ratifying the 2021 Business Report and Financial Statements.
	(2) Ratification of the 2021 earnings distribution of NT\$17,000,000 in cash dividends to shareholders, at NT\$0.12881482 per share. Resolution: The ex-dividend date was set on July 17, 2022 and distribution was made on August 11, 2022.
	(3) Amendments to the Procedures for the Acquisition and Disposal of Assets was approved. Resolution: Uploaded onto the MOPS and disclosed on the Company’s website and amended handling procedures are followed for relevant operations.
	(4) Amendments to the Articles of Incorporation.
	(5) The election of the 11th Board of Directors took place with six directors elected: Good Win Investment Co., Ltd.; Great King Investment Development Ltd.; Chang, Lung-Kwang; Yeh, Shou-Wen; Yu Yao Investment Co., Ltd.; He Ding Investment Co., Ltd.; three independent directors: Lee, Han-Tzong, Chen, Chao-Ting, Lin, Tzeng-Show Resolution: The change of registration was approved by Jing-Shou-Shang-Zi No.11101128180 dated July 12, 2022 issued by the Ministry of Economic Affairs.

2. Board of Directors

Date	Summary of important resolution	Resolution
2022.03.17 10th term 19th meeting	(1) Loaning of funds to YFC-BonEagle International, Inc. past due over 3 months	Passed by all attendants
	(2) Change the nature of the loans to YFC-BonEagle International, Inc. and YFC-BonEagle Electronic Technology Phils. Corporation	Passed by all attendants
	(3) Extension of the Company's due loan from Europower International Limited	Passed by all attendants
	(4) Loaning of funds to Yue Fong Company Limited	Passed by all attendants
	(5) Amendments to the subsidiary's "Procedures for Loaning Funds to Others"	Passed by all attendants
	(6) Endorsement/guarantee for Wuxi Universal Network Corporation	Passed by all attendants
2022.03.28 10th term 20th meeting	(1) FY2021 Statement of Internal Control System	Passed by all attendants
	(2) Evaluation of independence and appointment of CPAs for FY2021	Passed by all attendants
	(3) FY2021 Business Report, Parent-Company-Only & Consolidated Financial Statements	Passed by all attendants
		Submitted to the 2022AGM for ratification
	(4) Change of CPAs due to the internal organizational adjustment of KPMG Taiwan	Passed by all attendants
	(5) FY2021 earnings distribution	Passed by all attendants
		Submitted to the 2022AGM for ratification
	(6) FY2021 Remuneration Distribution to Employees and Directors	Passed by all attendants
	(7) Motion to convene the 2022AGM	Submitted to the 2022AGM for ratification
		Passed by all attendants
	(8) Election of directors	Passed by all attendants
	(9) Nomination and review of director (including independent director) candidates	Passed by all attendants
		Submitted to the 2022AGM for election
	(10) Amendments to the Articles of Incorporation	Passed by all attendants
(11) Amendments to the Corporate Governance Best-Practice Principles	Submitted to the 2022AGM for discussion	
	Passed by all attendants	
(12) Amendments to the Corporate Social Responsibility Best-Principles	Passed by all attendants	
	Submitted to the 2022AGM for report	
(13) Amendments to the Procedures for the Acquisition and Disposal of Assets	Passed by all attendants	
	Submitted to the 2022AGM for discussion	
(14) Evaluation of whether accounts receivable exceeding the	Passed by all attendants	

Date	Summary of important resolution	Resolution
	normal credit period of 3 months and more should be transferred to a loan of funds (15) Loaning of funds to YFC-BonEagle Electronic Technology Phils. Corporation	Passed by all attendants
2022.04.28 10th term 21st meeting	(1) Capital increase in cash to issue new shares (2) Issuance of the Company's 10 TH Convertible Bonds (3) Amendments to the subsidiary's Procedures for Loaning Funds to Others (4) Revision and extension of the Company's due loan from Europower International Limited (5) Extension of the subsidiary's due loan from Europower International Limited	Passed by all attendants Passed by all attendants Passed by all attendants Passed by all attendants Passed by all attendants
2022.05.09 10th term 22nd meeting	(1) 2022 Q1 Consolidated Financial Report (2) Motion for review of nominations of director (including independent director) candidates proposed by shareholders holding at least 1% of the shares during the nomination acceptance period (3) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds (4) Endorsement/guarantee for Wuxi Universal Network Corporation (5) Motion to sell the warehouse Cerritos, U.S. owned by UNC Investment & Development, Inc., a company 100% owned by YFC	Passed by all attendants Passed by all attendants Submitted to the 2022AGM for election Passed by all attendants Passed by all attendants Passed by all attendants
2022.06.09 10th term 23rd meeting	(1) Set the resolution date for dividend allocation (2) Setting GHG inventory and verification schedules of the Company	Passed by all attendants Passed by all attendants
2022.06.21 11th term 1st meeting	(1) Election of the chairman and vice chairman (2) Appointment of the Remuneration Committee members for the 5th term	The directors present at the meeting had no objections Passed by all attendants
2022.08.10 11th term 2nd meeting	(1) 2022 Q2 Consolidated Financial Report (2) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds (3) Endorsement/guarantee for Wuxi Universal Network Corporation and YFC-Europower International Co., Ltd.	Passed by all attendants Passed by all attendants Passed by all attendants
2022.10.05 11th term 3rd meeting	(1) Extension of the Company's loan limit from Europower International Limited (2) Set resolution dates for capital increase from the conversion of convertible bonds (3) Evaluation of whether accounts receivable exceeding the normal credit period of 3 months and more should be transferred to a loan of funds	Passed by all attendants Passed by all attendants Passed by all attendants
2022.11.11 11th term 4th meeting	(1) 2022 Q3 Consolidated Financial Report (2) Withdrawing the application and issuance of the Company's 10TH domestic Convertible Bond (3) Audit plan for FY2023 (4) Loaning of funds from UNC Investment & Development, Inc. to Prime Wire & Cable, Inc. (5) Loaning of funds from UNC Investment & Development, Inc. to Monoprice, Inc. (6) Evaluation of whether accounts receivable exceeding the	Passed by all attendants Passed by all attendants

Date	Summary of important resolution	Resolution
	<p>normal credit period of 3 months and more should be transferred to a loan of funds</p> <p>(5) Endorsement/guarantee for Wuxi Universal Network Corporation</p>	<p>Passed by all attendants</p>

(XIII) In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to an important resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration: None.

(XIV) A summary of resignation in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, president, head of accounting, head of finance, chief internal auditor, head of corporate governance, and head of R&D: None.

V. CPA Fee Information

Information on the professional fees of the attesting CPAs

Unit: NT\$K

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Note
KPMG Taiwan	Lee Fang-Yi Hsieh Chiu-Hua	2022.1.1 - 2022.12.31	5,970	2,284	See below

Note: Non-audit fees included NT\$905 thousand for transfer pricing analysis and tax consultation services for the Group's master file report, NT\$1,150 thousand for English translation of financial reports, NT\$195 thousand for the review opinion report on the conversion of corporate bonds and business registration.

VI. Replacement of CPA

None

VII. Chairman, President, or Manager in Charge of Finance or Accounting has Served at its CPA Firm or Affiliate of the Firm in the Past Year

None

VIII. Share Transfer and Pledge Status by Directors, Managers, and Shareholders with 10% Shareholdings or More of the Past Year and up to the Annual Report Publication Date

(I) Change in equity by a director, officer, or major shareholder

Unit: NT\$K

Title	Name	2022		Up to 2023.4.30	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Chairman	Good Win Investment Co., Ltd.	384,998	—	1,000,000	—
Corporate Director Representative & President	Andrew Yeh	—	—	(1,000,000)	—
Vice Chairman	Great King Investment Development Ltd.	262,556	—	—	—
Corporate Director Representative, VP & Group President	Grow Lin	22,490	—	—	—
Director	Chang, Lung-Kwang	126,503	—	—	—
Director	Yu Yao Investment Co., Ltd.	236,470	—	—	—
Corporate Director Representative	Yeh, Chia-Yi	17,441	—	—	—
Director	Yeh, Shou-Wen	16,809	—	—	23,000
Director	He Ding Investment Co., Ltd.	145,631	1,400,000	—	—
Corporate Director Representative	Lin, Yen-Ting	—	—	—	—

Title	Name	2022		Up to 2023.4.30	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Director & CTO (Note 1)	Eddy Ku	115,282	—	—	—
Corporate Director Representative (Note 1)	Chang, Chu-Tzu	—	—	—	—
Independent Director	Lee, Han-Tzong	35,129	—	—	—
Independent Director	Chen, Chao-Ting	—	—	—	—
Independent Director	Lin, Tzeng-Show	—	—	—	—
President	Arthur Hua	84,816	—	—	—
VP	John Hsieh	—	—	—	—
VP	Conni Tsai	129,102	—	—	50,000
VP	Fred Shan	68,429	—	—	—
VP	Jack Lee	45,418	—	—	—
Senior manager	Glen Yeh	148,401	—	—	—
Senior manager	Anderson Huang	27,413	—	—	—

Note 1: Director Eddy Ku and Representative of Yu Yao Investment Co., Ltd. Director Chang, Chu-Tzu stepped down from their positions at the election that took place at the general shareholders' meeting on June 21, 2022

(II) Information on the transfer of the shares of counterparties by a director, officer and major shareholder of the equity transfer are related parties: None

(III) Information on the transfer of the shares of counterparties by a director, officer and major shareholder of the equity pledge are related parties: None.

IX. Relationship Among the Top 10 Shareholders and their Spouses or Relatives within the Second Degree of Kinship

April 22, 2023

Name	Shareholding		Shares held by spouses and minor children		Total shareholding in the name of others		Among the company's 10 largest shareholders, any spouse or relative within the second degree of kinship of another, their titles, names and relationships.		Remark
	Shares	Share-holding Ratio	Shares	Share-holding Ratio	Shares	Ratio	Name	Relationship	
Good Win Investment Co., Ltd. (Rep.: Andrew Yeh)	7,520,359	5.19%	0	0%	0	0%	—	—	—
	1,075,260	0.74%	305,117	0.21%	0	0%	Lun-Hao Investment Co., Ltd. Rep.: Chang, Hsiu-E	Spouse	—
Yu Yao Investment Co., Ltd. (Rep.: Yeh, Chia-Yi)	5,742,470	3.96%	0	0%	0	0%	Yu Yao Investment Co., Ltd. Rep.: Yeh, Chia-Yi	Father & Daughter	—
	426,654	0.29%	0	0%	0	0%	Lun-Hao Investment Co., Ltd. Rep.: Chang, Hsiu-E	Mother & Daughter	—

Name	Shareholding		Shares held by spouses and minor children		Total shareholding in the name of others		Among the company's 10 largest shareholders, any spouse or relative within the second degree of kinship of another, their titles, names and relationships.		Remark
	Shares	Share-holding Ratio	Shares	Share-holding Ratio	Shares	Ratio	Name	Relationship	
							Good Win Investment Co., Ltd. Rep.: Andrew Yeh	Father & Daughter	
Chang, Chu-Tzu	4,715,306	3.25%	0	0%	0	0%	Lu Yao-Ping	Mother & Daughter	—
							Lun-Hao Investment Co., Ltd. Rep.: Chang, Hsiu-E	Sisters	
Guang-Gu Investment Co., Ltd. (Rep.: Lin, Feng Shih)	4,205,344	2.90%	0	0%	0	0%	—	—	—
	883	0.00%	0	0%	0	0%	Great King Investment & Development Rep.: Grow Lin	Father & Son	—
He Ding Investment Co., Ltd. (Rep.: Lin, Yen-Ting)	3,562,407	2.46%	0	0%	0	0%	—	—	—
	3,972	0.00%	0	0%	0	0%	Lin Chih-Meng	Father & Son	—
Lun-Hao Investment Co., Ltd. (Rep.: Chang, Hsiu-E)	3,485,846	2.41%	0	0%	0	0%	—	—	—
	305,117	0.21%	1,075,260	0.74%	0	0%	Chang, Chu-Tzu	Sisters	—
							Yu Yao Investment Co., Ltd. Rep.: Yeh, Chia-Yi	Mother & Daughter	—
Chang, Lung-Kwang	3,094,503	2.14%	2,009,041	1.39%	0	0%	—	—	—
Lu Yao-Ping	3,014,427	2.08%	0	0%	0	0%	Chang, Chu-Tzu	Mother & Daughter	—
Great King Investment & Development (Rep.: Grow Lin)	2,388,556	1.65%	0	0%	0	0%	—	—	—
	550,167	0.38%	181,343	0.13%	0	0%	Guang-Gu Investment Co., Ltd. Rep.: Lin, Feng Shih	Father & Son	—
Lin Chih-Meng	2,169,960	1.50%	247,295	0.17%	0	0%	He Ding Investment Co., Ltd. Rep.: Lin, Yen-Ting	Father & Son	—

Note 1: List the top 10 shareholders. If they are corporate shareholders, list the names of the corporate shareholders and their representatives separately.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of the shareholder themselves, spouse, minor children or of another party.

Note 3: The aforementioned shareholders for disclosure shall include corporate shareholders and natural persons, with the relationships between the shareholders disclosed as required by the Criteria for the Compilation of Financial Statements by Securities Issuers.

X. Number of Shares and Aggregate Shareholding Ratio of the Same Investee Held by the Company, its Directors, Managers, and Enterprises it Controls Directly or Indirectly

December 31, 2022; Unit: thousand shares

Investment Business	Investment by the Company		Investment by directors, supervisors, officers and any companies controlled either directly or indirectly by the company		Comprehensive Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	53,906	100%	0	0%	53,906	100%
BESTLINK NETWARE, INC.	1,000	100%	0	0%	1,000	100%
UNC INVESTMENT & DEVELOPMENT, INC.	50	100%	0	0%	50	100%
PREMIUM-LINE KSI GMBH	0	100%	0	0%	0	100%
MONOPRICE HOLDINGS, INC.	100	100%	0	0%	100	100%
PREMIUM-LINE SYSTEMS GMBH	0	100%	0	0%	0	100%
YUE FONG COMPANY LIMITED	0	100%	0	0%	100	100%
YFC-EUROPOWER INTERNATIONAL CO., LTD.	50	100%	0	0%	50	100%
EUROPOWER INTERNATIONAL LIMITED	0	0%	4,890	100%	4,890	100%
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	0	0%	22,807	100%	22,807	100%
UNIVERSAL NETWORK CORPORATION	0	0%	20,000	100%	20,000	100%
MAX SYNERGY LIMITED	0	0%	720	80%	720	80%
PREMIUM LINE ASIA LTD.	0	0%	50	100%	50	100%
YFC-BONEAGLE INTERNATIONAL, INC.	0	0%	220	100%	220	100%
YFC DEVELOPMENT CORPORATION	0	0%	75	100%	75	100%
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	0	0%	200	100%	200	100%
BESZIN CORPORATION INC.	0	0%	1,000	100%	1,000	100%
MONOPRICE, INC.	0	0%	500	100%	500	100%
PRIME WIRE & CABLE, INC.	0	0%	15,500	100%	15,500	100%
DONGGUAN YFC	0	0%	0	100%	0	100%
CHENZHOU YFC BONEAGLE ELECTRONIC CO., LTD.	0	0%	0	100%	0	100%
WUXI UNIVERSAL NETWORK CORPORATION	0	0%	0	100%	0	100%

D. Capital Overview

I. Capital and Shares

(I) Source of capital stock

1. Process of capital stock formation

Unit: NT\$K; thousand shares

Year & Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Offset by any Property Other than Cash	Capital Increase Approval Date and Letter Number
1983.09	10	1,200	12,000	1,200	12,000	Founding capital stock of NT\$12,000 thousand.	None	Established on 1983.09.03
1990.08	10	2,950	29,500	2,950	29,500	Capital increase of NT\$17,500 thousand in cash	None	1990.08.20 79 Jian-San-Yi-Zi No.281607
1996.07	10	4,200	42,000	4,200	42,000	Capital increase of NT\$12,500 thousand in cash	None	1996.07.10 85 Jian-San-Geng-Zi No.196527
1997.11	10	6,000	60,000	6,000	60,000	Capital increase of NT\$18,000 thousand in cash	None	1997.11.25 86 Jian-San-Geng-Zi No.268062
1998.12	10	7,050	70,500	7,050	70,500	Capital increase of NT\$10,500 thousand from earnings	None	1998.12.21 87 Jian-San-Ding-Zi No.279244
1999.12	10	14,778	147,780	14,778	147,780	Capital increase of NT\$66,000 thousand from earnings; Capital increase of NT\$11,280 thousand from earnings	None	1999.12.24 Jin(088)-Shan No.146370
2000.09	10	19,908	199,080	19,908	199,080	Capital increase of NT\$27,064 thousand from earnings; Capital increase of NT\$24,236 thousand from earnings	None	2000.09.14 Jin(089)-Shan No.133753
2001.08	10	70,000	700,000	35,000	350,000	Capital increase of NT\$96,322 thousand from earnings; Capital increase of NT\$54,598 thousand from earnings	None	2001.08.30 Jin(090)-Shan No.09001339750
2002.10	10	70,000	700,000	41,951	419,513	Capital increase of NT\$69,513 thousand from earnings	None	2002.10.08 Jing-Shou-Shang-Zi No.09101415110
2003.07	10	70,000	700,000	46,398	463,978	Capital increase of NT\$44,465 thousand from earnings	None	2003.07.23 Jing-Shou-Zhong-Zi No.0923241355
2005.10	10	62,677	626,774	48,974	489,744	Corporate bonds converted into common stock of NT\$25,766 thousand	None	2005.10.26 Jing-Shou-Zhong-Zi No.09433065460
2006.01	10	62,677	626,774	49,054	490,543	Corporate bonds converted into common stock of NT\$799 thousand	None	2006.01.17 Jing-Shou-Zhong-Zi No.09531580520
2006.07	10	62,677	626,774	53,573	535,725	Capital increase of NT\$41,595 thousand from earnings and additional paid-in capital; corporate bonds converted to common stock and employee warrants converted into common stock of NT\$3,687 thousand	None	2006.07.24 Jing-Shou-Shang-Zi No.09501155830
2006.11	10	150,000	1,500,000	72,960	729,601	Capital increase of NT\$130,000 thousand from private placement; corporate bonds converted to common	None	2006.11.13 Jing-Shou-Shang-Zi

Year & Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Offset by any Property Other than Cash	Capital Increase Approval Date and Letter Number
						stock of NT\$58,206 thousand and employee warrants converted into common stock of NT\$5,670 thousand		No.09501252010
2007.01	10	150,000	1,500,000	75,166	751,662	Corporate bonds converted to common stock of NT\$18,961 thousand and employee warrants converted into common stock of NT\$3,100 thousand	None	2007.01.10 Jing-Shou-Shang-Zi No.09601012650
2007.04	10	150,000	1,500,000	75,394	753,947	Employee warrants converted into common stock of NT\$2,285 thousand	None	2007.04.19 Jing-Shou-Shang-Zi No.09601078150
2007.07	10	150,000	1,500,000	75,474	754,746	Employee warrants converted into common stock of NT\$800 thousand	None	2007.07.17 Jing-Shou-Shang-Zi No.09601168690
2007.09	10	150,000	1,500,000	82,786	827,863	Earnings and employee bonus transferred to capital of NT\$73,116 thousand.	None	2007.09.29 Jing-Shou-Shang-Zi No.09601239070
2007.10	10	150,000	1,500,000	102,821	1,028,213	Capital increase of NT\$200,000 thousand in cash and employee warrants converted into common stock of NT\$350 thousand	None	2007.10.05 Jing-Shou-Shang-Zi No.09601241530
2008.01	10	150,000	1,500,000	102,841	1,028,413	Employee warrants converted into common stock of NT\$200 thousand	None	2008.01.17 Jing-Shou-Shang-Zi No.09701011370
2008.04	10	150,000	1,500,000	100,841	1,008,413	Cancellation of treasury stock to reduce capital of common stock of NT\$20,000 thousand	None	2008.04.15 Jing-Shou-Shang-Zi No.0970108610
2008.09	10	150,000	1,500,000	97,835	978,353	Cancellation of treasury stock to reduce capital of common stock of NT\$30,060 thousand	None	2008.09.08 Jing-Shou-Shang-Zi No.09701228380
2008.10	10	150,000	1,500,000	103,260	1,032,604	Earnings and employee bonus transferred to capital of NT\$54,251 thousand.	None	2008.10.17 Jing-Shou-Shang-Zi No.09701263270
2008.12	10	150,000	1,500,000	98,326	983,264	Cancellation of treasury stock to reduce capital of common stock of NT\$49,340 thousand	None	2008.12.19 Jing-Shou-Shang-Zi No.09701319950
2009.06	10	150,000	1,500,000	97,143	971,434	Cancellation of treasury stock to reduce capital of common stock of NT\$11,830 thousand	None	2009.06.30 Jing-Shou-Shang-Zi No.09801135650
2009.09	10	150,000	1,500,000	102,001	1,020,006	Capital increase of NT\$48,572 thousand from additional paid-in capital	None	2009.09.18 Jing-Shou-Shang-Zi No.09801216370
2010.04	10	150,000	1,500,000	109,916	1,099,164	Corporate bonds converted to common stock of NT\$79,158 thousand	None	2010.04.15 Jing-Shou-Shang-Zi No.09901074980
2010.07	10	150,000	1,500,000	110,910	1,109,100	Corporate bonds converted into common stock of NT\$9,936 thousand	None	2010.07.06 Jing-Shou-Shang-Zi No.09901142950
2010.09	10	150,000	1,500,000	113,489	1,134,898	Earnings and employee bonus transferred to capital of NT\$25,798 thousand.	None	2010.09.16 Jing-Shou-Shang-Zi No.09901211460
2010.10	10	150,000	1,500,000	114,127	1,141,279	Corporate bonds converted into common stock of NT\$6,381 thousand	None	2010.10.22 Jing-Shou-Shang-Zi No.09901239330

Year & Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Offset by any Property Other than Cash	Capital Increase Approval Date and Letter Number
2011.01	10	150,000	1,500,000	114,145	1,141,458	Corporate bonds converted into common stock of NT\$179 thousand	None	2011.01.24 Jing-Shou-Shang-Zi No.10001011340
2011.04	10	150,000	1,500,000	114,413	1,144,130	Corporate bonds converted into common stock of NT\$2,671 thousand	None	2011.04.12 Jing-Shou-Shang-Zi No.10001070260
2011.10	10	150,000	1,500,000	116,054	1,160,548	Corporate bonds converted into common stock of NT\$16,417 thousand	None	2011.10.24 Jing-Shou-Shang-Zi No.10001244210
2012.05	10	150,000	1,500,000	113,608	1,136,088	Cancellation of treasury stock to reduce capital of common stock of NT\$24,460 thousand	None	2012.05.07 Jing-Shou-Shang-Zi No.10101081920
2013.01	10	150,000	1,500,000	110,829	1,108,298	Cancellation of treasury stock to reduce capital of common stock of NT\$27,790 thousand	None	2013.01.10 Jing-Shou-Shang-Zi No.10201005430
2014.05	10	150,000	1,500,000	114,388	1,143,885	Corporate bonds converted into common stock of NT\$35,587 thousand	None	2014.05.22 Jing-Shou-Shang-Zi No.10301094510
2014.12	10	150,000	1,500,000	114,513	1,145,136	Corporate bonds converted into common stock of NT\$1,251 thousand	None	2014.12.10 Jing-Shou-Shang No.10301249210
2015.02	10	150,000	1,500,000	128,332	1,283,321	Corporate bonds converted into common stock of NT\$138,185 thousand	None	2015.02.02 Jing-Shou-Shang No.10401015430
2015.05	10	150,000	1,500,000	130,814	1,308,146	Corporate bonds converted into common stock of NT\$24,825 thousand	None	2015.05.26 Jing-Shou-Shang No.10401096890
2015.09	10	150,000	1,500,000	130,935	1,309,346	Corporate bonds converted into common stock of NT\$1,200 thousand	None	2015.09.02 Jing-Shou-Shang No.10401185100
2015.12	10	150,000	1,500,000	130,990	1,309,901	Corporate bonds converted into common stock of NT\$1,745 thousand; cancellation of treasury stock to reduce capital of common stock of NT\$1,190 thousand	None	2015.12.14 Jing-Shou-Shang No.10401267480
2016.01	10	150,000	1,500,000	132,533	1,325,329	Corporate bonds converted into common stock of NT\$15,428 thousand	None	2016.01.26 Jing-Shou-Shang No.10501017100
2016.06	10	150,000	1,500,000	127,197	1,271,966	Corporate bonds converted into common stock of NT\$6,377 thousand; cancellation of treasury stock to reduce capital of common stock of NT\$59,740 thousand	None	2016.06.01 Jing-Shou-Shang No.10501114760
2016.08	10	150,000	1,500,000	123,827	1,238,268	Corporate bonds converted into common stock of NT\$6,302 thousand; cancellation of treasury stock to reduce capital of common stock of NT\$40,000 thousand	None	2016.08.24 Jing-Shou-Shang No.10501210790
2016.12	10	150,000	1,500,000	123,860	1,238,602	Corporate bonds converted into common stock of NT\$334 thousand	None	2016.12.01 Jing-Shou-Shang No.10501278420
2017.02	10	150,000	1,500,000	124,554	1,245,544	Corporate bonds converted into common stock of NT\$6,942 thousand	None	2017.02.08 Jing-Shou-Shang No.10601015910
2020.11	10	180,000	1,800,000	131,046	1,310,466	Corporate bonds converted into	None	2020.11.13

Year & Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Offset by any Property Other than Cash	Capital Increase Approval Date and Letter Number
						common stock of NT\$64,921 thousand		Jing-Shou-Shang No.10901208940
2021.02	10	180,000	1,800,000	131,504	1,315,036	Corporate bonds converted into common stock of NT\$4,570 thousand	None	2021.02.02 Jing-Shou-Shang No.11001018750
2021.05	10	180,000	1,800,000	131,972	1,319,723	Corporate bonds converted into common stock of NT\$4,687 thousand	None	2021.06.07 Jing-Shou-Shang No.11001092540
2022.09	10	180,000	1,800,000	139,472	1,394,724	Capital increase of NT\$75,000 thousand in cash	None	2022.09.21 Jing-Shou-Shang No.11101177140
2022.11	10	180,000	1,800,000	143,868	1,438,672	Corporate bonds converted into common stock of NT\$43,958 thousand	None	2022.11.03 Jing-Shou-Shang No.11101207600
2023.02	10	180,000	1,800,000	144,185	1,441,851	Corporate bonds converted into common stock of NT\$3,168 thousand	None	2023.02.20 Jing-Shou-Shang No.11230023190
2023.04	10	180,000	1,800,000	144,868	1,448,682	Corporate bonds converted into common stock of NT\$6,831 thousand	None	2023.04.28 Jing-Shou-Shang No.11230073940

2. Type of shares

Unit: shares

Type of Shares	Authorized Capital Stock			Remark
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	144,868,186	35,131,814	180,000,000	TPEX-listed Shares

3. If the company adopts the shelf registration method for the issuance of new shares, it shall disclose relevant information including the total amount registered for issuance, the total amount already issued, and the balance amount of the shelf registration: None.

(II) Shareholder structure

April 22, 2023

Structure Amount	Government Agency	Financial Institution	Other Legal Entities	Individual	Foreign Institutions & Foreigners	Total
People	-	6	163	27,161	55	27,385
Shares Held	-	456,082	30,698,066	107,981,180	5,732,858	144,868,186
Shareholding Ratio	-	0.31%	21.19%	74.54%	3.96%	100.00%

(III) Status of dispersal of shareholding

1. Common Stock

April 22, 2023

Shareholding Classification	Number of Shareholders	Number of Shares Held	Shareholding Ratio
1 to 999	17,482	289,932	0.20%
1,000 to 5,000	7,434	15,195,357	10.49%
5,001 to 10,000	1,208	9,478,936	6.54%
10,001 to 15,000	364	4,565,907	3.15%
15,001 to 20,000	238	4,406,777	3.04%
20,001 to 30,000	213	5,186,849	3.58%
30,001 to 40,000	112	3,910,507	2.70%
40,001 to 50,000	70	3,165,906	2.19%
50,001 to 100,000	115	8,130,485	5.61%
100,001 to 200,000	76	10,779,321	7.44%
200,001 to 400,000	31	8,578,221	5.92%
400,001 to 600,000	9	4,077,710	2.82%
600,001 to 800,000	6	3,994,959	2.76%
800,001 to 1,000,000	4	3,555,701	2.45%
Over 1,000,001 shares	23	59,551,618	41.11%
Total	27,385	144,868,186	100.00%

2. Information on preferred stock: The Company did not issue preferred stock

(IV) List of major shareholders (shareholders holding 5% or more of the shares or names, numbers of shareholding and ratio of the top 10 shareholders)

April 22, 2023

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Good Win Investment Co., Ltd.	7,520,359	5.19%
Yu Yao Investment Co., Ltd.	5,742,470	3.96%
Chang, Chu-Tzu	4,715,306	3.25%
Guang-Gu Investment Co., Ltd.	4,205,344	2.90%
He Ding Investment Co., Ltd.	3,562,407	2.46%
Lun-Hao Investment Co., Ltd.	3,485,846	2.41%
Chang, Lung-Kwang	3,094,503	2.14%
Lu Yao-Ping	3,014,427	2.08%
Great King Investment Development Ltd.	2,388,556	1.65%
Lin Chih-Meng	2,169,960	1.50%

(V) Per share market price, net worth, profit, dividend information for the past 2 fiscal years

Item		Year	2021	2022	Up to 2023.3.31
Market Price per Share (Note 1)	Highest		31.60	36.00	29.20
	Lowest		20.50	19.95	26.00
	Average		24.88	25.24	27.32
Net Worth per Share (Note 2)	Before distribution		19.19	27.04	25.30
	After distribution		19.06	24.04	—
EPS (Note 3)	Weighted average number of shares		131,898,000	136,873,000	144,772,000
	EPS		0.76	5.87	(1.60)
Dividend per Share	Cash dividends		0.12881482	3	—
	Dividend distribution	Stock dividends from retained earnings	0	0	—
		Stock dividends from additional paid-in capital	0	0	—
	Accumulated unpaid dividends		0	0	—
Return on Investment Analysis	P/E ratio (Note 4)		32.74	4.30	—
	P/D ratio (Note 5)		193.15	8.41	—
	Cash dividend yield (Note 6)		0.52	11.89	—

Note 1: The table lists the highest and lowest market price of common stocks for each year, and the annual average market price was calculated in accordance with the annual trading value and volume of each year.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution by the Board of Directors or general meeting of shareholders the following year.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: P/E ratio = Average closing price per share in current year/EPS.

Note 5: P/D ratio = Average closing price per share in current year/cash dividend per share.

Note 6: Cash dividend yield = Cash dividend per share/average closing price per share in current year.

Note 7: The motion for the 2022 earnings distribution was approved at the meeting of the Board of Directors on March 28, 2023 and has been submitted to the annual general meeting of shareholders for ratification.

(VI) The Company's dividend policy and implementation status

1. Company dividend policy:

Article 20-1 of the Articles of Incorporation: Any earnings shall be first set aside for paying taxes and losses accumulated over the years. 10% of the remaining balance shall be set aside as the legal reserve; however, when the legal reserve has read the paid-in capital, further withdrawal may be exempted and special reserve set aside or reversed in accordance with the law. The remaining balance, if any, may be distributed as dividends from preferred stock for the year. The Board of Directors shall propose a motion for distribution for any balance, together with undistributed earnings of previous years, to be submitted to the shareholders' meeting for resolution.

Taking into account the stable development and robust financial structure, earnings distribution shall not be less than 50% of the distributable earnings less earnings of previous years. However, where distributable earnings less earnings of previous years are less than 1% of the paid-in capital, no distribution of earnings may be proposed.

The Company's dividend payout policy is based on three methods: capital increase from earnings, capital increase from additional paid-in capital, and cash dividends. Depending on the future development and growth stage, the Company will strive to improve its financial structure and protect the rights and interests of shareholders. Among the three methods of dividend payout policy, cash dividends shall account for at least 10% of all dividends.

Pursuant to the provisions of Articles 240 and 241 of the Company Act, the Company shall surplus profit distributable as dividends and bonuses in whole or in part distributed to shareholders in proportion to their existing shares in the form of new shares to be issued by the Company. Where distribution is made in the form of cash, a resolution shall be adopted by the meeting of the Board of Directors attended by at least two-thirds of the directors and a majority of the directors present and shall be reported to the shareholders' meeting. A resolution for distribution made in the form of new shares shall be adopted by the shareholders' meeting prior to distribution.

2. Dividend distribution reported at the shareholders' meeting:

The undistributed earnings at the beginning of 2022 were NT\$154,583,224; after adding actuarial gains of NT\$2,969,006 for the period and net income of NT\$803,702,013 for 2022 and the provision of 10% legal reserve of NT\$80,667,102, the Company's earnings available for distribution was NT\$880,587,141. Cash dividends to shareholders was proposed at NT\$434,604,558, at NT\$3 per share.

(VII) The effect of the current bonus shares on the operating performance, EPS and return on shareholder's investment: Not applicable.

(VIII) Remuneration to employees and directors

1. The percentages or ranges with respect to employee bonuses and director remuneration, as set forth in the Company's Articles of Incorporation:

Article 20 of the Articles of Incorporation:

The Company's profit, if any, for the year shall be distributed at not more than 6% as remuneration to directors; provided, accumulated losses should be made up first.

Profit for the year referred to in the preceding paragraph is defined as net income for the year before employee remuneration and director remuneration are deducted.

In addition, the employees of the Company, the Company also distributes remuneration to employees of subordinate companies who directly or indirectly own 50% or more of the Company's shares

2. Information on proposed remuneration to employees and directors passed by the Board of Directors:

(1) Amount of remuneration to employees and directors:

The remuneration to employees and directors for 2022 was approved by the Board on March 28, 2023. Of the earnings, NT\$71,000,000 (8.11%) is to be distributed as remuneration to employees and NT\$15,000,000 (1.71%) of earnings is to be distributed to directors. Remuneration to directors described above is to be distributed in cash, where remuneration to employees is to be distributed in NT\$25,000,000 in cash and NT\$46,000,000 in stocks. The number of shares issued was calculated based on the closing price of common stocks at NT\$28.85 on the day before the resolution was reached by the Board on March 27, 2023. A total of 1,594,454 new shares was issued and any remuneration for employees less than one share was paid in cash.

(2) If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None.

(3) The amount of any remuneration to employees distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income:

For the fiscal year 111, the amount of FY2022 Employee Compensation was distributed in the form of stock of NT\$46,000,000, accounting for 5.72% of the net profit after tax for the period and 64.79% of the total employee bonuses of 71,000,000.

(4) Calculated EPS after considering the proposed distribution of remuneration to employees or remuneration to directors:

FY2022 financial statements have already included the estimation of employee and director compensation, resulting in the EPS being consistent with the figures reported in the financial statements.

3. Employee bonuses and director remuneration distributed with the earnings of previous years:

In 2022, the Company distributed of NT\$7,600,000 as remuneration to employees and NT\$5,000,000 as remuneration to directors for 2021. The amounts distributed were the same as the amounts resolved by the Board of Directors and shareholders' meeting.

(IX) Buyback of the company shares in the past 3 years: None.

II. Issuance of Corporate Bonds

(I) Corporate Bonds Issued

Type of Corporate Bonds	9TH Domestic Unsecured Convertible Bonds	
Date of Issuance	February 18, 2020	
Face Value	NT\$100,000	
Place of Issuance and Trading	TPEX	
Issue Price	Issued at 101% of face value	
Total Amount	NT\$400,000,000	
Interest Rate	0%	
Period	3 years; date of maturity: February 18, 2023	
Guarantee Agency	None	
Trustee	Bank SinoPac	
Underwriter	KGI Securities	
Review Attorney	Attorney Chiu Ya-Wen (Handsome Attorneys-At-Law)	
Review Accountant	CPA Mei Yuan-Chen of KPMG Taiwan	
Repayment Method	Except for conversion or redemption in accordance with the conversion rules, the remaining principal is repaid at the face value of the bonds in cash at maturity.	
Amount Not Yet Repaid	None	
Terms of Redemption or Early Settlement	Please refer to the <i>Issuance and Conversion Rules</i>	
Restricted Terms	Please refer to the <i>Issuance and Conversion Rules</i>	
Name of Credit Rating Institution, the Date of the Rating, and the Credit Rating Results	None	
Other Rights Attached	Number of Common Shares as of the Publication Date of the Annual Report	The 9 TH convertible bonds matured on February 18, 2023. The common stock converted before maturity was NT\$321,200,000.
	Issuance and Conversion Rules	Please refer to the <i>Issuance and Conversion Rules</i>
The issuance and conversion, exchange, or subscription rules, possibility of dilution of equity under the terms and conditions of issuance, and effect on shareholder equity	The 9 TH convertible bonds matured on February 18, 2023. From January 2022 until maturity, a total of 1,307 bonds and 5,395,798 shares were converted into common shares, representing 3.72% of the Company's total outstanding shares of 144,868,000. The potential dilution effect on shareholder equity is minimal.	
Name of the Custodian for the Exchange of the Subject	None	

(II) Conversion of Corporate Bonds

Type Of Corporate Bonds		The 9 TH Unsecured Convertible Bonds	
Item	Year	2022	Up to 2023.2.18
	Market Value		
	Highest	146.95	119.00
	Lowest	100.00	103.00
	Average	113.31	110.55
Conversion Price		24.30	24.30
Date of Issuance		February 18, 2020	
Conversion Price at Issuance		NT\$26.8.	
Method of Fulfilling Conversion Performance		By issuing new shares	

III. Issuance of Preferred Shares

None

IV. Issuance of Global Depository Receipts (GDRs)

None

V. Employee Stock Options

None

VI. Employee Restricted Stock Awards

None

VII. New Shares Issuance in Connection with Mergers, Acquisitions, and Transfer of Shares

None

VIII. Financing Plans and Implementation

The Company's capital increase in cash by issuing common stock and 10th domestic unsecured convertible bonds of 2022:

1. Content of the plan:

(1) Competent authority approval date and reference: Approved by Letters Jin-Guan-Zheng-Fa-Zi No.1110342536 and No.11103425361 dated May 24, 2022

(2) Total funds required for the plan: NT\$503,500 thousand

(3) Sources of funds for the plan:

I. Capital increase in cash by issuing 7,500,000 new shares with a par value of NT\$10 per share and an issue price of NT\$20, totaling NT\$150,000 thousand. This was completed on August 25, 2022 and bank loan of NT\$150,000 thousand was repaid on September 30, 2022.

II. The 10th domestic unsecured convertible bonds of 3,500 bonds were issued at a face value of NT\$100,000, for a total value of NT\$350,000 thousand issued at 101% of par value, totaling NT\$353,500 thousand. After taking into the interests of both the shareholders and the Company as a whole into consideration, the Company applied to the FSC on August 23, 2022 for a 3-month extension of the offering period in a bid to seek better timing for issuance. However, as the market conditions were not of satisfactory, the Company applied to the FSC on November 14, 2022 to cancel the issuance of the 10th domestic unsecured bonds. This was approved by Letter Jin-Guan-Zheng-Fa-Zi No.1110364563 dated November 17, 2022.

III. The shortfall in the repayment of bank loan resulting from the failure of issuing the 10th domestic unsecured convertible bond was covered by reducing the repayment of bank loan

(4) Use of funds: Repayment of bank loan

(5) Plan and fund utilization progress:

Unit: NT\$K

Plan	Estimated Completion Date	Total Funds Required	Capital Allocation Progress	
			2022	
			Q3	
Repayment of Bank Loan	2022 Q3	503,500	503,500	
Total		503,500	503,500	

2. Implementation status:

Capital increase in cash by issuing 7,500,000 common stocks, at a par value of NT\$20 per share, with a total amount of NT\$150,000 thousand raised. The fundraising was completed on August 25, 2022. The shortfall in the repayment of bank loan resulting from the failure to issue the 10th domestic unsecured

convertible bond was covered by reducing the repayment of bank loan. The capital allocation plan was completed by 2022 Q3.

Unit: NT\$K

Plan	Implementation Status by 2022 Q3			Reasons for advance progress or progress falling behind and improvement plan
Repayment of Bank Loan	Amount Spent	Estimated	150,000	Completed according to plan
		Actual	150,000	
	Implementation Progress	Estimated	100.00%	
		Actual	100.00%	

E. Operational Highlights

I. Business Activities

(I) Scope of Business

1. Main Business

- (1) LAN cable manufacturing
- (2) Electronic component manufacturing
- (3) Information socket and integrated network wiring product manufacturing
- (4) Trading of network peripheral products
- (5) Trading of power cords and related products
- (6) Production and trading of audio-visual and data high-speed transmission lines
- (7) Production and trading of in-vehicle ADAS high frequency transmission lines and high voltage power lines for new energy vehicles
- (8) Production and trading of robotic arms and high-speed data transmission control lines for automated production

2. Business Revenue Composition

Unit: NT\$K; %

Main Product \ Year	2021		2022	
	Net Operating Income	Ratio %	Net Operating Income	Ratio %
Cable	3,298,867	26.50	3,753,143	32.16
Power Cord	5,514,354	44.30	5,289,707	45.32
Consumer Electronics	3,234,502	25.99	2,278,004	19.52
Others	399,205	3.21	349,771	3.00
Total	12,446,928	100.00	11,670,625	100.00

Division \ Year	2021		2022	
	Net Operating Income	Ratio %	Net Operating Income	Ratio %
Manufacture	3,984,849	32.01	4,290,364	36.76
Channel	3,324,073	26.71	3,175,802	27.21
E-commerce	5,138,006	41.28	4,204,459	36.03
Total	12,446,928	100.00	11,670,625	100.00

3. Current Products and Service

- (1) LAN cables and network jumper wires, including Cat.5e, Cat.6, Cat.6A, Cat.7, Cat.8 shielded and unshielded cable sets of different combustion levels.
- (2) USB cable sets.
- (3) HDMI cable sets.
- (4) Other internal wires for information, communication and consumer electronic 3C products.
- (5) Production and trading of in-vehicle ADAS high frequency transmission lines and high voltage power lines for new energy vehicles.

- (6) Teflon CMP grade wire, that meets the needs of the high-end wiring market in North America.
- (7) Manufacturing and trading of various power extension cable sets.
- (8) Trading of various types of electronic timer design.
- (9) Manufacturing and trading of industrial signal transmission line sets.
- (10) Trading of 3D printers.
- (11) Manufacturing and trading of control line sets for automated production equipment (robotic arms).
- (12) Sales of flooring, water pipe heating sets and roofing snow melting line sets.

4. Future Developing Products and Service

- (1) Euro-spec standard halogen-free power cord.
- (2) Modular Data Center with Nature Air Cooling System.
- (3) Multifunctional power cords.

(II) An Overview of the Industry

1. Status quo and development of the industry

The Company and its subsidiaries are dedicated to the production of 3C power cord sets, LAN cables, network cable peripherals, and in-vehicle high frequency transmission lines. In addition to selling self-manufactured cable products, the Company also sells consumer 3C products such as TV stands, 3D printers and mobile phone stands. These products are sold directly or indirectly to end consumers through online sales platforms and physical channels. The Company's connector cables are basic components of computer hosts and their peripherals, communication devices, and transmission devices, which are closely linked to the development of information technology and online communication industries. With the rise of 5G network, AIoT, and carbon reduction in recent years, our subsidiary Prime has invested in the business promotion of Modular Data Center with Nature Air Cooling System. The current status and development of network cables, power cords and modular data centers are described as follows:

A. Overview and development of the network cable industry

Ethernet cables are the most common types of network cables used in wired networks. Ethernet cables are used in Local Area Networks (LAN) and Metropolitan Area Networks (MAN). Ethernet cables connect and transmit broadband signals between modems, routers, computers and other wired devices that support internet. Over 80% of LAN-connected PCs and workstations are equipped with this technology as it is a reliable solution for providing real-time data and status updates to ensure the availability of ongoing information and real-time data transfer. Ethernet cables are widely used in many industries to achieve fast and secure data transfer.

Compared to other network technology, the global ethernet cable market has been driven by its advantages, including high speed, low latency, guarantee of bandwidth per connected device, reliability, and higher data security. Nevertheless, high installation costs and limited physical availability are holding back market growth. Technology advancements in Ethernet cables have increased the speed of the internet. The anticipated increase in demand for Power over Ethernet (PoE) in the industry will provide significant growth opportunities in the market.

The value of global the Ethernet cable market in 2018 totaled USD 7.6 billion and is expected to reach USD 21.36 billion by 2026, a CAGR growth of 13.5% from 2019 to 2026. Ethernet cables are the most common types of network cables used in wired networks. Ethernet cables are used in Local Area Networks (LAN) and Metropolitan Area Networks (MAN). Ethernet cables connect and transmit broadband signals between modems, routers, computers and other wired devices that support internet. The technology is mainly used for LAN-connected PCs and workstations as it is a reliable solution for providing real-time data and status updates to ensure the availability of ongoing information and real-

time data transfer. Ethernet cables are widely used in many industries to achieve fast and secure data transfer.

The crucial factor for the growth of the telecom cable market is the popularity of smartphone and spread of internet across the world. The global telecom cable market is expected to grow at a CAGR of 7.3% during the forecast period of 2022 to 2027.

Internet connected devices such as smartphones and tablets have become indispensable tools for communication, information and entertainment across the globe. The rising popularity of Smartphones and the wide use of the internet throughout the world are the key factors affecting the growth of the telecom cable market. The telecom equipment market is responsible for the development of the telecom cable market.

IoT technology uses telecom services for asset management and remote system monitoring. Through an IoT platform such as Kaa, telecom companies are able to connect their physical assets to the cloud and remotely manage their operations, investigate faults, run firmware upgrades and track inventory, further boosting market growth.

More recently, it has been observed that there is a shift to more decentralized government funding sources for broadband infrastructure. For example, the U.S. passed the USD 1 trillion Infrastructure Investment and Jobs Act (IIJA) in November 2021. USD 65 billion was allocated for broadband access, clean water, grid renewal transportation and road proposals. Government projects aiming to expand and improve telecom infrastructure and services are expected to facilitate market growth.

However, the increase in the cost of telecom cable operations and maintenance is one of the primary factors obstructing market growth. Whereas underground fiber offers higher reliability, requiring less maintenance. Given this, there are tremendous opportunities in the current and future fiber optic cable market.

The COVID-19 pandemic outbreak has brought about huge challenges for continuing operations, even for agents that have been working from home as telecom providers rely heavily on large contact centers to help their customers. However, as more people are working from home, there is a high demand for internet connectivity, boosting market growth.

References:

https://www.mordorintelligence.com/industry-reports/global-telecom-cable-market?gclid=Cj0KCOiAx6ugBhCcARIsAGNmMbjg1J5_Ivs_ftyuLL9IeHYrz4cBqMy2Y2i6VN_AWD_V0bYOaeRqhULIaAkdLEALw_wcB

<https://www.taiwannews.com.tw/en/news/4823114>

B. Overview and development of the power cord industry

The global power cable market size was worth around USD 166.9 billion in 2022. In the future, IMARC group predicts that the market size will reach USD 236.8 billion by 2028, with a CAGR from 2023 to 2028 of 6.1%.

A power cable, or an electrical cable, is an assembly of one or more electrical conductors, usually held together with an overall sheath. They are commonly used for transmitting and distributing power to electronic equipment, such as computers, printers, monitors, heaters, ventilators and air conditioning (HVAC) systems. Power cables can withstand high working voltage, transmit large currents, adapt to different environments, and provide the right amount of insulation and current conductivity. As they are widely used in tunnels, indoors, cable ditches, pipelines, and flammable and severely corroded areas, the demand for power cables is increasing across the globe.

The surge in global electricity around the world and the rising focus on upgrading existing grid infrastructure are major factors positively influencing the demand for power cables. In addition, the expansion of construction in residential, commercial, and industrial space is contributing to market growth. Moreover, the ongoing upgrades and remodeling activities in airports, shopping malls, offices, and stores are generating the demand for durable power cables. Furthermore, rapid urbanization, the rising sales of vehicles and improving income levels of individuals are driving the use of power cables, helping with the functioning of various devices in the automotive industry. In addition to this, the increasing need for advanced power cables to improve the condition and enhance the productivity and safety of mining equipment has created a positive outlook for the market. Besides this, power cables are also widely utilized in the chemical industry thanks to their high mechanical resilience and good resistance to chemical agents and oil.

The global power cord market is anticipated to rise at a significant rate during the forecast period, between 2023 and 2028. The market will grow at a steady rate from 2022. With the rising adoption of strategies by key players, the market is expected to rise over the projected horizon.

References: <https://www.imarcgroup.com/power-cables-market>

C. Industry overview and development of modular data centers

The global modular data center market is expected to grow at a CAGR of 27.35% during 2023-2028. Modular data center solution units help the physical build of IT infrastructure. The modular approach can focus on the data center or a more granular level. As organizations move toward adopting more cloud-based distributed technologies, modular architecture can support additional workload to support business demands. These portable data centers provide a cost-effective way of secure computing power without adding extra floor space, meeting the rising demand for cloud, mobile, and social analytics.

The high demand for green data centers is driving market growth. A green data center adopts energy efficiency management approaches and technologies providing enterprises with minimal environmental impact and optimum performance. As governments all over the world has imposed energy consumption and environmental protection regulations, modular data centers are experiencing a growing demand. One of the most significant advantages of modular data centers is that they use less power and are more energy-efficient compared to conventional data centers, meeting the inherent need of organizations for lower energy consumption.

The generation of vast amounts of data is driving companies to develop new solutions to efficiently store and keep data. The growing use of cloud-based tools and applications enables governments and key players to centralize, calculate, improve operational efficiency, and reduce overall energy consumption. This will enable businesses to adapt to changing demands for vital IT power. As a result, the adoption of cloud-based solutions and services is likely to contribute to the growth of the global market over the forecast period.

Furthermore, according to Bitkom, a digital group in Germany, the COVID-19 pandemic and widespread digitization have accelerated the country's data center performance. According to a study by Bitkom, between 2010 and 2020, the capacity of data processing in IT centers in Germany has increased by 84%, and will continue to grow another 30% by 2025.

A modular data center is portable and can exist at any location that requires data capacity. This type of data center system comprises modules and components with purpose engineering. Applications such as disaster backup, high-performance/edge computing, data center expansion, and starter data centers are considered under the scope. Applications such as disaster backup, high-performance/edge computing, data center expansion, and starter data centers are within this scope.

Modular Data Center Market Trends

Telecom and IT Sector to Hold Significant Market Growth

To optimize their networks and the digital services running on them, telecom providers need to deploy more computing and storage capacity across carrier networks. Additionally, the increase in 4G penetration and the upcoming 5G wave will further prompt telecom providers to invest in the modular data center market for more network functions and better capabilities to manage edge networks from the increased data traffic. As carriers can benefit from network service optimization, edge computing has become almost a common practice in the telecom industry. The telecom operators are predicted to deploy micro modular data centers and 5G cell towers to provide better network connectivity for businesses across all industries. For instance, according to the Ericsson Mobility report, 5G subscriptions are expected to account for 55% of mobile subscriptions in the North American region by the end of 2024. As 5G must ensure higher speeds and lower latency, telecom vendors would turn toward edge computing. In addition, according to GSMA, 4G technology accounted for 58 % of the market last year, but that figure is expected to fall to 55% by 2025. By then, the new 5G technology is expected to account for a 25% share of the mobile technology market. The arrival of 5G has now become a driver for the development of data centers and the necessary infrastructure to enable 5G. To be successful, current data centers will need to be upgraded to support edge computing and 5G. The infrastructure must be adaptable and able to recover from any potential disaster.

Depending on the size, the Chinese IT industry requires on-premise private data storage facilities and hyperscale data centers.

Furthermore, due to the expansion of SaaS providers, cloud storage options have advanced over the years, allowing them to extend their capacities and create demand for the data center industry. SaaS is one of the three major cloud computing categories in China, along with Platform-as-a-Service (PaaS) and Infrastructure-as-a-Service (IaaS). This facilitates the demand for more data centers.

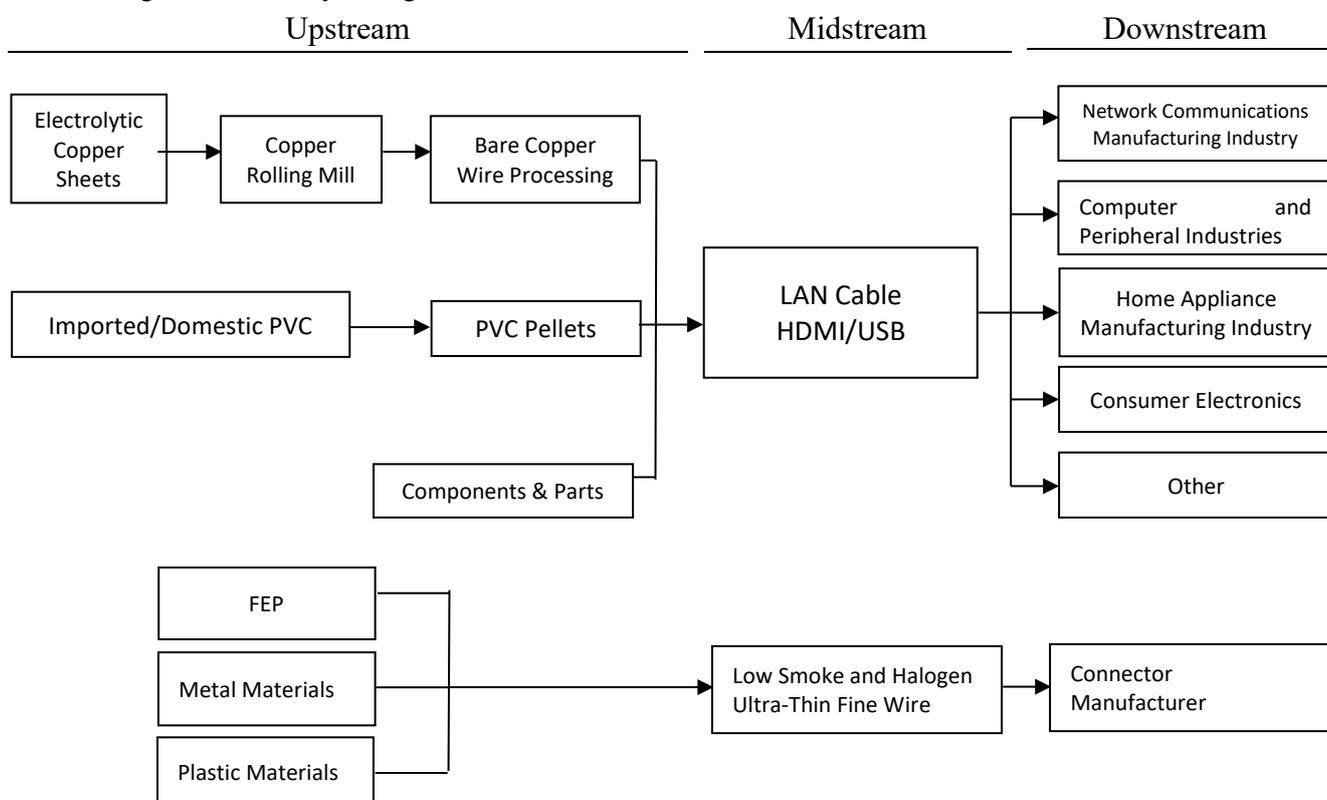
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https://www.mordorintelligence.com/industry-reports/modular-data-center-market?gclid=Cj0KCOiAx6ugBhCcARIsAGNmMbhBG4pGwmG5YkPS53lkkEm3MArvWKO-HSZyaoMO59O04mcaOZT4xlIaAvysEALw_wcB

2. Connection between the upstream, midstream, and downstream of the industry

The Company's major products are cables for 3C products covering information communication and consumer electronics, including power cord sets, UTP/FTP/SFTP/PIMF network cable, USB cables – basic components of communication equipment, transmission equipment, computer hosts and their peripherals.

Diagram of industry linkage is shown below:



3. Development trends of products

(1) As product life cycles are short, the development of new products is very important

In recent years, due to the fierce competition of cables for 3C products and the popularity of low-priced electronic products, the room for price negotiation has narrowed. How to achieve high gross margins when new products are launched is the objective that all manufacturers must meet and constant development of market leading products or high tech-intensive niche products must be built into their strategies. The Company and its subsidiaries are committed to the development and sales of Cat6A, Cat7, Cat8 and Teflon wire with higher flame resistance. With outstanding quality of Cat6A and Cat7 network cables and Teflon cables, we continue to receive orders. For jumper wires, we have adjusted our customer mix, shifting from price-oriented wholesale distribution customers to high-end OEM and factory-supported network customers.

Data transmission at high speed is the key demand of intelligent life. With many years of cultivation in the Japanese market, the Company and its subsidiary have teamed up with a major Japanese connector manufacturer to develop audio-visual and data transmission line sets for automobiles, accelerating the business in the Japanese market

(2) Product development toward miniaturization

In recent years, information products have seen a trend of lighter, thinner, shorter, and smaller in their design and development. Due to this, their relevant components and parts have also followed this

trend. Therefore, future cables for 3C products will be thin wires with high transmission, high frequency, low transmission loss, and low impedance.

- (3) Production will be integrated upwards, moving towards capital- and technology-intensive development

Alongside the increasing competition amongst cable manufacturers for 3C products, production technology must be integrated with upstream vendors in the face of diverse requirements of specifications by downstream customers. By doing this, competitiveness is created. The major sales products of Monoprice Inc., a subsidiary since 2016, cover a wide range of electronic wires and cables, beneficial for upstream and downstream integration of product development and sales at factory-end. The Company's subsidiary, Monoprice Inc., is an e-commerce platform with a wide range of products on its website. In addition to the sale of signal cables (network cables, HDMI cables), the subsidiary also sells TV stands, 3D printers and mobile phone stands. Although the technology of these products is relatively mature, the specifications and functions still require improvement and differentiation must be created for market segment in terms of product development

4. An Overview of the Competition of the Industry

The Company and its subsidiaries specialize in the production of 3C power cord sets, LAN cables, network peripherals and in-vehicle high-frequency transmission lines. These are the basic components for communication and transmission equipment, computer hosts and their peripherals. The Company's power cord products ranging from cords, cables, plugs, sockets, and connectors are commonly used in the U.S., Japan, China, Australia and EU countries. All of the Company's power cords have received safety approvals from national certification bodies. With leading levels of product technology, we have a relatively high market share in Europe. From connector ODM vendors, the Company and its subsidiaries have transformed into channel brand manufacturers. In addition to selling self-made cable products, the Company also sells consumer 3C products such as TV stands, 3D printers and mobile phone stands. With a diverse sales range, overall operations and profitability have improved immensely and the primary market has shifted to the U.S. in an effort to increase competitiveness in the existing areas.

(III) Technology and R&D Overview

1. Technical level of business

(1) High-speed Ethernet products:

The Company's major products are UTP/FTP/SFTP/PIMF LAN cables as well as high-level Keystone Jacks and Patch Panels, essential components for high-speed data transmission between servers, switches, hubs, and PC workstations on a LAN.

The speed and stability of the data transmission rate of the above products is the key to product quality. Appropriately adjusting the design materials and dimensions to meet the communication rate, bandwidth, signal interference and transmission distance, etc., is a very high-level technology. Over the years, the Company's R&D and manufacturing departments have been constantly refining their R&D and process improvement capabilities, developing new technologies and products. Due to this, we have accumulated excellent high-frequency testing technology, making us a leading manufacturer of this technology with high market share in Europe. We are now able to provide all the connectors and cables in the high-speed Ethernet LAN cabling system:

- (I) From 100Base-T (CAT.5e 100Mbps network) and 1000Base-T (CAT.6/CAT.7/CAT7A 1 Gbps network) to 10G network (CAT6A 10Gbps network) for higher speed transmission, we are the only manufacturer in Taiwan who can produce all the connectors and cables for network wiring systems.

- (II) 100W Power over Ethernet (PoE++) integrates power and data transfer into the same cable system, eliminating the need for AC power at each location.
 - (III) In the coming years, we will focus on R&D and process development of CAT.8 for 40GBase-T, a high-speed Ethernet wiring system.
 - (IV) Development of outdoor high-speed Ethernet products in response to special environment application requirements.
 - (V) In response to high price fluctuations, we will work with local manufacturers in the development of new materials to replace imported materials. The new materials developed will be used for high-speed Ethernet products.
- (2) Power cord and plug products:

The Company's power cord products ranging from cords, cables, plugs, sockets, and connectors are commonly used in the U.S., Japan, China, Australia and EU countries. All of the Company's power cords have received safety approvals from national certification bodies in various countries.

Cables, plugs, sockets and connectors, and all power cord products have been certified as safe by certification bodies of many countries.

The following products are at the leading technical position in the industry:

- (I) LED red and blue double flashing light power cord extension series – used in the transmission of AC power cord ends via a plug and a socket at both ends of the power cord. In the plug and socket are one of the two embedded light-emitting devices (including a light emitting diode and its DC conversion circuit) which are electrically connected to the power cord, so that the light-emitting diode light indicates the location of the power extension cable. The power status of the extension cable is also easy to observe and judge. We have patented this product.
- (II) Low-smoke and halogen-free power cord extension series products – used in places with rated voltage of 450V/750V and below that require high flame retardant power cords. As these power cords have halogen-free and low smoke properties, it is easy for personnel to evacuate in the event of a fire thanks to the slow spreading speed, low smoke concentration, high visibility, and small amount of harmful gas release. As the corrosive nature of combustion gas is small, damage to instruments and equipment is prevented. The low halogen and halogen-free properties make the power cord material much more resistant to aging and UV rays and other radiation. Due to this, the service life of the power cord is prolonged. The standards are UL 62 and EN 50525-3-11.
- (III) High temperature and low temperature cold resistant power cord extension series – at present, we have successfully developed halogen-free and PVC series products, which have been certified by UL. The temperature resistance range is +105°C to -50°C, meeting the needs of customers while gradually moving towards eco-friendly products.
- (IV) Luminescent wire/power cord series products – with PVC as the base material, light storage materials are added. After being irradiated by natural light, daylight, and ultraviolet light, the light energy is stored. When released, the light can still be seen at night or in the dark, and lasts for more than ten hours. Can prevent accidents from tripping over invisible wires in the dark. This product has been patented in China.
- (V) Camouflage power cord series – produced by changing the paper wrapping structure to a non-woven fabric printed with various colors without changing the structure of the original cable. Suitable for use in the field, field photography in particular. Camouflage power cords blend in with the natural environment, look good and play a concealing role. This product has been successfully sold in the market and is patented in China and Taiwan.

(3) 3C (Consumers\Computers\Communication) transmission line development:

In recent years, the Company has made a name for itself in the field of 3C wire development, especially in the Japanese market, as we have a stable business conducive for rapid expansion:

- (I) We assisted a major Japanese electronics manufacturer in developing the world's first multi-functional composite cable for high-speed audio-visual and data transmission, with extremely low signal latency, used for the latest ultra-high resolution (UHD) 4K TV. This product has been well received and adopted by customers and patented in Taiwan and China.
- (II) An opportunity to develop car audio/video transmission cables for Japan was taken, with samples sent to related customers. The product meets the conditions of the automotive mechanical environment and the high frequency transmission settings. As the product has now been certified, small volume production will begin shortly.
- (III) In line with specification updates from various associations, we have been proactively investing in the development of HDMI2.0, MHL3.2, and USB3.1 cables. Meanwhile, we have been gradually completing the specification requirements of 18Gbps for HDMI, low power consumption and anti-electromagnetic interference for MHL, and 10Gbps for USB. The new generation of smart and high-definition TVs and mobile phones will meet the needs of the next-generation smart and HD TVs and mobile phones, as well as cloud servers with vast amounts of data transmission and storage.
- (IV) The development of ultra-thin coaxial cables has also moved from being applied to LVDS to higher-level silver-plated coaxial cables, such as Apple's 10Gbps Thunderbolt and high-end servers. In addition to high-frequency requirements, flexibility is also a key requirement. The new generation of USB3.1, that also defines the specifications of coaxial cables, will also be included in the development.

(4) 3C (Consumers\Computers\Communication) cable assembly:

YFC has been investing in 3C cable assembly for many years. Recently, the Company has completed various automated processes such as hot-bar and laser welding. Highly praised by Japanese customers, the Company received high-volume orders and has also undertaken many high-end products. At the request of customers, the Wuxi factory passed the TS16949 management system certification required by the automotive industry. The development of high-end engineering:

- (I) Cable assembly of Japanese car audio/video transmission line.
- (II) Development of waterproof cable assembly.
- (III) Assembly design and process development for major Japanese game machine manufacturers.
- (IV) Assembly and development of HDMI2.0/MHL3.2/USB3.1, in the low skew, low power consumption and anti-EMI (electromagnetic interference) and other technical requirements.
- (V) Transmission lines for high-end cloud servers and storage applications, such as miniSAS HD and QSFP, and the high-frequency precision processing required.

(5) IPC (Industrial Personal Computer) cable assembly:

In terms of industrial computer cables, we develop professional signal, video, audio, and power processes according to the needs of customers. Our services have been recognized by major European manufacturers with mass production underway. At present, we have delivered outstanding results.

(6) Auto (Automotive) cable assembly:

In terms of automotive cable harnesses, we have already obtained the first-tier customer (Anmeike/Shanghai Mingdian/Qingdao Xingdian/Taicang Shenlian) production qualification for OE depots and Tire1 automotive parts. We have entered mass production and have already achieved

outstanding results. At present, we are developing products for new energy and energy storage, which is strongly supported by the Chinese government.

2. R&D overview

Year	Item
2018	<ul style="list-style-type: none"> A. CAT8 PIMF SLD Data Center Cable development. B. EN 50575 CPR System 1+Class Class Cca & B2ca development test certificate. C. Euro-spec halogen-free wire, plug development, and low-smoke halogen-free flame retardant wire has been certified. D. SF-06S/SF-06PS (ASTA certified/KEMA certified). E. Bellson applied for UL Processed wire has been certified. F. Development of CAT.6 SFTP 24AWGX4P patch cord wire with screw plug form. G. Development of HDMI premium cable assembly. H. Development of USB Type C to USB 3.0 AM Flat cable assembly. I. China National Standard 90-degree male plug + 2+3PIN 16A female plug. J. Development of Cat.6 180° PCB-free module. K. Completion of mass production delivery of stealth wired headset and Bluetooth eyepiece. L. Wireless charging standard and self-developed long-distance charging two-in-one type, designed for automotive applications. M. Stealth Bluetooth headphones, designed for automotive applications. N. In-vehicle wireless functions to expand versatility. O. In-vehicle electronic noise reduction (anti-noise). P. Completed mass production and delivery of Apple’s-dedicated specification frequency wires.
2019	<ul style="list-style-type: none"> A. Cat.8 S/FTP data center cable development. B. Development of outdoors cables – special structured materials. C. Network cable UL-LP 4Port POE, HD-BaseT, series cables LSZH, and UL CM-LS have been certified. D. Auto cable UL 2586 0.78mm²*2C PVC JACKET. E. Euro-spec plugs, halogen free cables, such as F-87, SF-81F, SF-85AF, SF-301. F. Euro-spec SF-81S (IEC C13) has been certified. G. IEC type-C plug connector UL 60320 has been certified. UL-certified SF-81S completed. H. New certifications for Taiwan factory: Cords, plugs I. 23 national standard plug certifications in China, such as SF-87 and BV BVR power cords. J. FLAT/ROUND PATCH CORD 28/30/32/34 AWG. K. Song Sheng BYD bus navigation equipment LMR200 cable harness. L. Taiwan BSMI certification: SF-49+SF-190. M. NEMA 5-15R 15A/125V (SF-190+Lock) triple plug connector developed and patented. N. CAT.8 S/FTP STR cable ASSY. O. EL cold light fluorescent line power cord. P. PowerSync plugs certified by China 3C national standards. Q. Cat6A SSTP industrial jumper wire (assembly jacket).
2020	<ul style="list-style-type: none"> A. China National Standard RVVP shielded wire development and 3C certification application. B. Halogen-free Euro-spec product development certification: such as SF-82F/SF-

	<p>83F(IEC C14), SF-300, and SF-300, SF-01F, SF-03F, SF-04F.</p> <p>C. Network cable UL 4Port PoE UL-LP has been certified by CMP.</p> <p>D. New product development of outdoor cables for network cables – water-blocking powder/water-blocking tape for harsh environments.</p> <p>E. IEC type-C plug connector UL 60320 has been certified. Such as SF-83, SF-85B, SF-80.</p> <p>F. Cat.8 S/FTP data center cable development.</p> <p>G. Product line technology transferred to Taiwan and Southeast Asia.</p>
2021	<p>A. SF-03/SF-04/SF-06 rubber wire has been certified.</p> <p>B. Utility model – RVVP shielded cable.</p> <p>C. Application for VDE certification of Euro-spec halogen-free plugs (10 models).</p> <p>D. IEC type-C plug connector UL 60320 has been certified – SF-85C&SF-84&SF-80&SF-85A.</p> <p>E. SF-223 & SF-224 US-spec plug has been certified by ETL & cETL.</p> <p>F. The new product development evaluation passed the VDE swing test 250,000 times.</p> <p>G. UL-certified new Philippine’s factory (SF-31, SF-191, SF-82S).</p> <p>H. DMI 2.1 (Type AM to Type AM Cable Assembly).</p> <p>I. USB 4.0 (Type C to Type C Cable Assembly).</p> <p>J. USB 3.1 Type CM TO CF elbow 32AWG.</p> <p>K. GFCI component self-inspection function.</p> <p>L. 90° PCB-free model KJ design.</p> <p>M. 90° KJ panel color management.</p> <p>N. T03A electronic control harness project (12 harnesses in total).</p> <p>O. SFP 10G 2P 30AWG Cable Assembly L=0.5M.</p> <p>P. Cat.8 S/FTP data center cable has been certified</p> <p>Q. Cable products (including network cables) have been certified by PoE++.</p> <p>R. Collaborate with industry to develop 5G foaming materials and LAN cable applications.</p> <p>S. CAT.6A U/FTP CMP physical foam development.</p>
2022	<p>A. Cat.8 S/FTP Data Center Cable product line production technology development.</p> <p>B. Certification of outdoor and harsh environments for networking cables.</p> <p>C. H03VV-F, H05VV-F Wire & Cord set with KC.</p> <p>D. UL listed CL2/CL3 rated speaker wires.</p> <p>E. Fully automated production line, new Keystone Jack.</p> <p>F. Cable harness 10-100-00341-345 series with 10-100-00521-00 ground wire.</p> <p>G. Industrial robot cable assembly.</p> <p>H. New energy car charging gun.</p> <p>I. Extension cord with spring strain relief.</p> <p>J. Patented IEC C13 locking connector.</p> <p>K. VCTF 0.75mm² X3C SF-31 to SF-87 certified by BSMI in Taiwan.</p> <p>L. LAN CABLE EN 50575 CPR System 1+ has been certified by UKCA.</p> <p>M. UKCA certification.</p> <p>N. STARLINK CABLE.</p> <p>O. Jointly developed 5G material for network cable, and improved and upgraded each cable specification.</p> <p>P. CAT.6A UTP test application technology improvement and upgrade</p> <p>Q. Localized material development testing for network cables.</p> <p>R. Mass production of CMP physical foaming cable.</p>

2023 Key Development	<p>A. Lan CM grade PVC wire – Cat.6 UTP series.</p> <p>B. Lan CMP PVC – Cat.6 UTP&FTP and Cat.6A UTP series.</p> <p>C. Lan CMR PVC – Cat.6/Cat.5e UTP and Cat.6A UTP cable.</p> <p>D. Lan PVC/LSOH wire – Cat.6A Shielded wire.</p> <p>E. Lan PVC/LSOH – Cat.6A UTP.</p> <p>F. Materials were supplied locally for 5G foam insulation material development and application – physical foam.</p> <p>G. PVC UL CM development.</p> <p>H. Network cable product certified – Philippines Factory.</p> <p>I. POE CAT.6/6A shielded/unshielded module.</p> <p>J. Wuxi factory product lines certificated in various countries: * CPR-rated LAN cable * Euro-spec halogen-free wire/plug certified by VDE. * 20 Australia-spec/Euro-spec for certification in various countries * 17 certificates were CCC-updated</p> <p>K. UL 758 UL10269\UL11627\UL3817 certified.</p> <p>L. RG-174/U certified by CM.</p> <p>M. PV energy storage rechargeable battery (outdoor waterproof).</p> <p>N. PV1-F solar panels connected to PV extension cable.</p> <p>O. US-spec 3-prong plug LED lighting male plug/female plug (outdoor waterproof).</p> <p>P. Wire harness assembly board and electrical test board.</p> <p>Q. Large square wire harness riveting and ultrasonic welding production capability (>50 square).</p> <p>R. 3-in-1 terminal machine development.</p>
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3. R&D personnel and their academic (experience)

Education		Year		
		2021	2023	Up to April 30, 2023
Academic Distribution	Master or above	0%	0%	0%
	College	100%	86%	86%
	High School	0%	14%	14%
Average Years of Experience (years)		4	7	7

4. R&D expenses for the past five years

Unit: NT\$K

Item	Year				
	2018	2019	2020	2021	2022
R&D Expenses	61,301	46,049	42,315	47,436	43,883
Operating Income	11,792,427	11,572,582	11,435,995	12,446,928	11,670,625
Ratio	0.52%	0.40%	0.37%	0.38%	0.38%

5. R&D patent applications for the past five years

Year	2018	2019	2020	2021	2022
Number Of Applications	2	9	2	2	1
Under Review	0	0	0	0	1
Application Approved	2	8	2	2	0

6. Technology or product successfully mass-produced

- (1) Fiber optic jumper wire approved by the Directorate General of Telecommunications
- (2) LAN cable certified by UL and ETL.
- (3) LAN cable certified by 3P, GHMT.
- (4) Teflon CMP wire, with the highest safety level required in the U.S. market, was certified by UL, now in mass production and on sale.
- (5) The self-made LAN cable machine was completed. Patents have been obtained for separate drive type winding, the integrated shield for network cable connectors, and the one-piece mold for the protective interface of telecommunication connectors.
- (6) Utility model for telecommunication connector plug was obtained.
- (7) Finalized the development of a complete set of connectors and cable wiring system products for high-speed LAN and obtained the certification from third party. As high-end multi-connectors such as Cat.6 UTP 4-connector links have passed 3P certification testing and CAT.6 UTP 6-Connector Channel has passed ETL certification, mass production and sales are now in process.
- (8) The structure and the features of Keystone Jack products have been improved and enhanced, including 0.5U UTP/FTP Patch Panel, LED KeyStone Jack, Cat.5e/Cat.6 mini KeyStone Jack, CAT 5e/6 1U 24port FTP in-line coupler type patch panel, and CAT 5e/Cat.6 Angle Type UTP 24 Ports Patch Panel 110 Type IDC. Development has been completed and mass production and sales are now in process.
- (9) Automatic assembly machine for KeyStone Jack.
- (10) USB 2.0/3.0 CABLE & CABLE ASSEMBLY has been certified and tested by the USB Association.
- (11) HDMI CABLE & CABLE ASSEMBLY has been certified and tested by HDMI Association.
- (12) The application and appearance of the equalizer IC chip embedded in the HDMI long cable and thin cable have been developed and the length of cable has been extended to meet market demand. These products are now in mass production and on sale.
- (13) Cable products for HDMI mini (C type) and HDMI micro (D type) have been certified and tested by MHL Association.
- (14) MHL Cable & Cable assembly is certified and tested by MHL Association. Standards are periodically updated. At present, MHL 3.2 has been certified for use in smartphone displays, and is now in mass production and on sale.
- (15) High-frequency standard cables such as HDMI, USB2.0/3.0, MHL, and DisplayPort cables are produced and cable assembly products are stripped and soldered for automated production and assembly processing.
- (16) Test fixtures and test techniques for various 3C high frequency products completed.
- (17) Composite cable and cables for HDMI 2.0/USB for 4K TV have been successfully developed, with orders from Japanese customers received, and a utility model obtained in China and Taiwan.
- (18) Cable products in USB for high current applications.
- (19) The development of high-temperature flame retardant ultra-fine electronic wire has been completed, and is now in mass production and on sale.
- (20) Product completion production and assembly processing for sensor line series applications.
- (21) Power cord set for LED flashlight has been patented, and is now in mass production and on sale.
- (22) Snowmelt series for the U.S. market have been certified by UL and are in mass production ready for market launch.

- (23) SF-31L+SF-52N high transparent plug and SF-31/SF-31L/SF-31S one-piece inner frame have been certified by UL for efficient terminal riveting automatic import.
- (24) In-line Outlets Cord.
- (25) GFCI outdoor use cord set has been certified by CSA/CSAus in North America to meet market demand, and is now in mass production and on sale.
- (26) Luminescent cable development.
- (27) The second/third/fourth generation laser projection lamp has been certified by ETL/FCC/FDA in the Americas. This product is manufactured by Wuxi factory and successfully sold in North American markets.
- (28) AWG thin wire for network cable 28/30/32/3430 has been successfully developed, and is now in mass production and on sale.
- (29) Industrial control high current output cable UL 2586 was developed and prototyped, thus entering the industrial control sector.
- (30) Camouflage wire development.
- (31) Integrated inner frame certification report (SF-21,SF-34,SF-35,SF-82) & electric wire components have been certified by CCC.
- (32) NEMA 5-15 (SF-195,SF-196,SF-197) new appearance and C19,C20 US-spec have been certified by UL & CUL.
- (33) Development of CAT.6A and CAT.7A series network cables completed.
- (34) Development of USB 3.1 Type C To USB 2.0 AM Cable Assembly completed and certified.
- (35) Development of Sensor Cable Project 11B and Sensor Cable Project 37A completed, and are now in mass production and on sale.
- (36) Developed two types of 4th generation laser projection lamps: high-end version and Northern Lights version to provide diverse options for customers. These have been certified by ETL/FCC/IC/FDA in the Americas, with orders received.
- (37) Wireless charging standard and self-developed long-distance charging two-in-one type, designed for automotive applications.
- (38) Stealth Bluetooth headphones, designed for automotive applications.
- (39) In-vehicle wireless functions to expand versatility.
- (40) In-vehicle electronic noise reduction (anti-noise).
- (41) Euro-spec halogen-free plug and power cord series products.
- (42) IEC type-C plug connector UL 60320 has been certified.
- (43) Power cords and power cord sets have been certified by BSMI in Taiwan.
- (44) EL cold light fluorescent line power cord.
- (45) The new factory for the production of power cord products has been tested and certified by UL and ETL.
- (46) Cat.6A U/FTP CMP physical foamed wire.
- (47) PoE Plus for LAN cable applications have been certified by UL.
- (48) Collaborate with industry to develop 5G foaming materials and LAN cable applications.
- (49) Waterproof product development and patent: For example, special waterproof outdoor cable is anticipated to replace the conventional outdoor cable.
- (50) New certifications (UL, ETL) of the Philippines Factory
- (51) Development of Cat.6 180° PCB-free module completed
- (52) Development of PCB-free KJ design product completed.

- (53) Development of GFCI component self-inspection function completed.
- (54) As European building regulations specify that halogen-free flame retardant and fire resistant network cables must be used, safety requirements have further improved the flame retardant performance and other requirements of smoke volume and non-corrosive gas release during combustion. With these regulations being widely implemented in Europe, other countries around the world have established regulations based on the Construction Products Regulation (CPR). The Company's common cable specifications have been tested under the CPR and will gradually complete other wire products to enhance competitiveness in the market.
- (55) Embossed power extension cable has been developed to enhance the appearance of product cables.
- (56) SF-03/04/06 add rubber wire H05RN-F 0.75-1.0mm VDE/ASTA have been certified.
- (57) Utility model application – RVVP shielded cable.
- (58) HDMI Premium Cable Assembly development and automated processing.
- (59) USB4.0 Type C to C Cable Assembly development and automated processing.
- (60) China National Standard 90 degree male plug + 2+3PIN 16A female plug developed.
- (61) SF-03 TO SF-87 has been certified by KC.
- (62) Speaker wire certified by UL CL2/ CL3 in the Philippines.
- (63) New energy car charging gun.
- (64) Industrial robot cable assembly.
- (65) Cable harness for new energy.
- (66) SF-31 & SF-87 has been certified by BSMI.
- (67) UKCA certification.
- (68) Cat.8 S/FTP Data Center Cable product line production technology development.
- (69) Jointly developed 5G material for network cable, and improved and upgraded each cable specification.

7. Long- and short-term R&D projects for new products or services

The Company's network cables, automotive wire harnesses, and solar cables are expected to grow alongside the development of the U.S. infrastructure, satellite industry, automotive and green energy industries. The Company's main future development direction will focus on the continuous development of related products for internet surveillance, industrial, and automotive system product lines.

- (1) Please refer to R&D overview for 2023.
- (2) The Company takes a proactive approach to utilizing sources and selecting suppliers in order to reduce costs.
- (3) In terms of cable products and ultra-thin electronic wire products, we will accelerate production capacity and efficiency at the Wuxi Factory in China while strengthening and evaluating our collaboration with the assembly factories. In doing this, we aim to capture new product markets and increase the Group's profitability.
- (4) In response to the pressures arising from decreasing profit margins, we will proactively integrate upstream and downstream component suppliers to reduce costs. At the same time, the self-production of some key components including molds and plastic injection parts at the Wuxi factory has already started.
- (5) Taking into consideration the application of wiring products in construction, our cables will be developed with the aim of reducing the complicated manufacturing process. In doing so, we will be able to enhance the added value and competitiveness of products.
- (6) We will improve production technology, efficiency and quality systems and proactively invest in OEM/ODM consumer cable assembly products in Japan.

- (7) By integrating high-frequency technology and equipment, we have developed our own high-frequency tools and calibration programs.
- (8) We have proactively completed the development of cloud applications to meet the high-end demand for new installations in data.
- (9) At the same time, we have invested in high-speed audio, video and data transmission line sets for automotive applications.
- (10) Since Brexit we have developed and certified the cables used in the UK in accordance with the CPR in order to meet the demand in the UK, improving our competitiveness in that market.
- (11) 15 UL TPE\TPU\PVC products have been certified by UL.
- (12) Double layer power cords have been developed.
- (13) RF Power wireless charging products are set as “for cars” and “portables” in the market, entering the wireless consumer product segment.
- (14) Development of in-vehicle cable products, including HVE1133-1134 26AWG*4C Waterproof Cable Ass’y, HVE1221 26AWG*4C Cable Ass’y, etc.
- (15) Development of industrial wires.
- (16) Cat.8 S/FTP data center cable has been certified
- (17) Speaker wire certified by UL CL2/CL3 and network wire certification in the Philippines.
- (18) 3-pin U.S.-spec extension cord.
- (19) New energy car charging gun.
- (20) Extension cord with spring strain relief.
- (21) Industrial robot cable assembly.
- (22) Certification of outdoor and harsh environments cables for networking.
- (23) Development with local manufacturers: plastic used for network cables, packaging materials.
- (24) Wuxi factory product lines certificated in various countries.
- (25) CM pellets have been certified by UL.
- (26) Support POE CAT.6/6A shielded/unshielded module.
- (27) CAT.6A Toolless RJ45 Plug Crystal module.
- (28) RG-174/U certified by CM.
- (29) PV energy storage rechargeable battery (outdoor waterproof).
- (30) PV1-F solar panels connected to PV extension cable.
- (31) US-spec 3-prong plug LED lighting male plug/female plug (outdoor waterproof).
- (32) Wire harness assembly board and electrical test board.
- (33) Large square wire harness riveting and ultrasonic welding production capability (>50 square).
- (34) STARLINK CABLE

(IV) Long-term and short-term business development plans

1. Short-term business plan:

- (1) Through the integration of sales, distribution, and production into a comprehensive one-stop service, we aim to effectively fulfill our client's needs and optimize manufacturing costs. By doing so, we can deliver the most valuable products for industrial, commercial, and household use to consumers worldwide. This integrated approach will serve as a catalyst for revenue and profitability growth.
- (2) Besides distributing power cables & network product series, our US channel subsidiaries develop other 5G-related product lines aggressively as well to expand sales and strengthen cash flow to deliver better overall performance.

- (3) Continue to expand the wiring harness business related to electronic control and ADAS in alternative fuel vehicles (AFV).
 - (4) Promote the Company's high-end cable routing products (Cat.8) to the market by providing complete high-speed network transmission solution models.
 - (5) Conform to the smart manufacturing trend, develop the industrial network patch cord market and differentiate ourselves from the current low-end consumer market and traditional channels.
 - (6) Accelerate non-China sourcing developments, and cooperate with suppliers to meet the needs of the three US channel subsidiaries and North American clients.
 - (7) Increase the capacity efficiency and shorten production lead-time of the Philippine plants to satisfy North American clients' demands.
 - (8) Develop modular center business in North America and Southeast Asia.
2. Long-term business plan:
- (1) Increase sales shares outside US regions, such as Europe, Southeast Asia, New Zealand, and Australia. In addition, set up Southeast Asia Promotion Center of the Group's branded products in the Philippines, cooperate with local related enterprises, and participate in Government infrastructure projects.
 - (2) Provide valuable products to satisfy various demands in the markets via solid manufacturing and quality control ability of the Company's plants and alignment with suppliers.
 - (3) 3. Prime, a self-owned wholesale channel, sells products to consumers fond of in-store shopping.
 - (4) MONOPRICE, a self-owned e-commerce brand, provides Internet users with the most suitable products in time.
 - (5) Expand the automotive market in Mainland China on the ground of automotive high-frequency cable solutions and electric vehicle power cable solutions.
 - (6) Set up manufacturing plants outside China and increase sourcing partners to decentralize our production bases and erase risks raised from the US-China rivalry and geopolitical competition

II. Market Analysis and Sales Overview

(I) Market Analysis

1. Sales Area

Unit: NT\$K

Sales Area		2021		2022	
		Amount	Ratio (%)	Amount	Ratio (%)
Domestic sales		320,503	2.57	298,890	2.56
Foreign Sales	The U.S	10,101,886	81.16	10,028,889	85.93
	China	718,956	5.78	305,183	2.61
	Canada	390,074	3.13	346,734	2.97
	UK	99,839	0.80	93,031	0.8
	Other	815,670	6.56	597,898	5.12
Total Foreign Sales		12,126,425	97.43	11,371,735	97.44
Total		12,446,928	100.00	11,670,625	100.00

2. Market Share

The Company's power cord and plug products ranging from cords, cables, plugs, sockets, and connectors are commonly used in the U.S., Japan, China, Australia and EU countries. All of the Company's power cords have received safety approvals from national certification bodies. With leading levels of product technology, we have a relatively high market share in Europe. In terms of other products such as 3C transmission lines, 3C cable assembly and industrial computer cables, we develop professional signal, video, audio, and power processes according to the needs of customers. Our services have been recognized by major European manufacturers with mass production underway. The Company's power cables are mainly used in extension cords in the U.S. retail market. Due to the large number of specifications and the lack of public information that can be used as a reference, no precise market share for the Company's power cords can be calculated.

3. Future Market Trends

(1) Network Cable

According to Bloomberg, the network cable market will show the following trends:

High-speed network demand growth: There is increasing popularity in 5G technology development and the rapid spread of IoT applications. In particular, the rapidly changing demand for high-speed networks in industrial automation, distance learning, and video conferencing will facilitate the growth of the network cable market.

Pre-installed and high-end customized network cable increase: With digital transformation and the advancement of technology, there is an increase in demand for high-quality, customizable network cable products. For example, there will be an increase in demand for high-quality and highly reliable network cables for robots and automation devices, with network cables pre-installed and customized to specific requirements.

The importance of environmental protection and sustainability: The common trend of energy-saving and carbon reduction globally will affect the network cable market. For example, the use of renewable materials and the economically durable design of products will be widely adopted to better reduce carbon emission and reduce resource waste.

Market opportunities brought by 5G standardization: With the development and maturity of 5G technology, there will be new opportunities in the network cable market. For example, network cables with high speed, low latency and high reliability for 5G cell tower construction and smart appliance areas will become the new hot spot in the market.

Overall, with emerging technologies such as 5G technology and IoT, the network cable prospects will be optimistic, providing a wide range of opportunities for related industries.

(2) Power cords:

According to market research, the power cord market in 2023 will likely show the following trends:

- A. Importance of environmental protection and sustainability: The energy-saving and carbon reduction trend around the world will affect the network cable market. More companies will shift to products with renewable materials and economically durable design to better reduce carbon emission and reduce resource waste.
- B. Thickness and plug standardization: To stand out in the competitive market, power cord manufacturers must constantly meet the demand of consumers in terms of thinner, simpler and more convenient designed products. At the same time, standardized plugs must also be developed to meet the needs of different countries and regions.
- C. Energy-efficiency: In recent years, energy-saving products have gained more and more attention. Given this, power cord manufacturers in the market will place an emphasis on the development of reliable energy-saving technology to meet consumer demand for green technology.
- D. Development of smart home market: With the development of smart home market, home appliances are becoming more and more intelligent. In the coming years, the power cord market will also be influenced by this trend. Hence, companies must be more flexible to smart home application and device needs, such as smart regulation and automatic power off.

In conclusion, the future power cord market will focus more on environment protection and energy saving products. Together with the trend of intelligent technology, consumers' needs will be met through standardization.

(3) Modular data centers w/ nature cooling systems and modular data centers showed a trend of rapid development in the past. In the coming years, the market is expected to show the following trends:

System modular data center has been developing rapidly in the past few years. In the coming years, the following trends are anticipated:

- A. Increase in cloud service providers: The growing number of cloud service providers will fuel the demand for modular data centers as they must rapidly build data center infrastructure and respond to the fast changing market.
- B. 5G technology development: With the promotion and popularity of 5G technology, modular data centers will better meet the needs of network providers that require high speed, low latency and high availability.
- C. Green data center trend: With the increasing need for energy-saving and emission reduction, modular data centers will be designed to optimize the efficiency of devices and use renewable energy.
- D. Importance of security verification: As data is very important to companies, the security protection standards provided by modular data centers must improve. Given this, we will do our utmost to implement upgraded security verifications for modular data centers.
- E. Global market development trend: With the trend of globalization, the applications of modular data centers continue to be expanded in different countries and regions. Their development in

emerging markets is especially strong. In addition, the formulation of internal technical specifications becoming more mature is further increasing opportunities for modular data centers in the global market.

With the constant development of modular data center equipment technology, together with the increasing demand for data center infrastructure in the market, the development outlook for modular data centers is promising.

The Modular Data Center with Natural Air Cooling System (NACS), launched by YFC's subsidiary PRIME, is a data center that uses natural air as its cooling source. Market trends are as follows:

- I. Green energy and energy efficiency: A Modular Data Center with NACS uses natural air for cooling. This way, less cooling equipment is used reducing energy consumption and carbon footprint, in line with the green energy and energy efficiency trends in the market.
- II. Market demand in remote areas: A Modular Data Center with NACS can be built in remote areas. Thanks to their low power consumption and scalability, a Modular Data Center with NACS is ideal for fast deployment in remote areas. As there is an increasing demand for cloud services and data processing capabilities in the market, a promising future of this type of data centers is anticipated.
- III. Build speed and flexible design: Modular Data Centers with NACS can be developed and built quickly and can be flexibly expanded or narrowed. These features make Modular Data Centers with NACS ideal for markets that require fast deployment and flexibility of design. For example, in emergency situations or organizing a large event or project.
- IV. Climate change: Alongside the growing impact of climate change, modular data centers with NACS have become an increasingly popular choice. With local wind speed and temperature as the core of natural cooling designs, a modular data center with NACS is able to make some adjustments quickly as the climate changes to maintain excellent temperature control at high temperature and low wind speed.

Overall, the future performance of modular data centers with NACS in the market is promising, especially with advantages in energy conservation, usage in remote areas, climate change and fast deployment. Their standalone market trends are expected to be tremendous and their existing technology has excellent support and adaptability.

Products of YFC-BonEagle Electric include power cords, network cables, network jumpers, industrial cable assembly and modular data centers with natural air cooling systems. The Company's stable operating performance will continue into 2023:

- I. Continuous improvement of product quality: The Company is committed to improving the quality and technology of its products to win over customer trust and recognition. In 2023, we will continue to focus on improvements in the quality of products to meet customer needs.
- II. Product R&D improvement: To respond to market changes and the constant changes in customer demands, we will continue to enhance product R&D by developing new products and technologies, meeting the needs of different customers.
- III. Expand market share: The Company will continue to expand its market share in Taiwan and internationally. In particular, we will further increase our market share in North America and Southeast Asia.

IV. Improve operational efficiency: We are committed to increasing operational efficiency to help reduce costs and increase profitability. This includes optimizing production processes, reducing logistics costs and increasing inventory management efficiency.

4. Competitive Niche

(1) Excellent R&D capabilities; product development in line with market trends and needs

In light of rapid changes in cable market for 3C products and their connection and assembly products, the Company has always put an emphasis on research and development. Given this, the Company's research and development is carried out in line with the market demand for application products of downstream vendors, in an effort to meet industry trends

(2) Excellent product quality, complete range of products, strong product competitiveness

The Company has accumulated a considerable amount of technology and experience in the production and manufacturing of wires used in 3C products. Since its establishment, the Company has constantly improved its product quality and developed a variety of new products in order to meet the diverse requirements of customers. In addition to ISO 9001 (2000 version), UL, ETL and 3P certifications, the Company has also received the Rising Star Award and National Award of Outstanding SMEs from the Ministry of Economic Affairs. This shows that the Company's products have reached an outstanding level.

(3) Sales channels to expand product sales, boosting profit sources.

In an effort to effectively reduce production costs while at the same time providing versatile products to meet the diverse needs of customers, we have increased our investment overseas and expanded retailer trading services. We have a branch in the U.S. providing real-time services to large retailers and grasping the sales channels and customer sources for power cords. We also have a subsidiary that operates an e-commerce platform to expand sales channels, to be closer to the needs of the market and consumers.

5. Favorable and unfavorable factors of development and action taken in response

(1) Favorable factors

A. The popularity of the internet contributing to future growth of internet cables

B. The development of innovative applications will drive opportunities for the development of networking software communications technology, as the world enters an era of digital economy. As mobile broadband networks and multiple devices have become more and more common, together with the convergence of AI, big data, cloud computing and IoT, the "digital economy" will become the new economic strategy, shaping society, redefining consumer behaviors and business models. Based on this, the Company's cables for online communications will see great potential in the future.

C. Huge opportunities in the global communications market derived from the development of telecommunication liberalization

D. With the rise of telecommunication liberalization in the global market, the internet technology framework taking shape has become the mainstream in the market. Together with the liberalization of fixed communications and low-end mobile phone services, the telecom market in Taiwan has been completely liberalized. This development has created business opportunities for communications equipment and professional manufacturers of 3C product cables.

E. Immense business opportunities in 3C industries

F. The development and growth in future information, communications, and consumer electronic products will provide ample room for the development of the Company's UTP/FTP products.

There will be tremendous business opportunities for the Company's products alongside the continuous growth of the 3C industry.

- G. Excellent product quality, complete range of products with international competitiveness
- H. The Company has accumulated a considerable amount of experience and technology with respect to the production of LAN cables. Meanwhile, the Company makes every effort to improve its product quality and develop new products to meet the diverse needs of customers. At present, our products have been certified by safety standards, such as UL, ETL and 3P. The quality of our products is robust and well received by downstream customers and their products are highly internationally competitive.
- I. Mature production technology and high efficiency production
- J. We have accumulated many years of experience in the production of power transmission lines and LAN cables. With our highly efficient production model and efforts to continue to expand into new products, the quality of our products is guaranteed. Meanwhile, we provide information in a timely manner to facilitate management decisions.
- K. Reduce production cost and integrate manufacturing and sales division
- L. The parent company in Taiwan is dedicated to marketing, operations management, R&D, and producing high value-added products. A production base has been set up in China with production and sales division planning completed. At the same time, to address the issues brought about by the trade war between the U.S. and China and to reduce production costs, the Company bought a plot of land in the Philippines at the end of 2018 to build a production base. By expanding the production base, the Company's scale of production is increased, reducing the impact of U.S.–China trade war tariffs.

(2) Unfavorable factors

- A. Key raw material cost fluctuations will pose an impact on the Company's profitability
The Company's primary raw materials are copper wire and PVC pellets, accounting for approximately 70% of the total purchase amount. As these two raw materials are mainly imported, a drastic change in international copper and oil prices will increase the risk of raw material prices. Therefore, international copper and oil prices will affect the Company's raw material purchase costs, further impacting the Company's profitability.
Action taken in response:
 - a. The Company signs a supply contract with major raw material suppliers each year to ensure the stability of raw material sources and prices. We regularly lock in the copper price with the customers with an expiration period of more than 3 months. At the same time, we adopt a stability principle and request that major copper suppliers prepare materials with different delivery schedules. By doing this, we are able to ensure the stability of raw material sources and prices.
 - b. Information is collected to judge the price trend of raw materials while at the same time grasping the best purchasing time and quantity in line with safe stock levels and economic purchasing quantity.
 - c. In response to global environmental protection requirements, we will invest in the development of halogen-free materials in order to control the production and quality of raw materials.
- B. Rising costs of land, labor shortage and relocation of downstream industries

To reduce production costs and meet the needs of downstream vendors, cable manufacturers for 3C products have moved their production lines overseas to increase their competitiveness.

Action taken in response:

- a. Moving low value-added product lines to other countries for production and keeping the development of high-end products in Taiwan are the current trends within the industry. To reduce production costs and meet the needs of downstream manufactures, the Company has made plans for overseas investment by moving the production of low value-added products overseas and developing and producing high-level products in Taiwan. By taking this approach, we will enhance the competitiveness of the Company.
- b. To tackle labor shortages and increasing wages of workers in China, we have invested in automation development that will replace a large number of manual processes with automated or semi-automated equipment.
- c. Enter e-commerce field with upstream and downstream integration
- d. In response to the U.S. and China trade war, we have purchased a plot of land in the Philippines to build a factory, while expanding our production capabilities in Taiwan, further reducing the impact of the trade war and exchange rate risks

C. Risks arising from changes in exchange rates

The Company's products are mainly sold in Europe and the Americas, accounting for more than 95% of its operating income. In addition, as the Company's copper and PVC pellets are mainly imported, changes in exchange rates of New Taiwan dollar will have a considerable impact on the Company.

Action taken in response:

- a. The Company's financial unit keeps a close eye on foreign currency trend at all times. At the same time, we enhance the contact between our financial personnel and the banks in order to ascertain their views on exchange rate trends and related information as a reference to hedge exchange rate change risk.
- b. In an effort to hedge the risk of exchange rate fluctuations, the foreign currency accounts obtained from foreign sales are kept in the foreign-currency deposit accounts at appropriate amounts, according to the exchange rate trend the Company's possible position in the future
- c. As the Company has been operating in the industry for such a long time, the quality of products and services is well received by customers. When there is a large fluctuation in international raw material prices, the Company is able to promptly reflect the fluctuation to the customers and adjust the selling price.

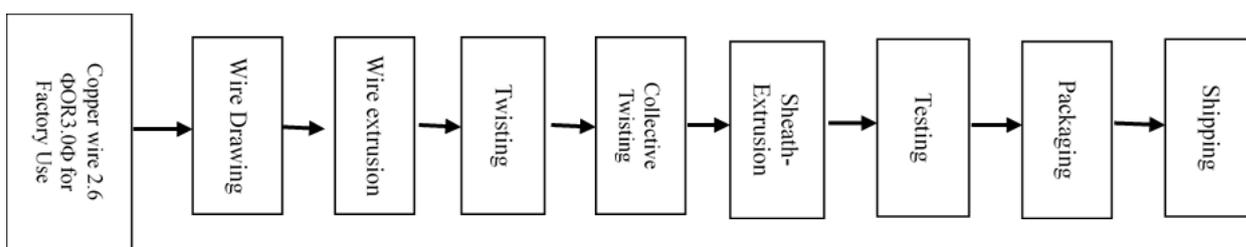
(II) Important applications and production processes of major products

1. Applications of major products

Product	Main Applications
LAN Cables	For use in computer networking configuration and peripherals
Network Information Sockets	Network Cable Connection
Power Cords and Plugs	Power Transmission

2. Production processes of major products

Process of LAN cable production



3. Supply situation of major raw materials

At present, the Company's main suppliers are major manufacturers in Taiwan. Due to longstanding cooperation, a stable supply relationship has been established. The major material for LAN cable and power cords is copper and delivery schedules meet the needs of the Company.

4. Significant changes in gross margins of major products or departments for the 2 most recent fiscal years:

(1) Analysis of changes in gross margins for the 2 most recent fiscal years

Unit: NT\$K; %

Year	Operating Income	Gross Profit	Gross Margin (%)	Gross Margin Change Rate (%)
2021	12,446,928	2,632,499	21.15%	
2022	11,670,625	2,286,817	19.59%	(7.38%)

(2) Analysis for price difference

From the above table, we see that the change in operating revenue of the Company and its subsidiaries for the most recent two years was (6.24)% and the change in operating margin was (7.38)% compared to the previous period. As this did not reach 20% change in operating revenue or gross margin, no analysis was carried out.

5. List of main import and export customers

(1) Information on major suppliers for the 2 most recent fiscal years

Unit: NT\$K

No.	2021				2022				Up to 2023 Q1			
	Name	Amount	Percentage of Net Imports for the Year	Relationship with the Issuer	Name	Amount	Percentage of Net Imports for the Year	Relationship with the Issuer	Name	Amount	Percentage of Net Imports for the Year	Relationship with the Issuer
1.	Other	10,519,817	100.00%	None	Other	11,417,351	100.00%	None	Other	2,102,690	100.00%	None
	Net Purchases	10,519,817	100.00%	—	Net Purchases	11,417,351	100.00%	—	Net Purchases	2,102,690	100.00%	—

Note 1: List of suppliers accounting for 10 percent or more of the company's total procurement amount in the last two fiscal years and the amounts and percentages of their procurement. If the names of suppliers are not to be disclosed as set forth in the contract, or if the counterparties are individuals and not related parties, they may be listed under the code. For the last two years and up to the first quarter of 2023, the Company had no supplier that accounted for 10 percent or more of the Company's total procurement.

Note 2: Q1 2023 was reviewed by the accountants.

(2) Information on major sales customers for the 2 most recent fiscal year

Unit: NT\$K

No.	2021				2022				Up to 2023 Q1			
	Name	Amount	Percentage of Net Imports for the Year	Relationship with the Issuer	Name	Amount	Percentage of Net Imports for the Year	Relationship with the Issuer	Name	Amount	Percentage of Net Imports for the Year	Relationship with the Issuer
1.	Other	12,446,928	100.00%	None	Client A	2,068,683	17.73%	None	Client B	220,735	11.22%	None
					Other	9,601,942	82.27%	—	Other	1,747,350	88.78%	
	Net sales	12,446,928	100.00%	—	Net Purchases	11,670,625	100.00%	—	Net Purchases	1,968,085	100.00%	—

Note 1: List of suppliers accounting for 10 percent or more of the company's total procurement amount in the last two fiscal years and the amounts and percentages of their procurement. If the names of suppliers are not to be disclosed as set forth in the contract, or if the counterparties are individuals and not related parties, they may be listed under the code.

Note 2: Q1 2023 was reviewed by the accountants.

6. Production volume for past two years

Unit: km; NT\$K

Product	Year	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Cable		153,006	151,123	1,743,896	153,006	135,452	1,570,124
Power Cord		25,000	18,897	1,890,324	25,000	14,563	2,555,521
Other		22,000	9,351	191,985	22,000	8,651	151,828
Total		200,006	179,371	3,826,205	200,006	158,666	4,277,473

7. Volume of units sold for the 2 most recent fiscal years

Unit: km; NT\$K

Product	Year	2021				2022			
		Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cable		15,624	146,118	224,332	3,152,749	13,013	121,073	258,510	3,632,070
Power Cord		0	0	24,865	5,514,354	0	0	30,144	5,289,707
Other		0	0	69,656	3,633,707	0	0	52,373	2,627,775
Total		15,624	146,118	318,853	12,300,810	13,013	121,073	341,027	11,549,552

III. Employee Data in the Past Two Years

Year		2021	2022	Up to 2023.4.30
Number of Employees	Direct Employees	505	920	941
	General Staff	861	844	839
	Total	1,366	1,764	1,780
Average Age		33.57	31.53	31.42
Average Length Of Service		5.31	4.82	4.81
Education Distribution Ratio	PhD	0%	0%	0%
	Master	0.43%	0.38%	0.37%
	College	22.96%	24.12%	24.82%
	High School	28.43%	30.04%	31.76%
	Below High School	48.18%	45.46%	43.05%

IV. Environmental Protection Expenditure

(I) According to the laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: The Company and its subsidiaries have obtained the Stationary Pollution Source Installation Permit and Water Pollution Prevention Permit, and have paid pollution prevention fees and selected employees to participate in training to obtain their environmental protection license in accordance with the regulations, as listed below:

1. Application for Pollution Facility Installation Permit or Pollution Discharge Permit:

Name of Company / Plant	Type of Permit	License No.	Validity
YFC / Xinwu Plant	Business Waste Removal	H09310040003	Permanent
Dongguan YFC/ Dongguan Plant	Business Waste Removal	914419007287702551T0	2020.04-2025.04
Wuxi Universal Network Corporation / Wuxi Plant	Business Waste Removal	6840268D001X	2021.01-2025.03

2. Payment of pollution prevention and control fees

Name Of Company/Plant	Category	2021	2022
YFC / Xinwu Plant	Business Waste Removal Fee	NT\$ 216K	NT\$ 476K
Dongguan YFC/ Dongguan Plant	Business Waste Removal Fee	NT\$ 63K	NT\$ 172K
Wuxi Universal Network Corporation / Wuxi Plant	Business Waste Removal Fee	NT\$ 75K	NT\$ 215K

3. Establishment of dedicated environmental protection personnel: None.

(II) Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:

Name of Company/Plant	Equipment Item	Investment Amount	Use Purpose and Possible Effects:
YFC / Dongguan Plant	Automatic Feeders	15,180 thousand	The original manual feeding was replaced with automatic feeders to enhance the quality and productivity of glue, and reduce the loss. Toxic substances such as the dust and oil in the working environment is reduced to significantly improve the environment and employee health.

(III) Describe any losses suffered by the company in the most recent fiscal year due to environmental pollution incidents (including any compensation paid and any violations of the environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future, and measures being or to be taken. If

a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:
None.

(IV) Explain the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years:

None

V. Labor Relations

(I) The Company's various employee welfare measures, continuing education, retirement system and their implementation, as well as the agreement between labor and management and measures for the maintenance of employee benefits

1. Employee welfare measures:

- (1) We have set up an Employee Welfare Committee and formulated Employee Welfare Measures for various employee benefits such as: subsidies for weddings, funerals and childbirths, employee birthday gifts, employee trips and year-end parties. We also offer free food and parking discounts and flexible working hours.
- (2) Our employees are covered by labor and national health insurance, as well as employee group insurance. Each year, a health checkup is offered to on-the-job personnel as well as a monthly on-site medical consultation. We hire nurses to provide health education information and consultation in order to keep our employees healthy.
- (3) Employees are entitled to year-end bonuses according to the Company's operations and the performance of the employee, while remuneration is distributed in accordance with the Articles of Incorporation.

2. Implementation of education and training:

- (1) Each year, the Company surveys the training needs of each unit and draws up an education and training plan.
- (2) Education and training is provided each year on an unscheduled basis according to the needs of employees.
- (3) The Company's employees may take the initiative and take part in education and training courses from time to time or at the request of their supervisors depending on the business needs.
- (4) After completing an education and training course, the employee shall submit a report on what they have learned so that the effectiveness of the course is tracked with the maximum effect achieved. In doing this, we are able to enhance the quality, knowledge and functions of employees.
- (5) We organize in-company seminars by inviting external instructors from different fields, enabling our employees to take in different perspectives and learning experiences while at work.
- (6) Implementation of internal and external education and training at the Company's head office in 2022: The percentage of new employee training was 21%, 27% for professional function training, 1% for supervisor competence training, 46% for general knowledge training, and 5% for self-initiated training. The total training hours were 1,357 costing a total of NT\$367,385.

3. Retirement system

The Company was approved to establish a Labor Retirement Reserve Supervisory Committee by Letter(76) Fu-She-Lao-Zi No.044813 in April, 1987. Each month, the Company contributes 2% of the total wage of the employee to the Labor Pension Fund to be deposited into the employee's special account. In line with

the implementation of the Labor Pension Act (New System), the Company amended its Employee Retirement Rules on July 1, 2005. Since then, the Company has made a monthly contribution of no less than 6% of the monthly wage of the employee to be deposited in a personal pension account.

4. Agreement between labor and management and various employee rights maintenance measures:

- (1) At YFC, we abide by the Labor Standards Act, the Employment Service Act, and the Act of Gender Equality in Employment. Moreover, we have established our “Personnel Management Regulations,” serving as a basis for the management of attendance, employee benefits and business trips and leave. The Personnel Management Regulations were formulated in accordance with the Labor Standards Act with reference to the industry and social order, protecting the legal rights and interests of employees.
- (2) We regularly hold a labor–management meeting to promote the Company’s policies and to understand the employees’ opinions through grievance channels. The employees’ opinions are valued and effectively communicated and appropriately handled.
- (3) The Employee Welfare Committee consists of representatives elected by each department. Moreover, meetings are regularly held for employee welfare measures and activities.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken: The Company keeps open communication with its employees. In 2022, a disagreement between labor and management is undergoing a mediation process. No labor disputes occurred as of the end of the year.

VI. Cyber Security Management

(I) Cyber security risk management framework, cyber security policy, specific management plans and resources invested in cyber security management.

1. Cyber security risk management framework

The Information Department under the Group’s General Management Department is responsible for coordinating and implementing the information security policy. As well as this, the Information Department also oversees the promotion of information security, enhancement of the awareness of information security among employees, collection and improvement of the organization’s information security management system. The audit unit conducts an information security audit in accordance with the internal control system – electronic computer cycle to evaluate the effectiveness of internal controls on the Company’s information operations.

2. Information security policy

To implement information security management, the Company has formulated an internal control system – electronic computer cycle to achieve the following objectives through the joint efforts of all employees:

- Ensure the consistency of the computer information system operation and various processes
- Ensure that the computer information system is run properly, avoiding errors and improving work efficiency.
- Perform regular information security audits to ensure information security is implemented.

3. Specific management methods

Internet information security control	Data access control	Response recovery mechanism and	Promotion and verification
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<ul style="list-style-type: none"> ♦ Group network built with VPN communication ♦ Firewall set up ♦ Periodic virus scanning of computer systems and data storage media ♦ The use of all network services shall be conducted in accordance with the information security policy ♦ Regular review of system logs for network services with abnormalities tracked 	<ul style="list-style-type: none"> ♦ Computer equipment shall be kept by a specific person and account number and complex password set ♦ Different access privileges are given according to function ♦ Privileges of departing personnel are cancelled ♦ Prior to disposing of equipment, confidential, sensitive and licensed software shall be removed or physically destroyed. ♦ Remote access management information systems shall be approved by the relevant supervisor 	<ul style="list-style-type: none"> ♦ Regular review of emergency response plan ♦ Regular system recovery drills each year ♦ Establish system backup mechanism and implement remote backup ♦ Regular review of computer network security control measures 	<ul style="list-style-type: none"> ♦ Promote information security information to build up awareness among employees ♦ Cyber security check is conducted each year by the audit unit
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4. Implementation status

- To date, there have been no significant information security incidents that could damage the business.
- Continue to implement information security management objectives and regularly perform recovery plan drills to protect the Company's important systems and information security.

(II) List any losses suffered by the company in the most recent 2 fiscal years and up to the prospectus publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts as to why it cannot be made shall be provided: None.

VII. Major Contracts

Nature Of Contract	Parties Involved	Period	Main Contents	Restricted Terms
Long-term revolving guarantee loan	Shin Kong Commercial Bank	2013.10-2028.09	Land and plant as guarantee	None
Loan-term land purchase guarantee loan	Bank of Taiwan	2020.02-2040.02	Land guarantee	None
Long-term loan contract	Bank of Taiwan	2019.12-2026.12	Taiwanese businessmen returning to Taiwan for investment project	None
Long-term loan contract	O-Bank	2020.02-2023.06	Credit loan	It is required for the financial statements to maintain certain financial ratios
Long-term loan contract	Shanghai Commercial and Savings Bank	2022.03-2025.03	Credit loan	None
Long-term loan contract	Taiwan Business Bank	2019.04-2024.04	Credit loan	None
Contract for material purchase	Walsin Lihwa Corporation	2022.01-2022.12	Copper wire purchase	None

Contract for material purchase	Xue Song Copper (Guangzhou) Co., Ltd.	2022.01-2022.12	Copper wire purchase	None
Contract for material purchase	Ningbo Shimao Copper Co., Ltd.	2022.04-2023.03	Copper wire purchase	None
Contract for material purchase	Pacific Electric Wire & Cable Co., Ltd.	2022.01-2022.12	Copper wire purchase	None

F. Financial Information

I. Five-Year Financial Summary

(I) Financial Summary– IFRSs

1. Consolidated financial statements

Unit: NT\$K

Item		Year					
		2018	2019	2020	2021	2022	Up to 2023.3.31 (Note 2)
Current Assets		6,056,870	6,058,302	6,584,065	7,872,506	7,929,386	6,892,366
Property, Plant and Equipment		1,251,500	1,284,443	1,352,349	1,366,954	1,053,309	1,084,343
Right-of-use Assets		—	491,456	421,624	477,956	422,627	372,250
Intangible Assets		545,000	502,167	446,345	428,216	422,371	443,478
Other Assets		196,127	314,252	230,724	296,571	373,134	432,682
Total Assets		8,049,497	8,650,620	9,035,107	10,442,203	10,200,827	9,225,119
Current Liabilities	Before Distribution	3,481,349	4,722,615	4,767,706	5,178,466	5,395,268	4,769,452,
	After Distribution	3,730,458	4,828,485	4,899,706	5,195,466	(Note 1)	—
Non-current Liabilities		2,006,194	1,542,967	1,635,680	2,727,039	910,386	803,068
Total Liabilities	Before Distribution	5,487,543	6,265,582	6,403,386	7,905,505	6,305,654	5,572,520
	After Distribution	5,736,652	6,371,452	6,535,386	7,922,505	(Note 1)	—
Equity Attributable to Owners of the Parent Company		2,556,373	2,378,239	2,624,951	2,532,036	3,890,042	3,647,507
Share Capital		1,245,545	1,245,545	1,310,466	1,319,723	1,438,682	1,441,851
Bond Conversion Entitlement Certificates		—	—	4,570	—	3,169	6,831
Additional Paid-in Capital		677,621	677,621	800,209	807,149	949,023	958,774
Retained Earnings	Before Distribution	728,661	651,204	848,924	819,550	1,609,221	1,378,089
	After Distribution	479,552	545,334	716,924	802,550	(Note 1)	—
Other Interests		(95,454)	(196,131)	(339,218)	(414,386)	(110,053)	(138,038)
Treasury Stock		—	—	—	—	—	—
Non-controlling Interests		5,581	6,799	6,770	4,662	5,131	5,092
Total Equity	Before Distribution	2,561,954	2,385,038	2,631,721	2,536,698	3,895,173	3,652,599
	After Distribution	2,312,845	2,279,168	2,499,721	2,519,698	(Note 1)	—

Note 1: The motion for the 2022 earnings distribution was approved at the meeting of the Board of Directors on March 28, 2023 and is pending resolution by the 2023 annual general meeting of shareholders.

Note 2: Financial information for Q1 2023 was reviewed by the accountants.

Unit: NT\$K

Item	Year					
	2018	2019	2020	2021	2022	Up to 2023.3.31 (Note)
Operating income	11,792,427	11,572,582	11,435,995	12,446,928	11,670,625	1,968,085
Gross profit	2,790,630	2,638,286	2,783,332	2,632,499	2,286,817	383,140
Operating income	494,843	348,987	537,209	212,599	(370,482)	(258,102)
Non-operating income and expenses	(69,629)	(112,340)	(112,313)	(80,215)	1,808,699	(28,590)
Pre-tax income (loss)	425,214	236,647	424,896	132,384	1,438,217	(286,692)
Profit (loss) from continuing operations	425,214	236,647	424,896	132,384	1,438,217	(286,692)
Loss of discontinued operations	—	—	—	—	—	—
Net income (loss)	353,720	173,772	304,651	99,296	804,171	(231,171)
Other comprehensive income (net after tax)	74,610	(100,677)	(144,280)	(72,927)	307,302	(27,985)
Total comprehensive income for the period	429,677	72,475	160,371	26,369	1,111,473	(259,156)
Net income attributable to owners of the parent company	353,241	172,272	304,783	100,385	803,702	(231,132)
Net income attributable to non-controlling interests	479	1,500	(132)	(1,089)	469	(39)
Total comprehensive income attributable to owners of the parent company	429,198	70,975	160,503	27,458	1,111,004	(259,117)
Total comprehensive income attributable to non-controlling interests	479	1,500	(132)	(1,089)	469	(39)
EPS	2.84	1.38	2.40	0.76	5.87	(1.60)

Note: Financial information for Q1 2023 was reviewed by the CPAs.

2. Parent company only financial statements

Unit: NT\$K

Item	Year	2018	2019	2020	2021	2022
	Current assets		847,939	1,557,199	2,329,771	2,956,353
Investment Accounted for Using the Equity Method		4,464,351	4,530,301	4,453,675	4,411,987	5,685,689
Property, Plant and Equipment		165,887	296,596	311,730	321,174	304,250
Right-of-use Assets		—	21,064	12,756	14,460	7,250
Intangible Assets		3,917	2,594	1,561	730	843
Other Assets		50,636	176,868	108,534	129,375	57,314
Total Assets		5,532,730	6,584,622	7,218,027	7,834,079	8,240,182
Current Liabilities	Before Distribution	2,015,656	3,537,833	3,812,835	4,508,343	3,881,721
	After Distribution	2,264,765	3,643,703	3,944,835	4,525,343	3,881,721 (Note)
Non-current Liabilities		960,701	668,550	780,241	793,700	468,419
Total Liabilities	Before Distribution	2,976,357	4,206,383	4,593,076	5,302,043	4,350,140
	After Distribution	3,225,466	4,312,253	4,725,076	5,319,043	4,350,140 (Note)
Share Capital		1,245,545	1,245,545	1,315,036	1,319,723	1,441,851
Additional Paid-In Capital		677,621	677,621	800,209	807,149	949,023
Retained Earnings	Before Distribution	728,661	651,204	848,924	819,550	1,609,221
	After Distribution	479,552	545,334	716,924	802,550	1,609,221 (Note)
Other Interests		(95,454)	(196,131)	(339,218)	(414,386)	(110,053)
Treasury Stock		—	—	—	—	—
Total Equity	Before Distribution	2,556,373	2,378,239	2,624,951	2,532,036	3,890,042
	After Distribution	2,307,264	2,272,369	2,492,951	2,515,036	3,890,042 (Note)

Note : FY2022 earnings distribution was approved at the meeting of the Board of Directors on March 28, 2023 and is pending resolution by the 2023 annual general meeting of shareholders.

Unit: NT\$K

Year \ Item	2018	2019	2020	2021	2022
Operating income	1,699,249	2,289,816	4,817,598	5,221,881	4,773,332
Gross profit	208,696	245,173	507,672	289,148	203,903
Operating income	38,484	71,734	326,229	118,151	(93,381)
Non-operating income and expenses	325,956	115,521	36,893	(3,091)	880,352
Pre-tax income	364,440	187,255	363,122	115,060	786,971
Profit (loss) from continuing operations	364,440	187,255	363,122	115,060	115,060
Loss of discontinued operations	—	—	—	—	—
Net income (loss)	353,241	172,272	304,783	100,385	803,702
Other comprehensive income (net after tax)	75,957	(101,297)	(144,280)	(72,927)	307,302
Total comprehensive income for the period	429,198	70,975	160,503	27,458	1,111,004
EPS	2.84	1.38	2.40	0.76	5.87

(II) Names of the CPAs and their opinions given for the past 5 fiscal years

Year	Name of Accounting Firm	Name of CPA	Audit Opinions
2022	KPMG Taiwan	Lee Fang-Yi & Hsieh Chiu-Hua	Clean Report
2021	KPMG Taiwan	Mei Yuan-Chen & Hsieh Chiu-Hua	Clean Report
2020	KPMG Taiwan	Mei Yuan-Chen & Hsieh Chiu-Hua	Clean Report
2019	KPMG Taiwan	Hsieh Chiu-Hua & Mei Yuan-Chen	Clean Report
2018	KPMG Taiwan	Lee Fang-Yi & Mei Yuan-Chen	Clean Report

II. Five-Year Financial Analysis

(I) Financial Analysis – IFRSs

1. Consolidated financial statements

Analysis Items		Year						Up to 2023.3.31
		2018	2019	2020	2021	2022		
Financial Structure	Ratio of Liabilities to Assets	68.17	72.43	70.87	75.70	61.82	60.41	
	Ratio of Long-term Funds to Real Estate, Plant, and Equipment	369.81	305.81	315.55	385.07	455.75	410.91	
Solvency	Current Ratio (%)	173.98	128.28	138.10	152.02	146.97	144.51	
	Quick Ratio (%)	96.81	70.38	68.59	67.15	69.38	74.21	
	Times Interest Earned	5.02	2.87	5.23	2.29	9.94	(6.1)	
Operating Capabilities	Accounts Receivable Turnover Ratio (times)	5.00	5.37	5.00	4.74	4.77	3.88	
	Average Collection Days	73.00	67.97	73.00	77	76.52	94.07	
	Inventory Turnover (times)	3.72	3.61	3.17	2.77	2.36	1.75	
	Accounts Payable Turnover Ratio (times)	11.95	12.73	10.71	10.47	10.67	8.58	
	Average Sales Days	98.12	101.11	115.14	131.76	155.32	209.77	
	Property, Plant and Equipment Turnover (times)	9.66	9.13	8.67	9.15	9.64	7.37	
	Total Asset Turnover Ratio (times)	1.47	1.39	1.29	1.28	1.13	0.81	
Profitability	Return on Assets (%)	5.47	3.27	4.36	1.88	8.99	(2.05)	
	Return on Equity (%)	14.18	6.96	12.15	3.88	24.99	(6.13)	
	Ratio of Net Income before Tax to Paid-in Capital (%)	34.10	18.88	32.32	10.11	99.72	(19.79)	
	Profit Margin (%)	3.00	1.49	2.67	0.80	6.89	(11.74)	
	EPS (NT\$)	2.84	1.38	2.40	0.76	5.87	(1.6)	
Cash Flow	Cash Flow Ratio (%)	21.88	12.31	(2.75)	(27.30)	26.63	0.12	
	Cash Flow Adequacy Ratio (%)	55.54	99.22	78.65	(31.26)	80.64	38.38	
	Cash Reinvestment Ratio (%)	9.14	8.74	(5.20)	(27.85)	28.37	0.13	
Leverage	Operating Leverage	3.59	4.69	3.45	7.19	(2.62)	(0.16)	
	Financial Leverage	1.27	1.56	1.23	1.95	0.70	0.87	

Reasons for changes in financial ratios over the past 2 fiscal years (Analysis is not required if the change in increase or decrease is less than 20%)

- (1) The increase in times interest earned was mainly due to the increase in profit before tax in 2022.
- (2) The increase in average sales days was mainly due to the decline in inventory turnover in 2022.
- (3) The increase in return on assets was mainly due to the increase in net profit after tax in 2022.
- (4) The increase in return on equity was mainly due to the increase in net profit after tax in 2022.
- (5) The increase in ratio of net income before tax to paid-in capital was mainly due to the increase in profits of overseas subsidiaries in 2022.
- (6) The increase in profit margin was mainly due to the increase in profits of overseas subsidiaries in 2022.
- (7) The increase in EPS was mainly due to the increase in profits of overseas subsidiaries in 2022.
- (8) The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities and the decrease in current liabilities in 2022.
- (9) The increase in cash flow adequacy ratio was mainly due to the increase in net cash inflow from operating activities in 2022 compared to 2021.
- (10) The cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities in 2022 compared to 2021.
- (11) The decrease in operating leverage was mainly due to the decrease in operating income in 2022.
- (12) The decrease in financial leverage was mainly due to the decrease in operating income in 2022.

2. Parent company only financial statements

Analysis Items		Year				
		2018	2019	2020	2021	2022
Financial Structure	Ratio of Liabilities to Assets	53.80	63.88	63.63	67.68	52.79
	Ratio of Long-term Funds to Real Estate, Plant, and Equipment	2,120.16	1,027.25	1,092.35	1,035.49	1,432.53
Solvency	Current Ratio (%)	42.07	44.02	61.10	65.58	56.29
	Quick Ratio (%)	38.75	39.48	54.72	59.73	50.72
	Times Interest Earned	11.02	5.46	10.22	4.46	15.06
Operating Capabilities	Accounts Receivable Turnover Ratio (times)	4.23	4.05	3.41	2.69	2.84
	Average Collection Days	86.29	90.12	107.04	135.69	128.52
	Inventory Turnover (times)	26.72	20.76	24.05	20.83	27.34
	Accounts Payable Turnover Ratio (times)	6.08	5.77	7.40	6.63	7.44
	Average Sales Days	13.66	17.58	15.18	17.52	13.35
	Property, Plant and Equipment Turnover (times)	9.99	9.90	15.84	16.50	15.26
	Total Asset Turnover Ratio (times)	0.32	0.38	0.70	0.69	0.59
Profitability	Return on assets (%)	7.14	3.40	4.87	1.69	10.56
	Return on equity (%)	14.21	6.98	12.18	3.89	25.03
	Ratio of net income before tax to paid-in capital (%)	29.26	15.03	27.61	8.72	54.58
	Profit Margin (%)	20.79	7.52	6.33	1.92	16.84
	EPS (NT\$)	2.84	1.38	2.40	0.76	5.87
Cash Flow	Cash Flow Ratio (%)	(6.61)	(8.69)	(10.70)	(7.51)	15.15
	Cash Flow Adequacy Ratio (%)	3.79	(37.14)	(83.07)	(96.35)	(33.49)
	Cash Reinvestment Ratio (%)	(10.97)	(16.87)	(14.07)	(13.16)	12.32
Leverage	Operating Leverage	3.71	2.46	1.44	2.24	(1.08)
	Financial Leverage	18.10	2.41	1.14	1.39	0.63

Reasons for changes in financial ratios over the past 2 fiscal years (analysis is not required if the change in increase or decrease is less than 20%)

- (1) The decrease in ratio of liabilities to assets was mainly due to the decrease in non-current liabilities in 2022.
- (2) The increase in the ratio of long-term funds to real estate, plant, and equipment was mainly due to the increase in total equity in 2022.
- (3) The increase in times interest earned was mainly due to the increase in profit before tax in 2022.
- (4) The increase in inventory turnover was mainly due to the significant decrease in inventory at the end of 2022.
- (5) The decrease in average sales days was mainly due to the decrease in inventory turnover in 2022.

- (6) The increase in return on assets was mainly due to the increase in net profit after tax in 2022.
- (7) The increase in return on equity was mainly due to the increase in net profit after tax in 2022.
- (8) The increase in ratio of net income before tax to paid-in capital was mainly due to the increase in profit before tax in 2022.
- (9) The increase in profit margin was mainly due to the increase in net profit after tax in 2022.
- (10) The increase in EPS was mainly due to the increase in net profit after tax in 2022.
- (11) The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities and the decrease in current liabilities in 2022.
- (12) The decrease in operating leverage was mainly due to the decrease in operating income in 2022.
- (13) The increase in financial leverage was mainly due to the decrease in operating income in 2022.

Analysis items are calculated as follows:

1. Financial structure
 - (1) Ratio of liabilities to assets = Total liabilities / total assets.
 - (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = Current assets / current liabilities.
 - (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
 - (3) Times interest earned = Net profit before income tax and interest expenses / interest expenses for the period.
3. Operating capabilities
 - (1) Receivables (including accounts receivable and notes receivable from operation) turnover ratio = Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
 - (2) Average collection days = 365 / accounts receivable turnover ratio.
 - (3) Inventory turnover = Cost of sales / average inventory.
 - (4) Payables (including accounts payable and notes payable from operation) turnover ratio = Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance.
 - (5) Average sales days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover ratio = Net sales / average net property, plant and equipment.
 - (7) Total assets turnover ratio = Net sales / average total assets.
4. Profitability
 - (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on equity = Profit and loss after tax / average total equity.
 - (3) Net profit margin = Profit and loss after tax / net sales.
 - (4) EPS = Profit and loss attributable to owners of parent company - dividends from preferred shares) / weighted average number of outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = Net cash flow from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital expenditure + increase in inventory + cash dividends) in the most recent five years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds).
6. Leverage
 - (1) Operating leverage = (Net operating revenue - variable operating costs and expenses of operations) / operating profit.
 - (2) Financial leverage = Operating profit / (operating profit - interest expenses).

III. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements and proposal for earnings distribution. The Financial Statements have been audited and certified by Fang-Yi Lee and Chiu-Hua Hsieh, Certified Public Accountants of KPMG, and the CPAs have issued an audit report regarding the financial statements. The above Business Report, Financial Statements, and earnings distribution proposal have been examined and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Attention:

YFC-BONEAGLE ELECTRIC CO., LTD.

2023 Annual General Shareholders' Meeting

YFC-BONEAGLE ELECTRIC CO., LTD.

Lee, Han-Tzong

Convener of the Audit Committee

March 28, 2023

IV. FY2022 Parent-Company-Only Financial Statements

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安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

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

Opinion

We have audited the parent-company-only financial statements of YFC-BONEAGLE ELECTRIC CO., LTD. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2022 and 2021, and parent-company-only notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by 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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only 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)(w).

Description of key audit matter:

The sale transactions of the Company 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. In addition, the company provide a part of customers discounts based on the agreement. 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 current 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 by estimating them based on the actual sales discounts in the previous years; examining subsequent sales discount to assess whether there are any significant differences.
- Assessing the adequacy of the Company disclosures in respect of revenue recognition.

2. Investments accounted for using equity method

Please refer to note (4)(h) and (6)(e) for the significant accounting policies and the details of investments subsidiaries. Please refer to note (5) for accounting policies involving material judgments.

Description of key audit matter:

Investments accounted for using equity method is an important and a significant aspect of the Company. Therefore, the valuation of investments accounted for using equity method 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 included:

- Reviewing the financial statements and related information of all subsidiaries.
- Designing and implementing the audit procedures based on relevant regulations. For instance, testing the changes on the investments accounted for using equity method in the current year, including the recognition of the shares of profit of subsidiaries accounted for using equity method and the shares of other comprehensive income, then comparing and analyzing the changes in the actual amounts of the previous and current year whether the investments accounted for using equity method evaluation policies comply with the accounting standards.
- Understanding and evaluating (i) the management's identification and adoption of cash-generating units for acquisition transaction of investments accounted for using equity method, as well as (ii) the internal and external information for impairments
- Obtaining and evaluating the reasonableness of the parameters and assumptions for the recoverable amount of cash-generating units for investments accounted for using equity method calculated by the management, as well as performing sensitivity analysis.
- Evaluating the achievement of the past forecasts based on the actual operating results of subsidiaries to verify the accuracy of the management's forecasts.
- Assessing the adequacy of the Company's disclosures in respect of the investments accounted for using equity method.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 parent-company-only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform 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 Company'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 Company'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 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the 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 parent-company-only 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 Fang-Yi Lee and Chiu-Hua Hsieh.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2023

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are the Standards on Auditing of the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

YFC-BONEAGLE ELECTRIC CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 452,061	5	242,876	3	2100	Short-term borrowings (note 6(j))	\$ 1,545,480	19	2,046,874	25
1150-70	Notes and accounts receivable, net (note 6(b))	738,530	9	1,023,351	13	2110	Short-term notes and bills payable (note 6(k))	229,737	3	229,906	3
1180	Accounts receivable from related parties, net (notes 6(b) and 7)	401,106	5	1,047,691	14	2130	Current contract liabilities (note 6(w))	56,103	1	39,808	1
1200	Other receivables (note 6(c))	10,872	-	7,846	-	2150-70	Notes and accounts payable	115,917	1	154,238	2
1210	Other receivables from related parties (notes 6(c) and 7)	370,623	4	376,479	5	2180	Accounts payable to related parties (note 7)	263,812	3	693,778	9
1220	Current tax assets	38	-	-	-	2200	Other payables (note 6(n))	125,222	2	51,659	1
130X	Inventories (note 6(d))	74,535	1	249,575	3	2220	Other payables to related parties (note 7)	1,131,839	14	1,135,201	14
1470	Other current assets (note 6(i))	137,071	2	8,535	-	2230	Current tax liabilities	-	-	9,747	-
	Total current assets	<u>2,184,836</u>	<u>26</u>	<u>2,956,353</u>	<u>38</u>	2280	Current lease liabilities (note 6(o))	4,107	-	9,137	-
Non-current assets:						2320	Long-term liabilities, current portion (notes 6(l), (m) and 8)	406,990	5	134,978	2
1550	Investments accounted for using equity method (notes 6(e) and 13)	5,685,689	69	4,411,987	57	2300	Other current liabilities (note 6(p))	2,514	-	3,017	-
1600	Property, plant and equipment (notes 6(f) and 8)	304,250	4	321,174	4		Total current liabilities	<u>3,881,721</u>	<u>48</u>	<u>4,508,343</u>	<u>57</u>
1755	Right-of-use assets (note 6(g))	7,250	-	14,460	-	Non-Current liabilities:					
1780	Intangible assets (note 6(h))	843	-	730	-	2530	Bonds payable (notes 6(m) and (s))	-	-	128,930	2
1840	Deferred tax assets (note 6(r))	41,839	1	103,512	1	2540	Long-term borrowings (notes 6(l) and 8)	394,783	5	600,758	8
1915	Prepayments for business facilities	1,076	-	13,115	-	2570	Deferred tax liabilities (note 6(r))	-	-	2,331	-
1900	Other non-current assets (notes 6(i), (q) and 8)	14,399	-	12,748	-	2580	Non-current lease liabilities (note 6(o))	3,231	-	5,723	-
	Total non-current assets	<u>6,055,346</u>	<u>74</u>	<u>4,877,726</u>	<u>62</u>	2600	Other non-current liabilities (note 6(p))	4,708	-	5,292	-
						2650	Credit balance of investments accounted for using equity method (notes 6(e) and 13)	65,697	1	50,666	1
							Total non-current liabilities	<u>468,419</u>	<u>6</u>	<u>793,700</u>	<u>11</u>
							Total liabilities	<u>4,350,140</u>	<u>54</u>	<u>5,302,043</u>	<u>68</u>
						Equity attributable to owners of parent (notes 6(m) and (s)):					
						3110	Ordinary share	1,438,682	17	1,319,723	17
						3130	Bond conversion entitlement certificates	3,169	-	-	-
							Subtotal	<u>1,441,851</u>	<u>17</u>	<u>1,319,723</u>	<u>17</u>
						3200	Capital surplus	949,023	12	807,149	10
						3300	Retained earnings	1,609,221	20	819,550	10
						3400	Other equity interest	(110,053)	(2)	(414,386)	(5)
							Total equity	<u>3,890,042</u>	<u>47</u>	<u>2,532,036</u>	<u>32</u>
							Total liabilities and equity	<u>\$ 8,240,182</u>	<u>100</u>	<u>7,834,079</u>	<u>100</u>
	Total assets	<u>\$ 8,240,182</u>	<u>100</u>	<u>7,834,079</u>	<u>100</u>						

See accompanying notes to parent-company-only financial statements

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4100	Operating revenue (notes 6(w) and 7)	\$ 4,773,332	100	5,221,881	100
5110	Operating costs (notes 6(d), (q), (v), 7 and 12)	4,569,429	96	4,932,733	94
5900	Gross profit from operations	203,903	4	289,148	6
	Operating expenses (notes 6(b), (o), (q), (t), (v), 7 and 12):				
6100	Selling expenses	96,310	2	59,186	1
6200	Administrative expenses	193,420	4	105,747	2
6300	Research and development expenses	7,114	-	6,048	-
6450	Expected credit loss	440	-	16	-
6000	Total operating expenses	297,284	6	170,997	3
6900	Operating (loss) income	(93,381)	(2)	118,151	3
	Non-operating income and expenses (notes 6(e), (m), (o), (x), 7 and 13):				
7010	Other income	45,965	1	2,257	-
7020	Other gains and losses, net	(87,160)	(2)	(18,035)	-
7100	Interest income	1,194	-	807	-
7050	Finance costs, net	(55,974)	(1)	(33,269)	(1)
7070	Share of profit of subsidiaries accounted for using equity method	976,327	21	45,149	1
7000	Total non-operating income and expenses	880,352	19	(3,091)	-
7900	Profit from continuing operations before tax	786,971	17	115,060	3
7950	Less: Income tax (income) expenses (note 6(r))	(16,731)	-	14,675	-
	Profit	803,702	17	100,385	3
	Other comprehensive income:				
8300	Items that may not be reclassified subsequently to profit or loss (note 6(q))				
8310	Gains on remeasurements of defined benefit plans	2,969	-	2,241	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that may not be reclassified subsequently to profit or loss	2,969	-	2,241	-
8360	Items that may be reclassified subsequently to profit or loss (notes 6(r) and (s))				
8361	Exchange differences on translation of foreign operation	380,416	8	(93,960)	(2)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	76,083	2	(18,792)	-
	Total items that may be reclassified subsequently to profit or loss	304,333	6	(75,168)	(2)
8300	Other comprehensive income (loss)	307,302	6	(72,927)	(2)
8500	Total comprehensive income	<u>\$ 1,111,004</u>	<u>23</u>	<u>27,458</u>	<u>1</u>
	Earnings per share (in NT dollars) (note 6(u))				
9750	Basic earnings per share	<u>\$ 5.87</u>		<u>0.76</u>	
9850	Diluted earnings per share	<u>\$ 5.65</u>		<u>0.75</u>	

See accompanying notes to parent-company-only financial statements

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Total other equity interest		Total equity
	Ordinary shares	Bond conversion entitlement certificates	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2021	\$ 1,310,466	4,570	1,315,036	800,209	192,959	196,131	459,834	848,924	(339,218)	2,624,951
Profit	-	-	-	-	-	-	100,385	100,385	-	100,385
Other comprehensive income	-	-	-	-	-	-	2,241	2,241	(75,168)	(72,927)
Total comprehensive income	-	-	-	-	-	-	102,626	102,626	(75,168)	27,458
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	30,359	-	(30,359)	-	-	-
Special reserve appropriated	-	-	-	-	-	143,087	(143,087)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	(132,000)	(132,000)	-	(132,000)
Conversion of convertible bonds	-	4,687	4,687	6,940	-	-	-	-	-	11,627
Conversion of certificates of bond conversion entitlement	9,257	(9,257)	-	-	-	-	-	-	-	-
Balance at December 31, 2021	1,319,723	-	1,319,723	807,149	223,318	339,218	257,014	819,550	(414,386)	2,532,036
Profit	-	-	-	-	-	-	803,702	803,702	-	803,702
Other comprehensive income	-	-	-	-	-	-	2,969	2,969	304,333	307,302
Total comprehensive income	-	-	-	-	-	-	806,671	806,671	304,333	1,111,004
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)
Cash capital increase	75,000	-	75,000	72,500	-	-	-	-	-	147,500
Share-based payments transactions	-	-	-	2,604	-	-	-	-	-	2,604
Conversion of convertible bonds	-	47,128	47,128	66,770	-	-	-	-	-	113,898
Conversion of certificates of bond conversion entitlement	43,959	(43,959)	-	-	-	-	-	-	-	-
Balance at December 31, 2022	\$ 1,438,682	3,169	1,441,851	949,023	233,580	414,386	961,255	1,609,221	(110,053)	3,890,042

See accompanying notes to parent-company-only financial statements

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 786,971	115,060
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	24,901	28,498
Amortization expense	1,940	2,284
Expected credit (profit) loss	440	16
Interest expense	55,974	33,269
Interest income	(1,194)	(807)
Share-based payments	2,604	-
Share of profit of subsidiaries accounted for using equity method	(976,327)	(45,149)
Loss from disposal of property, plan and equipment	7,928	-
Impairment loss of non-financial assets	104,473	-
Unrealized foreign exchange loss (profit)	59,097	(11,239)
Total adjustments to reconcile (loss) profit	(720,164)	6,872
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	281,669	273,468
Accounts receivable from related parties	624,568	(553,152)
Other receivables	(3,024)	(466)
Other receivable from related parties	22,407	(282,106)
Inventories	175,040	(34,348)
Prepayment and other current assets	(128,249)	16,297
Total changes in operating assets	972,411	(580,307)
Changes in operating liabilities:		
Notes and accounts payable	(38,321)	57,881
Accounts payable to related parties	(471,115)	172,493
Other payables	73,598	(28,109)
Other payable to related parties	2,412	(634)
Other current liabilities and contract liabilities	15,792	93
Other non-current liabilities	(584)	1,668
Total changes in operating liabilities	(418,218)	203,392
Total changes in operating assets and liabilities	554,193	(376,915)
Total adjustments	(165,971)	(370,043)
Cash inflow (outflow) generated from operations	621,000	(254,983)
Interest received	1,192	808
Interest paid	(54,379)	(30,374)
Income taxes paid	(9,795)	(53,887)
Net cash flows used in operating activities	558,018	(338,436)

See accompanying notes to parent-company-only financial statements

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(12,718)	(500)
Acquisition of property, plant and equipment	(3,431)	(5,653)
Proceeds from disposal of property, plant and equipment	9,904	-
(Increase) decrease in other receivables from related parties	(17,647)	27,348
Acquisition of intangible assets	(2,053)	(1,453)
Decrease (increase) in other financial assets and non-current assets	1,318	(4,608)
Increase in prepayments for business facilities	(1,507)	(16,378)
Dividends received	6,317	-
Net cash flow (used in) from investing activities	(19,817)	(1,244)
Cash flows from (used in) financing activities:		
Increase in short-term loans	3,744,096	1,547,003
Decrease in short-term loans	(4,237,389)	(1,198,586)
(Decrease) increase in short-term notes and bills payable	(169)	100,020
Proceeds from long-term debt	1,097,920	827,331
Repayments of long-term debt	(1,048,545)	(808,972)
(Decrease) increase in other payables to related parties	(5,774)	103,948
Payment of lease liabilities	(9,431)	(11,330)
Cash dividends paid	(17,000)	(132,000)
Proceeds from cash capital increase	147,500	-
Net cash flows (used in) from financing activities	(328,792)	427,414
Effect of exchange rate changes on cash and cash equivalents	(224)	(520)
Net increase in cash and cash equivalents	209,185	87,214
Cash and cash equivalents at beginning of period	242,876	155,662
Cash and cash equivalents at end of period	\$ 452,061	242,876

See accompanying notes to parent-company-only financial statements

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

YFC-BONEAGLE ELECTRIC CO., LTD. (the “Company”) was incorporated on September 3, 1983 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No.12-9, Ln. 130, Sec. 2, Zhongshan E. Rd., Xinwu Dist., Taoyuan City 327, Taiwan (R.O.C.). The Company 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.

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 financial statements:

The parent-company-only financial statements for the years ended December 31, 2022 and 2021 were authorized for issue by the board of directors on March 28, 2023.

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

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

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

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

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its parent-company-only financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only 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 parent-company-only financial statements.

(a) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only 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 Company is determined based on the primary economic environment in which the entity operates. The parent-company-only 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) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company 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.

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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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 into the presentation currency at the 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 Company 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 Company disposes of only part of investment in an associate of 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, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) 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.

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(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.

(e) 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.

(f) 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 Company 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 investmen.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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 Company 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 Company's right to receive payment is established.

3) Impairment of financial assets

The Company 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 Company 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 notes and trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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 Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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 Company, for economic or contractual reasons relating to the customer's financial difficulty, having granted to the customer a concession that the Company 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.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

4) Derecognition of financial assets

The Company 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 Company 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 Company 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 Company 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.

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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

4) Financial liabilities

Financial liabilities should be measured at fair value through profit or loss if the financial liabilities are held-for-trading, derivative financial instruments, or originally mandatorily classified. The financial liabilities at fair value through profit or loss are measured at fair value; and the related net gain or loss, including any interest expense, are recognized in profit or loss.

Other financial liabilities are classified as measured at amortized cost, and 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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 Company 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.

(g) 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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(h) Investment subsidiary

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent company only financial statements are equal to those in the consolidated financial statements.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to determine whether the accounting policies are in compliance with those of the Company's from the date that control commences until the date that significant influence commences.

Unrealized profits resulting from the transactions between the Company and a subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Unrealized losses on transactions with subsidiaries are eliminated in the same way, except to the extent that the underlying asset is impaired.

Dividend from subsidiaries is recognized in investment accounted for using equity method on the date on which the Company's right to receive payment is established, which means the recovery of the dividend is probable, and the amount can be estimated reliably.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(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 Company.

(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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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

- 1) Buildings 5~50 years
- 2) Machinery and equipment 3~20 years
- 3) Office and other equipment 5~10 years

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

(j) Lease

(i) Identifying a lease

At inception of a contract, the Company 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.

(ii) As a lessee

The Company 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.

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 Company's incremental borrowing rate. Generally, the Company 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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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 Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is 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 Company 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 Company 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.

If an arrangement contains lease and non-lease components, the Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases of its vehicles that have a lease term of 12 months or less, as well as leases of low-value assets of its office equipment. The Company 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 Company 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;

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YFC-BONEAGLE ELECTRIC CO., LTD.

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- 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.

(k) Intangible assets

(i) Recognition and measurement

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

Other intangible assets, including customer relationships, patents and computer software, that are acquired by the Company 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.

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

- 1) Patents: 3 years
- 2) Computer software: 1~5 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 Company 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.

YFC-BONEAGLE ELECTRIC CO., LTD.

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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.

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.

For non-financial 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 Company 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 Company 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 Company 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 Company expect to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

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1) Sale of goods

The Company 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 Company 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 Company has a right to an amount of consideration that is unconditional.

No element of financing is deemed present as the sales of the Company's products are made with a credit term of 30 to 120 days, which is consistent with the market practice.

2) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(o) Government grants

The Company 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 Company 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 Company 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 Company'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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

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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 Company, 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 Company 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 Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(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 Company 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 Company recognizes the number of shares subscribed by its 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.

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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 affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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 Company 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.

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(s) Earnings per share

The Company 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 bonds and employee compensation not yet resolved by the shareholders.

(t) Operating segments

Please refer to the consolidated financial statements of the Group for the years ended December 31, 2022 and 2021.

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

In preparing the parent-company only 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.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

The impairment valuation process of investments accounted for using equity method relies on the subjective judgment of the Company, including identifying the cash generating units and determining the recoverable amount of relevant cash generating units. For an explanation of impairment for investments accounted for using equity method, please refer to the consolidated financial statements for the years ended December 31, 2022 and note 6(e).

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: None.

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YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 160	160
Check deposits	2,928	4,381
Demand deposits	448,973	238,335
Cash and cash equivalents in statement of cash flows	<u>\$ 452,061</u>	<u>242,876</u>

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

(b) Notes and accounts receivables

	December 31, 2022	December 31, 2021
Notes receivables from operating activities	\$ 13,181	11,209
Less: Loss allowance	-	-
Net	<u>13,181</u>	<u>11,209</u>
Accounts receivables	727,537	1,013,890
Less: Loss allowance	<u>(2,188)</u>	<u>(1,748)</u>
Net	<u>725,349</u>	<u>1,012,142</u>
Accounts receivables from related parties	401,106	1,047,691
Less: allowance for doubtful accounts	-	-
Net	<u>401,106</u>	<u>1,047,691</u>
Total	<u>\$ 1,139,636</u>	<u>2,071,042</u>

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

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 632,476	0%	-
Past due 1 to 30 days	37,496	0%	-
Past due 31 to 120 days	68,104	0%	-
Past due 121 to 180 days	-	0%	-
Past due 181 to 360 days	588	22.8%	134
Past due more than 360 days	2,054	100%	2,054
Total	\$ 740,718		2,188

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 921,576	0%	-
Past due 1 to 30 days	93,087	0%	-
Past due 31 to 120 days	8,688	0%	-
Past due 121 to 180 days	-	0%	-
Past due 181 to 360 days	-	0%	-
Past due more than 360 days	1,748	100%	1,748
Total	\$ 1,025,099		1,748

As of December 31, 2022 and 2021, the Company's accounts receivable from related parties amounted to \$410,106 and \$1,047,691, respectively. The receivables, which have no credit risk, were sales from subsidiaries; therefore, no provisions were required.

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

	2022	2021
Balance at January 1	\$ 1,748	1,732
Expect credit loss	440	16
Balance at December 31	\$ 2,188	1,748

As of December 31, 2022 and 2021, the notes and accounts receivable of the Company were not pledged as collateral.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(c) Other receivables

	December 31, 2022	December 31, 2021
Value-added tax returned by export trade	\$ 1,284	7,844
Other	9,588	2
Less: Loss allowance	-	-
Net	<u>10,872</u>	<u>7,846</u>
Other receivables from related parties	370,623	376,479
Less: Loss allowance	-	-
Net	<u>370,623</u>	<u>376,479</u>
Total	<u>\$ 381,495</u>	<u>384,325</u>

As of December 31, 2022 and 2021, the loss allowance for other receivables were measured at an amount equal to life time expected credit loss; hence, no provisions were required.

(d) Inventory

	December 31, 2022	December 31, 2021
Merchandise inventory	\$ 11	62,432
Finished goods	24,083	44,286
Work in progress	20,400	91,526
Raw materials	29,682	49,827
Supplies	359	1,504
Total	<u>\$ 74,535</u>	<u>249,575</u>

For the year ended December 31, 2022 and 2021, the net realizable value adjustment resulted in the inventory valuation losses (gain) of \$(988) and \$2,000, respectively, to be recognized as cost of goods sold.

As of December 31, 2022 and 2021, the inventory of the Company were not pledged as collateral.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(e) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Subsidiaries:		
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	\$ 3,367,164	3,169,178
BESTLINK NETWARE INC.	56,203	38,904
UNC INVESTMENT & DEVELOPMENT INC.	1,415,199	53,506
PREMIUM-LINE KSI GMBH (KSI)	(57,115)	(48,189)
MONOPRICE HOLDINGS, INC.	821,861	1,135,399
YUE FONG COMPANY LIMITED	(8,582)	(2,477)
YFC-EUROPOWER INTERNATIONAL CO., LTD.	25,262	15,000
Subtotal	5,619,992	4,361,321
Add:Credit balance of investments accounted for using equity method	65,697	50,666
Total	\$ 5,685,689	4,411,987

(i) Subsidiaries

In order to meet the actual operating needs, the Company remitted the amount of \$500 in April 2021 for the investment and establishment of its new subsidiary in Taiwan, YFC-EUROPOWER INTERNATIONAL CO.,LTD. Please refer to the consolidated financial statements for the year ended December 31,2022.

The recoverable amount was assessed to be lower than the carrying amount of the cash-generating unit due to the unsatisfactory operating conditions in 2022, resulting in the Company to recognize the impairment loss of \$104,473 incurred by its U.S. subsidiary, Monoprice. Please refer to the consolidated financial statements of the year ended 2022 and note 6(h).

(ii) Collateral

As of December 31, 2022 and 2021, the investments accounted for using equity method of the Company were not pledged as collateral.

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(f) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Costs or deemed cost:					
Balance at January 1, 2022	\$ 215,058	121,544	343,518	21,652	701,772
Additions	-	-	16,707	270	16,977
Disposals	-	-	(22,717)	-	(22,717)
Reclassification	-	(287)	-	-	(287)
Balance at December 31, 2022	<u>\$ 215,058</u>	<u>121,257</u>	<u>337,508</u>	<u>21,922</u>	<u>695,745</u>
Balance at January 1, 2021	\$ 215,058	121,256	319,838	18,672	674,824
Additions	-	288	23,680	2,980	26,948
Balance at December 31, 2021	<u>\$ 215,058</u>	<u>121,544</u>	<u>343,518</u>	<u>21,652</u>	<u>701,772</u>
Depreciation and impairment loss:					
Balance at January 1, 2022	\$ -	73,918	291,227	15,453	380,598
Depreciation for the period	-	3,010	10,180	2,592	15,782
Disposals	-	-	(4,885)	-	(4,885)
Balance at December 31, 2022	<u>\$ -</u>	<u>76,928</u>	<u>296,522</u>	<u>18,045</u>	<u>391,495</u>
Balance at January 1, 2021	\$ -	70,809	279,526	12,759	363,094
Depreciation for the period	-	3,109	11,701	2,694	17,504
Balance at December 31, 2021	<u>\$ -</u>	<u>73,918</u>	<u>291,227</u>	<u>15,453</u>	<u>380,598</u>
Carrying value:					
Balance at December 31, 2022	<u>\$ 215,058</u>	<u>44,329</u>	<u>40,986</u>	<u>3,877</u>	<u>304,250</u>
Balance at December 31, 2021	<u>\$ 215,058</u>	<u>47,626</u>	<u>52,291</u>	<u>6,199</u>	<u>321,174</u>
Balance at January 1, 2021	<u>\$ 215,058</u>	<u>50,447</u>	<u>40,312</u>	<u>5,913</u>	<u>311,730</u>

The Company's depreciation is calculated by the straight-line basis over the estimated useful lives, please refer to note (4)(i). Information on depreciation for the period is disclosed in note (12).

As of December 31, 2022 and 2021, for information on the Company's property, plant, and equipment pledged as collateral, please refer to note (8).

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(g) Right-of-use assets

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

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 24,519	11,919	36,438
Additions	1,909	-	1,909
Write-off	(813)	-	(813)
Balance at December 31, 2022	<u>\$ 25,615</u>	<u>11,919</u>	<u>37,534</u>
Balance at January 1, 2021	23,740	1,351	25,091
Additions	779	11,919	12,698
Write-off	-	(1,351)	(1,351)
Balance at December 31, 2021	<u>\$ 24,519</u>	<u>11,919</u>	<u>36,438</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ 18,897	3,081	21,978
Depreciation for the period	5,648	3,471	9,119
Write-off	(813)	-	(813)
Balance at December 31, 2022	<u>\$ 23,732</u>	<u>6,552</u>	<u>30,284</u>
Balance at January 1, 2021	11,289	1,046	12,335
Depreciation for the period	7,608	3,386	10,994
Write-off	-	(1,351)	(1,351)
Balance at December 31, 2021	<u>18,897</u>	<u>3,081</u>	<u>21,978</u>
Carrying value:			
Balance at December 31, 2022	<u>\$ 1,883</u>	<u>5,367</u>	<u>7,250</u>
Balance at December 31, 2021	<u>\$ 5,622</u>	<u>8,838</u>	<u>14,460</u>
Balance at January 1, 2021	<u>\$ 12,451</u>	<u>305</u>	<u>12,756</u>

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

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Notes to Parent-Company-Only Financial Statements

(h) Intangible assets

The costs and amortization of intangible assets of the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>Patent</u>	<u>Computer software</u>	<u>Total</u>
Costs or deemed cost:			
Balance at January 1, 2022	\$ 2,565	26,296	28,861
External acquisition	-	2,053	2,053
Balance at December 31, 2022	<u>\$ 2,565</u>	<u>28,349</u>	<u>30,914</u>
Balance at January 1, 2021	\$ 2,565	24,843	27,408
External acquisition	-	1,453	1,453
Balance at December 31, 2021	<u>\$ 2,565</u>	<u>26,296</u>	<u>28,861</u>
Amortization:			
Balance at January 1, 2022	\$ 2,565	25,566	28,131
Amortization for the period	-	1,940	1,940
Balance at December 31, 2022	<u>\$ 2,565</u>	<u>27,506</u>	<u>30,071</u>
Balance at January 1, 2021	\$ 2,565	23,282	25,847
Amortization for the period	-	2,284	2,284
Balance at December 31, 2021	<u>\$ 2,565</u>	<u>25,566</u>	<u>28,131</u>
Carrying value:			
Balance at December 31, 2022	<u>\$ -</u>	<u>843</u>	<u>843</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>730</u>	<u>730</u>
Balance at January 1, 2021	<u>\$ -</u>	<u>1,561</u>	<u>1,561</u>

The following are the amortizations of intangible assets were included in the statement of comprehensive income. Please refer to note (12) for related information on amortization fee for the period:

	<u>2022</u>	<u>2021</u>
Operating cost – amortization	\$ 1,360	1,545
Operating expenses – amortization	580	739
Total	<u>\$ 1,940</u>	<u>2,284</u>

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

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

	December 31, 2022	December 31, 2021
Other current assets:		
Prepayments	\$ 137,071	8,426
Temporary payments	-	109
Subtotal	137,071	8,535
Other non-current assets:		
Guarantee deposits paid	7,801	7,931
Net defined benefit assets	5,561	2,530
Other	1,037	2,287
Subtotal	14,399	12,748
Total	\$ 151,470	21,283

(j) Short-term borrowings

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

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 1,527,164	2,046,874
Unsecured non-financial institution loans	18,316	-
Total	\$ 1,545,480	2,046,874
Unused short-term and long-term credit lines	\$ 1,016,457	766,048
Interest rates	1.80~5.84%	0.72~1.42%

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

(k) Short-term notes and bills payable

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

	December 31, 2022	
	Institution	Interest rate
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)
Total		\$ 229,737

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

December 31, 2021			
	Institution	Interest rate	Amount
Commercial paper payable	Mega Bills Finance, Taiwan Finance, Taiwan Cooperative Bills Finance and Dah Chung Bills Finance	1.14%~1.16%	\$ 230,000
Less: Discount on short-term notes and bills payable			(94)
Total			\$ 229,906

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

(1) Long-term borrowings

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

December 31, 2022				
	Currency	Interest rates	Expiration	Amount
Unsecured bank loans	NTD	1.99%~2.31%	112~115	\$ 642,987
Secured bank loans	NTD	1.94%~1.98%	117~129	142,124
Total				785,111
Less: Current portion				(390,328)
Non-current portion				\$ 394,783

December 31, 2021				
	Currency	Interest rates	Expiration	Amount
Unsecured bank loans	NTD	1.42%~1.55%	111~115	\$ 581,961
Secured bank loans	NTD	1.18%~1.42%	117~129	153,775
Total				735,736
Less: Current portion				(134,978)
Non-current portion				\$ 600,758

(i) Collateral for long-term borrowings

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

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(ii) Low-interest loan from government

According to “Guidelines of Project Loans for Returning Overseas Taiwanese Businesses”, the Company 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%. For the years ended December 31, 2022 and 2021, the actual used credit facilities amounted to \$219,130 and \$185,210, while the fair value imputed by the market interest rate of 1.4% amounted to \$208,410 and \$175,443, with the difference of \$10,270 and \$9,767, respectively, deemed as government grant and recognized in deferred income. Please refer to note (6)(p).

(m) Bonds payable

(i) The details on the Company’s bonds payable were as follows:

	December 31, 2022	December 31, 2021
Convertible bonds issued	\$ 400,000	400,000
Less: Unamortized discount on convertible bonds	(338)	(2,470)
Accumulated converted and redeemed amount	(383,000)	(268,600)
	16,662	128,930
Less: Current portion	(16,662)	-
Non-current portion	\$ -	128,930
Equity component – conversion options (included in “Capital surplus – stock options”)	\$ 2,026	6,928
	2022	2021
Interest expense	\$ 1,630	2,188

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

Period	Type	Issuance Period	Total Amount (in thousands dollars)	Coupon Rate	Effective Rate	Conversio n Price (in dollar)
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0%	1.67%	24.30

In February 2020, the Company 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 Company to recognize the capital surplus of stock options, amounting to \$21,093.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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

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

The conversion price of the 9th unsecured convertible bonds at the issuance date was \$26.8 per share. In the event of any ex-rights or ex-dividend, the conversion price shall be adjusted using the conversion pricing formula. Beginning August 18, 2021, the adjusted conversion price had 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 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 Company.

(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 reversed 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 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.

In 2021, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 120 bonds, with the carrying amount of \$11,627, resulting in the capital surplus to increase by \$6,940, and the ordinary shares to be converted at the amount of \$4,687.

(v) Repurchase of bonds

There was no repurchase of bond payable for the year ended December 31, 2022 and 2021.

(vi) Collateral

There were no bonds payable pledged as collateral by the Company for the years ended December 31, 2022 and 2021.

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YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(n) Other payables

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Salaries and bonuses payable	\$ 23,326	17,309
Compensation and bonus due to employees	52,181	7,671
Compensation due to directors	34,787	5,114
Other accrued expenses	14,928	21,565
Total	<u>\$ 125,222</u>	<u>51,659</u>

Other payables are expected to be settled within one year.

(o) Lease liabilities

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	<u>\$ 4,107</u>	<u>9,137</u>
Non-current	<u>\$ 3,231</u>	<u>5,723</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 147</u>	<u>230</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>-</u>
Expenses relating to short-term leases	<u>\$ 569</u>	<u>493</u>
Expenses relating to leases of low-value assets (excluding low-value assets of short-term leases)	<u>\$ -</u>	<u>-</u>

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

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	<u>\$ 10,147</u>	<u>12,053</u>

(i) Real estate leases

The Company leases buildings for the use of its factories. The leases of the buildings run for a period of 2-3 years. The leases contain extension and cancellation options exercisable by the Company before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company and not by the lessors.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(ii) Other leases

The Company leases certain vehicles and office equipment which are short-terms item, the Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(p) Deferred income

	December 31, 2022	December 31, 2021
Deferred income — Government grants	<u>\$ 6,143</u>	<u>7,693</u>
Current (recognized under other current liabilities)	\$ 1,536	2,501
Non-current (recognized under other non-current liabilities)	<u>4,607</u>	<u>5,192</u>
Total	<u>\$ 6,143</u>	<u>7,693</u>

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

The Company 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 Company 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 Company will have to comply with all the conditions associated with grant.

For the year ended December 31, 2022 and 2021, the other income reclassified from deferred income are amounted to \$2,501, and \$1,288, please refer to note(6)(x).

(q) 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:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 13,922	15,948
Fair value of plan assets	<u>(19,483)</u>	<u>(18,478)</u>
Net defined benefit assets	<u>\$ (5,561)</u>	<u>(2,530)</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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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, 2022 and 2021, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$19,483 and \$18,478, 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:

	2022	2021
Defined benefit obligation at January 1	\$ 15,948	17,787
Current service costs and interest	192	145
Remeasurement in net defined benefit liability		
— Experience adjustments to actuarial losses (gains)	(688)	(1,427)
— Actuarial loss from changes in financial assumption	(854)	(557)
Benefits paid by the plan	(676)	-
Defined benefit obligation at December 31	\$ 13,922	15,948

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:

	2022	2021
Fair value of plan assets at January 1	\$ 18,478	17,991
Interest income	130	63
Remeasurement in net defined benefit liability		
— Expected return on plan assets (excluding interest income)	1,427	257
Contributions made	124	167
Benefits paid from plan assets	(676)	-
Fair value of plan assets at December 31	\$ 19,483	18,478

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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

For the years 2022 and 2021, 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 2022 and 2021 were as follows:

	2022	2021
Current service cost	\$ 82	83
Interest on net defined benefit obligation	(20)	(1)
Total (recognized under "Administrative expense – pension")	\$ 62	82

- 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:

	2022	2021
Cumulative amount at January 1	\$ 7,966	5,725
Obligations recognized (reversed)	2,969	2,241
Cumulative amount at December 31	\$ 10,935	7,966

- 7) Actuarial assumptions

The Company's principal actuarial assumptions were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.30%	0.70%
Future salary rate increases	2.00%	2.00%

As of December 31, 2022 and 2021, the amount of contributions expected to be made to the defined contribution plans within one year of the report date were \$310 and \$340, respectively.

The weighted average term of defined contribution plans were 9 and 10 years, respectively.

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

8) Sensitivity analysis

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

	Impact on defined benefit obligation	
	Increased	Decreased
December 31, 2022		
Discount rate (at a 0.25% change)	\$ 347	335
Future salary increase (at a 0.25% change)	344	333
December 31, 2021		
Discount rate (at 0.25% change)	430	414
Future salary increase (at 0.25% change)	423	410

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 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6.00% 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.

The Company's pension expenses under the defined contribution method amounted to \$4,630 and \$4,557 for the years ended December 31, 2022 and 2021, respectively. Payments were made to the Bureau of Labor Insurance.

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Notes to Parent-Company-Only Financial Statements

(r) Income tax

(i) Income tax expense

The components of income tax expense (income) for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 10	12,173
Adjustments for prior periods	-	288
Subtotal	<u>10</u>	<u>12,461</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(16,741)</u>	<u>2,214</u>
Income tax expense	<u>\$ (16,731)</u>	<u>14,675</u>

The amounts of income tax expense (income) recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u>\$ 76,083</u>	<u>(18,792)</u>

Reconciliation of income tax and profit before tax for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	\$ 786,971	115,060
Income tax expense at the statutory rate	157,394	23,012
Non-deductible expenses	235	438
Under (over) provision in prior periods	-	288
Surtax on unappropriated earnings	10	-
Changes in unrecognized temporary differences	(174,370)	(9,030)
Others	-	(33)
Income tax expense	<u>\$ (16,731)</u>	<u>14,675</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, 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:

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 622,521	399,037

2) Recognized deferred tax assets and liabilities

Movements of deferred tax assets and liabilities for the years 2022 and 2021 were as follows:

a) Deferred tax assets

	Exchange difference on transaction of foreign financial statements	Unrealized inventory valuation and obsolescence losses	Unrealized foreign exchange loss and loss carry forwards	Total
January 1, 2022	\$ 102,389	1,119	4	103,512
Recognized in profit or loss	-	(200)	14,610	14,410
Recognized in other comprehensive income	(76,083)	-	-	(76,083)
December 31, 2022	\$ 26,306	919	14,614	41,839
January 1, 2021	\$ 83,597	719	287	84,603
Recognized in profit or loss	-	400	(283)	117
Recognized in other comprehensive income	18,792	-	-	18,792
December 31, 2021	\$ 102,389	1,119	4	103,512

The tax loss of \$9,543, which can be used to offset the tax income between 2023 and 2032, resulted in the Company to recognize the deferred income tax asset of \$1,909 for the year ended December 31, 2022.

b) Deferred tax liabilities

	Unrealized foreign exchange gain
January 1, 2022	\$ 2,331
Recognized in profit or loss	(2,331)
December 31, 2022	\$ -
January 1, 2021	\$ -
Recognized in profit or loss	2,331
December 31, 2021	\$ 2,331

(iii) Examination and approval

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

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(s) Capital and other equities

As of December 31, 2022 and 2021, 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, 2022 and 2021 were 143,868 thousand shares and 131,972 thousand shares, respectively, and all issued shares were issued and outstanding.

(i) Issuance of common stock

The Company 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.1110342536 on May 24, 2022. All related registration procedures had been completed in September 2022.

The Company 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).

The Company converted its bonds by issuing 469 thousand shares of common stocks amounting to \$4,687. The related registration procedures had already been completed in May, 2021.

Changes in the numbers of outstanding shares for the years ended December 31, 2022 and 2021, were as follows:

	Common Shares (in thousand shares)	
	2022	2021
Beginning balance at January 1	131,972	131,503
Cash capital increase	7,500	-
Conversion of convertible bonds	4,713	469
Ending balance at December 31	<u>144,185</u>	<u>131,972</u>

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(ii) Capital surplus

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

	December 31, 2022	December 31, 2021
Premium issuance	\$ 896,237	749,461
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	6,928
Expired employee stock options	30,685	30,685
Total	<u>\$ 949,023</u>	<u>807,149</u>

Premium insurance, 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.

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YFC-BONEAGLE ELECTRIC CO., LTD.

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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 Company 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 of 2021 and 2020 to be distributed in 2022 and 2021, respectively, 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 28, 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, yet to be approved by the shareholders, amounted to \$434,605, with a par value of \$3 per share.

In the shareholder's 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 distributed to the shareholders in August, 2022 amounted to \$17,000, with a par value of \$0.13 per share.

(Continued)

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

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

(iv) Other equity interest (net taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2022	\$ (414,386)
Exchange differences on foreign operation	304,333
Balance at December 31, 2022	<u>\$ (110,053)</u>
Balance at January 1, 2021	\$ (339,218)
Exchange differences on foreign operation	(75,168)
Balance at December 31, 2021	<u>\$ (414,386)</u>

(t) Share-based payment

The Company 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 Company was as follows:

	Equity-settled Cash capital increase reserved for employee subscription
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

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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

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

	Cash capital increase reserved for employee subscription
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%

The estimation of the fair value per share is based on the closing price of the common shares of the Company on the Taiwan Over-The-Counter Securities Exchange (Gre Tai Securities Market) on the granted date. The execution price is set in accordance with the Company's new share issuance of cash capital increase. The expected volatility is estimated based on the Company's daily historical stock price fluctuation data for the last three months prior. In addition, the payment period of the cash capital increase was July 19 to August 19, 2022, estimated the duration as 0.07 year. The Company did not plan to have a scheduled dividend payment, so the expected stock interest rate will be 0%.

The risk-free interest rate is calculated on the fixed interest rate of the postal savings fund for one to three months.

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

- (u) Earnings per share

The calculations of basic earnings per share and diluted earnings per share for the years 2022 and 2021 were as follow:

	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 803,702	100,385
Weighted-average number of ordinary shares	136,873	131,898
Basic earnings per share (in dollars)	\$ 5.87	0.76

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

	2022	2021
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 803,702	100,385
Interest of convertible bond	1,630	2,188
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	\$ 805,332	102,573
Weighted-average number of ordinary shares (in thousands of shares)	136,873	131,898
Effects of dilutive potential ordinary shares:		
Effects of employee stock bonus (in thousands of shares)	2,065	304
Effects of conversion of convertible bond (in thousands of shares)	3,661	5,419
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary)(in thousands of shares)	142,599	137,621
Diluted earnings per share(in dollars)	\$ 5.65	0.75
(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, 2022, and 2021, the Company accrued its remuneration to employees of \$52,181 and \$7,671 respectively; as well as its remuneration to directors amounted to \$34,787 and \$5,114, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

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 for the year 2022 amounted to \$71,000 and \$15,000, respectively. Except for the employee remuneration of \$46,000 in stock, all other remunerations are paid in cash. In addition, the actual remunerations to employees and directors for the year 2021 amounted to \$7,600 and \$5,000, respectively. The 2022 and 2021 remunerations mentioned above were based on the resolution decided during the board of directors' meetings held in 2023 and 2022, respectively.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

As the matter mentioned above, the differences between the actual amounts and the estimated 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”.

(w) Revenue from contracts with customers

(i) Details of revenue

	<u>2022</u>	<u>2021</u>
Goods sold	<u>\$ 4,773,332</u>	<u>5,221,881</u>

The Company provides its customers discounts based on the contracts and order agreements amounting to \$173,552 and \$108,155 for the year ended December 31, 2022 and 2021, respectively.

(ii) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets		
United States	\$ 3,754,404	4,146,957
China	15,799	39,602
Philippines	53,908	47,006
Taiwan	467,355	332,555
Austria	83,986	111,946
United Kingdom	93,031	99,839
Canada	14,725	53,636
Others	290,124	390,340
Total	<u>\$ 4,773,332</u>	<u>5,221,881</u>
Main products/services lines		
CABLE	\$ 1,297,931	1,894,858
POWER CORD	3,364,403	3,177,266
CONNECTOR	104,199	114,351
Others	6,799	35,406
Total	<u>\$ 4,773,332</u>	<u>5,221,881</u>
Directly to customers	<u>\$ 4,773,332</u>	<u>5,221,881</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(iii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2020</u>
Contract liabilities — advance sales receipts	<u>\$ 56,103</u>	<u>39,808</u>	<u>40,979</u>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$11,219 and \$39,194, 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.

(x) Other non-operating income and expenses

(i) Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	<u>\$ 1,194</u>	<u>807</u>

(ii) Other income

	<u>2022</u>	<u>2021</u>
Government grants	\$ 2,501	1,288
Other income	43,464	969
Total	<u>\$ 45,965</u>	<u>2,257</u>

(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Loss on disposal of property, plant, and equipment	\$ (7,928)	-
Foreign exchange gain (loss)	27,390	(18,030)
Impairment loss on non-financial assets	(104,473)	-
Other non-operating expenses	(2,149)	(5)
Other gains and losses, net	<u>\$ (87,160)</u>	<u>(18,035)</u>

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

For the year ended December 31, 2021, the loss on settled transaction of derivative financial instruments amounting to \$18 was recognized by the Company as foreign exchange loss.

There was no transaction of derivative financial instruments for the year ended December 31, 2022.

(iv) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank loans	\$ 51,523	29,257
Interest on lease liabilities	147	230
Short-term notes and bills payable	2,674	1,594
Bonds payable	1,630	2,188
Total	<u>\$ 55,974</u>	<u>33,269</u>

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

Customers of the Company are mainly concentrated in internet cables and power code products. In order to lower the credit risk of accounts receivable, the Company 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, 2022 and 2021, ten clients contributed to 87% and 89%, respectively, of the accounts receivable, hence, the Company has a significant concentration on credit risk.

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(ii) Liquidity risk

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

	<u>Carrying value</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,545,480	1,551,365	1,551,365	-	-	-
Short-term notes and bills payable	229,737	230,000	230,000	-	-	-
Notes and accounts payable (includes related parties)	379,279	379,729	379,729	-	-	-
Other payables (includes related parties)	1,257,061	1,257,061	1,257,061	-	-	-
Bonds payable (including due within one year)	16,662	16,700	16,700	-	-	-
Lease liabilities - current and noncurrent	7,338	7,460	4,178	2,274	1,008	-
Long-term borrowings (including due within one year)	785,111	803,076	494,427	71,957	153,356	83,336
Total	<u>\$ 4,220,668</u>	<u>4,245,391</u>	<u>3,933,460</u>	<u>74,231</u>	<u>154,364</u>	<u>83,336</u>
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,046,874	2,050,811	2,050,811	-	-	-
Short-term notes and bills payable	229,906	230,000	230,000	-	-	-
Notes and accounts payable (includes related parties)	848,016	848,016	848,016	-	-	-
Other payables (includes related parties)	1,186,860	1,186,860	1,186,860	-	-	-
Bonds payable (including due with one year)	128,930	131,400	-	131,400	-	-
Lease liabilities - current and non-current	14,860	15,036	9,256	3,842	1,938	-
Long-term borrowings (includes current portion)	735,736	754,574	357,280	109,111	188,055	100,128
Total	<u>\$ 5,191,182</u>	<u>5,216,697</u>	<u>4,682,223</u>	<u>244,353</u>	<u>189,993</u>	<u>100,128</u>

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

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(iii) Market risk

1) Exposure to foreign currency risk

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

	December 31, 2022			December 31, 2021		
	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD
<u>Financial assets:</u>						
<u>Monetary items</u>						
USD	\$ 63,609	30.660	1,950,252	93,765	27.630	2,590,727
EUR	747	32.520	24,292	1,265	31.120	39,367
<u>Non-monetary items</u>						
USD	184,619	30.660	5,660,427	159,138	27.630	4,396,987
<u>Financial liabilities:</u>						
<u>Monetary items</u>						
USD	49,837	30.660	1,528,002	68,180	27.630	1,883,813

2) Sensitivity analysis

The Company'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, 2022 and 2021, assuming the TWD appreciated by 1%, were decreases of \$4,465 and \$7,643, respectively. The analysis is performed on the same basis for the prior year.

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange (loss) gains (including both realized and unrealized) amounted to \$27,390 and \$(18,030), 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 Company all have related contractual agreements, and the Company 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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

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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 \$23,306 and \$27,828 for the years ended December 31, 2022 and 2021, 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 amounts 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.

(z) Financial risk management

(i) Overview

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

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

Detailed information on the exposure to risks, the Company'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 Company. The Board authorizes each department to manage different controls, with the operations and finance department mainly in charged of managing risks with regards to sales and finances and controlling the overall risk management policy of the Company. 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 Company faces. The Company 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 Company's operations. Through advocating and through the usage of management policies and operation procedures, the Company intends to develop a disciplined and constructive control environment with engaging employees who understands their own roles and responsibilities.

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(iii) Credit risk

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

1) Accounts receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company's finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company'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 Company's receivables include various categories of customers, located in different geographical area. The Company manages its customers' credit risk exposure with based on their financial condition, and will purchase credit and guarantee insurance when necessary.

The Company 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 Company's finance department. Since the Company'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 Company's policies, it is only permissible to provide financial guarantees to wholly-owned subsidiaries. For the endorsements provided to subsidiaries as of December 31, 2022, please refer to note (7)(c)(vi).

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company'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 Company 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 Company's reputation.

The Company 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 Company 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, 2022 and 2021 were \$1,016,457 and \$766,048, 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 Company'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.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company'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 Company 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 Company 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.

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YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

2) Cash flow risk related to interest rate change

Short and long-term borrowings of the Company 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-term and long-term borrowings, as well as the future cash flow.

(aa) 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 Company, capital surplus, and retained earnings. The Board controls return on capital while simultaneously overseeing the level of dividends on common stock.

The Company controls capital based on debt-to-equity ratio, which is calculated by dividing the net debt by shareholder's equity. Net debt equals to total liabilities of balance sheet minus cash and cash equivalent. Shareholder's equity equals to net debt plus all components of equity, including ordinary shares, capital surplus, retained earnings, and other equity interest.

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,350,140	5,302,043
Less : cash and cash equivalents	(452,061)	(242,876)
Net liabilities	3,898,079	5,059,167
Total equity	3,890,042	2,532,036
Adjust capital	\$ 7,788,121	7,591,203
Debt-to-equity ratio	50.0	66.6
	5%	5%

For the year ended 2022, the financial structure of the Company has vastly improved due to its cash capital increase, sales of its real estate in a non-remote area of California and strengthening of its operating capital control.

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

- (i) Please refer to note (6)(g) and (o) sets out information about the right-of-use asset had got from lease.
- (ii) Please refer to note (6)(m) and (s) for information on the conversion of convertible bonds to ordinary shares.

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YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash inflow	Cash Outflow	Non-cash changes			December 31, 2022
				Foreign exchange movement	Net increase in Right-of-us e assets	Conversion of convertible bonds and Others	
Short-term borrowings	\$ 2,046,874	3,744,096	(4,237,389)	(8,101)	-	-	1,545,480
Short-term notes and bills payable	229,906	-	(169)	-	-	-	229,737
Other payable (including related parties)	1,113,213	-	(5,774)	-	-	-	1,107,439
Bonds payable (includes current portion)	128,930	-	-	-	-	(112,268)	16,662
Lease liabilities	14,860	-	(9,431)	-	1,909	-	7,338
Long-term borrowings (includes current portion)	735,736	1,097,920	(1,048,545)	-	-	-	785,111
Total liabilities from financing activities	\$ 4,269,519	4,842,016	(5,301,308)	(8,101)	1,909	(112,268)	3,691,767

	January 1, 2021	Cash inflow	Cash Outflow	Non-cash changes			December 31, 2021
				Foreign exchange movement	Gain on repurchase of convertible bonds	Conversion of convertible bonds and Others	
Short-term borrowings	\$ 1,699,603	1,547,003	(1,198,586)	(1,146)	-	-	2,046,874
Short-term notes and bills payable	129,886	100,020	-	-	-	-	229,906
Other payable (including related parties)	1,009,265	103,948	-	-	-	-	1,113,213
Bonds payable (includes current portion)	138,370	-	-	-	-	(9,440)	128,930
Lease liabilities	13,492	-	(11,330)	-	12,698	-	14,860
Long-term borrowings (includes current portion)	717,377	827,331	(808,972)	-	-	-	735,736
Total liabilities from financing activities	\$ 3,707,993	2,578,302	(2,018,888)	(1,146)	12,698	(9,440)	4,269,519

(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

The following are entities that had transactions with the Group during the period covered in the parent company only financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
BESTLINK NETWARE INC.	Subsidiary of the Company
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	Subsidiary of the Company
UNC INVESTMENT & DEVELOPMENT INC.	Subsidiary of the Company
YUE FONG COMPANY LIMITED	Subsidiary of the Company
YFC-EUROPOWER INTERNATIONAL CO., LTD	Subsidiary of the Company
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Subsidiary of the Company
EUROPOWER INTERNATIONAL LIMITED	Subsidiary of the Company

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YFC-BONEAGLE ELECTRIC CO., LTD.

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UNIVERSAL NETWORK CORPORATION	Subsidiary of the Company
MAX SYNERGY LIMITED	Subsidiary of the Company
PREMIUM LINE ASIA LTD	Subsidiary of the Company
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD	Subsidiary of the Company
PRIME WIRE & CABLE, INC.	Subsidiary of the Company
CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD.	Subsidiary of the Company
WUXI UNIVERSAL NETWORK CORPORATION	Subsidiary of the Company
PREMIUM-LINE KSI GMBH	Subsidiary of the Company
MONOPRICE HOLDINGS INC.	Subsidiary of the Company
PREMIUM-LINE SYSTEMS GMBH	Subsidiary of the Company
YFC-BONEAGLE INTERNATIONAL INC.(PHILIPPINES)	Subsidiary of the Company
MONOPRICE, INC.	Subsidiary of the Company
BESZIN CORPORATION INC.	Subsidiary of the Company
YFC DEVELOPMENT CORPORATION	Subsidiary of the Company
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Subsidiary of the Company
All directors and general managers, etc.	Key management personnel

(c) Significant related-party transaction

(i) Sales to related parties

Significant sales transactions between the Company and its related parties were as follows:

	2022	2021
MONOPRICE, INC.	\$ 16,258	321,572
PREMIUM LINE ASIA LTD	105,547	129,851
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	53,538	54,975
PRIME WIRE & CABLE, INC.	612,982	1,474,783
BESTLINK NETWARE INC.	-	113,085
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	-	5,592
WUXI UNIVERSAL NETWORK CORPORATION	3,567	3,518
YFC-EUROPOWER INTERNATIONAL CO., LTD	176,197	-
Total	\$ 968,089	2,103,376

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YFC-BONEAGLE ELECTRIC CO., LTD.

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The prices of manufactured products sold to subsidiaries are the same as those of the general customers, with payment term of OA 60-120 days, depending on the customer's collection status.

As of December 31, 2022, the decrease of \$378 in the unrealized profit to subsidiaries incurred by the Company was recognized as shares of profit from subsidiaries accounted for using equity method.

As of December 31, 2021, the decrease of \$21,530 in the unrealized profit to subsidiaries incurred by the Company was recognized as shares of profit from subsidiaries accounted for using equity method.

(ii) Purchases from related parties

Significant purchases transactions between the Company and related parties were as follows:

	<u>2022</u>	<u>2021</u>
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	\$ 301,772	780,209
WUXI UNIVERSAL NETWORK CORPORATION	1,898,633	2,607,792
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS,CORPORATION	<u>613,012</u>	<u>175,171</u>
Total	<u>\$ 2,813,417</u>	<u>3,563,172</u>

Purchase price from related parties was based on a percentage of gross profit, with the payment term of OA 90 days, depending on the customer's collection status.

The Company purchased finished goods from its related parties, including sales of raw materials amounting to \$41,411 and \$16,113 for the year ended December 31, 2022 and 2021, respectively. Also, the sales of raw materials were written off in preparing the financial statements.

YFC-BONEAGLE ELECTRIC CO., LTD.
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(iii) Receivable from related parties

The receivables were as follows:

	December 31, 2022	December 31, 2021
MONOPRICE, INC.	\$ -	199,823
PREMIUM LINE ASIA LTD	26,240	44,413
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	49,266	18,088
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS,CORPORATION	73,463	-
PRIME WIRE & CABLE, INC.	100,968	756,283
BESTLINK NETWARE INC.	-	10,717
WUXI UNIVERSAL NETWORK CORPORATION	11,288	1,256
PREMIUM-LINE KSI GMBH	-	872
YFC-EUROPOWER INTERNATIONAL CO., LTD	139,881	16,239
Total	<u>\$ 401,106</u>	<u>1,047,691</u>

The other receivables were as follows:

	December 31, 2022	December 31, 2021
PREMIUM LINE ASIA LTD	\$ 511	148
EUROPOWER INTERNATIONAL LIMITED	-	119
YFC-EUROPOWER INTERNATIONAL CO., LTD	268,858	129,076
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS,CORPORATION	76	160,281
BESTLINK NETWARE INC.	-	3,324
Total	<u>\$ 269,445</u>	<u>292,948</u>

Other receivables were prepaid expenses and goods made on behalf of the subsidiaries by the Company and collected sales on behalf of the Company by its subsidiaries.

YFC-BONEAGLE ELECTRIC CO., LTD.
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(iv) Payable to related parties

The accounts payable were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
WUXI UNIVERSAL NETWORK CORPORATION	\$ 249,274	462,510
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	14,538	110,670
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS,CORPORATION	-	120,598
Total	<u>\$ 263,812</u>	<u>693,778</u>

The other payables were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
EUROPOWER INTERNATIONAL LIMITED	<u>\$ 24,400</u>	<u>21,988</u>

Other payables were the collected sales on behalf of the subsidiaries by the Company.

(v) Loans

1) Loans provided by the Company to related parties were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
YFC-BONEAGLE INTERNATIONAL INC. (PHILIPPINES)	\$ -	21,916
YUE FONG COMPANY LIMITED	15,330	8,289
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS, CORPORATION	85,848	53,326
Total	<u>\$ 101,178</u>	<u>83,531</u>

Loans, without collateral, provided by the Company to its related parties bear interest rates the same as those provided by the banks to the Company. Due to having no credit risk, no provision were required.

Accounts receivable from YFC BONEAGLE INTERNATIONAL INC. (PHILIPPINES), with over due of 91 days recognized as loans to related parties.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

- 2) Loans provided by related parties to the Company were as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
EUROPOWER INTERNATIONAL LIMITED	\$ 705,180	884,160
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD	49,669	118,533
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	<u>352,590</u>	<u>110,520</u>
Total	<u>\$ 1,107,439</u>	<u>1,113,213</u>

Loans to the Company were unsecured, thus, no interest is required.

- (vi) Endorsements and guarantees

- 1) The amounts of endorsements and guarantees provided by the Group to its related parties for their loans were as follows:

	<u>2022</u>		
	<u>Maximum endorsement amount approved by the Board of Directors</u>	<u>Ending balance</u>	<u>Collateral</u>
YFC-EUROPOWER INTERNATIONAL CO., LTD	\$ 100,000	100,000	Promissory note of parent company
WUXI UNIVERSAL NETWORK CORPORATION	1,086,530	799,488	Promissory note of parent company
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD	<u>160,825</u>	<u>153,300</u>	Promissory note of parent company
Total	<u>\$ 1,347,355</u>	<u>1,052,788</u>	

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

	2021		
	Maximum endorsement amount approved by the Board of Directors	Ending balance	Collateral
YFC-EUROPOWER INTERNATIONAL CO., LTD	\$ 100,000	100,000	Promissory note of parent company
WUXI UNIVERSAL NETWORK CORPORATION	984,264	972,314	Promissory note of parent company
YFC-BONEAGLE INTERNATIONAL INC.(PHILIPPINES)	55,600	55,260	Promissory note of parent company
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD	139,000	138,150	Promissory note of parent company
Total	\$ 1,278,864	1,265,724	

(vii) Other

Recognized item	Name of related party	2022	2021
Other revenue	YFC-EUROPOWER INTERNATIONAL CO., LTD	\$ 39,350	-
Interest revenue	WUXI UNIVERSAL NETWORK CORPORATION	-	712
Total		\$ 39,350	712

In 2022, the Company provided human resources support for the management and accounting services of its subsidiary, YFC-EUROPOWER INTERNATIONAL CO., LTD., resulting in the Company to recognize the management service income as non-operating income and expenses - other revenue.

The loan from the Company carried an interest rate of 1% in 2021; while there was no interest rate in 2022.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 46,663	24,452
Post-employment benefits	596	596
Total	\$ 47,259	25,048

For the years ended December 31, 2022, the Company rented 2 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$3,559 and the balance of lease liabilities amounted to \$5,428 (including current and non-current).

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

For the years ended December 31, 2021, the Company rented 3 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$3,397 and the amount of rent expense recognized was \$149, the balance of lease liabilities amounted to \$8,885 (including current and non-current).

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land, plant, and buildings	Long-term borrowings	\$ 249,841	252,512
Guarantee deposits paid	Customs security deposits	331	331
Total		<u>\$ 250,172</u>	<u>252,843</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

<u>Supplier</u>	<u>Contract Period</u>	<u>Pricing Terms</u>	<u>Product</u>	<u>Breach Clause</u>
A	2022.01~2022.12	Average price (in USD) listed in LME of the previous month, plus, US\$145, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,400 per ton of conversion cost	1,200~3,600 tons of copper wire	Late payment surcharge at 10% annual rate
F	2022.01~2022.12	Average price (in USD) listed in LME of the previous month, plus, US\$145, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,900 per ton of conversion cost	920~1,690 tons of copper wire	1.Late payment surcharge at 10% annual rate 2.Supplier can demand back parts of the unpaid purchased wires upon overdue

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused letters of credit	\$ -	<u>2,573</u>

(iii) Unused letters of credit: None.

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events: Please refer to note 6(s)(iii).

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(12) Other:

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

by Nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	52,263	115,555	167,818	51,488	64,324	115,812
Labor and health insurance	5,097	5,899	10,996	4,621	5,504	10,125
Pension	1,685	3,007	4,692	1,657	2,982	4,639
Remuneration of directors	-	36,274	36,274	-	6,575	6,575
Other employee benefits	2,764	1,782	4,546	2,501	1,565	4,066
Depreciation	19,197	5,704	24,901	23,284	5,214	28,498
Amortization	1,360	580	1,940	1,545	739	2,284

The numbers of employees and additional information of employee benefit of the Company for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>168</u>	<u>164</u>
Number of directors who were not employees	<u>7</u>	<u>6</u>
The average employee benefit	<u>\$ 1,168</u>	<u>852</u>
The average salaries and wages	<u>\$ 1,042</u>	<u>733</u>
The adjustment of the average salaries and wages	<u>42.16%</u>	<u>(8.49)%</u>
Renumeration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy, including directors, managers, and employees, is as follows:

The remuneration of internal directors depends on the Company's operational performance and the extent of individual director involved in corporate management activities according to the weight distribution for reasonable remuneration.

The Company's independent directors are not included in the surplus distribution of directors; instead, the Company awards them with an annual fixed remuneration based on their administrative task and responsibility.

The Company's manager and employee salaries include monthly salaries, performance bonus based on each individuals operational performance, and employee remuneration. The awards to managers and employees depends on their corresponding job title, contribution to the Company, as well as their performance.

The Company's surplus distribution as remuneration to directors and employees is discussed and approved by the Remuneration Committee and submitted to the Board of Directors for resolution.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(a) Information on significant transactions:

The following is the information on significant transactions for the years ended December 31, 2022 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	WUXI UNIVERSAL	Other receivables	Yes	35,848 (RMB8,000 thousand)	-	-	-	1	1,898,633	Business operation	-	-	-	1,898,633	1,898,633
0	The Company	YUE FONG COMPANY LIMITED	Other receivables	Yes	23,736 (USD800 thousand)	15,330 (USD500 thousand)	15,330	-	2	-	Business operation	-	-	-	972,511	1,556,017
0	The Company	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Other receivables	Yes	171,842 (USD5,840 thousand)	85,848 (USD2,800 thousand)	85,848	-	1	613,016	Business operation	-	-	-	613,016	613,016
1	PRIME WIRE & CABLES INC.	BESTLINK NETWARE INC.	Other receivables	Yes	48,248 (USD1,500 thousand)	45,990 (USD1,500 thousand)	-	2.30~3.25%	2	-	Business operation	-	-	-	1,047,762	1,047,762
2	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	Other receivables	Yes	53,311 (EUR1,676 thousand)	-	-	-	2	-	Business operation	-	-	-	800,837	800,837
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL INC.	Other receivables	Yes	157,863 (USD4,908 thousand)	19,929 (USD650 thousand)	-	0~1.15%	2	-	Business operation	-	-	-	800,837	800,837
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	1,035,075 (USD37,000 thousand)	797,160 (USD26,000 thousand)	705,180	-	2	-	Business operation	-	-	-	800,837	800,837
3	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	Other receivables	Yes	160,825 (USD5,000 thousand)	153,300 (USD5,000 thousand)	49,669	-	2	-	Business operation	-	-	-	1,393,448	1,393,448
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	96,495 (USD3,000 thousand)	91,980 (USD3,000 thousand)	87,678	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	The Company	Other receivables	Yes	466,393 (USD14,500 thousand)	444,570 (USD14,500 thousand)	352,590	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	PREMIUM-LINE KSI GMBH	Other receivables	Yes	55,284 (USD1,700 thousand)	55,284 (USD1,700 thousand)	54,518	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC BONEAGLE INTERNATIONAL INC.	Other receivables	Yes	138,310 (USD4,300 thousand)	131,838 (USD4,300 thousand)	130,548	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
5	UNC INVESTMENT & DEVELOPMENT, INC.	PRIME WIRE & CABLE, INC.	Other receivables	Yes	524,280 (USD17,000 thousand)	521,220 (USD17,000 thousand)	521,220	3%	2	-	Business operation	-	-	-	1,415,199	1,415,199
5	UNC INVESTMENT & DEVELOPMENT, INC.	MONOPRICE, INC.	Other receivables	Yes	308,400 (USD10,000 thousand)	306,600 (USD10,000 thousand)	306,600	3%	2	-	Business operation	-	-	-	1,415,199	1,415,199

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.

Notes to Parent-Company-Only Financial Statements

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.

(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	1, 2	3,890,042	1,086,530	799,488	201,231	-	20.55%	7,780,084	Y	N	Y
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1, 2	3,890,042	100,000	100,000	40,470	-	2.57%	7,780,084	Y	N	N
0	The Company	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	1, 2	3,890,042	160,825	153,300	42,280	-	3.95%	7,780,084	Y	N	N
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1, 2	3,890,042	58,850	-	-	-	- %	7,780,084	Y	N	N
1	PRIME WIRE & CABLE, INC.	UNC INVESTMENT & DEVELOPMENT, INC	1, 4	1,047,762	454,359	-	-	-	- %	2,095,524	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.

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YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

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

Note 1: In 2015, the Company 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, 2022.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount (Note 2)	Amount actually receivable	Gain from disposal (Note 2)	Counter-party	Nature of relationship	Purpose of disposal	Price reference (Note 3)	Other terms
UNCINVESTMENT & DEVELOPMENT, INC.	Land and buildings	(Note 1)	2013.3.22	447,321	2,625,735	The full amount had been received after the deed transfer.	2,029,815	Atlantic SPC Acquisition Holdings, LLC	None	Enrich the working capital of the Group	2,566,059	(Note 4)

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

Note 2: The selling price, selling expense, and income tax, amounted to \$2,625,735 (USD88,000 thousand), \$86,205 (USD2,889 thousand), and \$623,612 (USD20,900 thousand), respectively. Moreover, the deduction of above selling price of \$2,625,735, minus the carrying amount of \$447,321, less the unrealized gain on the sale-leaseback of \$148,599, resulted in the gain on disposal of \$2,029,815.

Note 3: The appraisal amount of \$2,566,059 (USD86,000 thousand), which was similar to the fair value, was based on the report issued by a professional appraiser.

Note 4: The Group subsequently agreed with the seller to lease back the warehouse for 18 months, which were recognized in right-of-use asset and lease, after the completion of the deed transfer for its operational use and to facilitate the relocation of its warehouse thereafter.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details (Note 4)				Transactions with terms different from others		Notes/Accounts receivable (payable) (Note 4)		Note
			Purchase/Sale	Amount (Note 1)	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance (Note 2)	Percentage of total notes/accounts receivable (payable)	
The Company	DONGGUAN YFC	Parent company to subsidiary	Purchases	301,772 (USD10,363 thousand)	7.05%	OA 90 days	-	-	(14,538) (USD474 thousand)	(3.49)%	
The Company	WUXI UNIVERSAL	Parent company to subsidiary	Purchases	1,898,633 (USD64,836 thousand)	44.36%	OA 90 days	-	-	(249,274) (USD8,130 thousand)	(59.84)%	

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Parent company to subsidiary	Purchases	613,012 (USD20,860 thousand)	14.32%	OA 60 days	-	-	-	-	-	-
YFC-BONEAGLE ELECTRONIC TECHNOLOGY	DONGGUAN YFC	Subsidiary to subsidiary	Purchases	112,575 (USD3,818 thousand)	17.62%	OA 90 days	-	-	(63,918)	(13.48)%	(USD2,085 thousand)	
YFC-BONEAGLE ELECTRONIC TECHNOLOGY	WUXI UNIVERSAL	Subsidiary to subsidiary	Purchases	152,687 (USD5,231 thousand)	23.89%	OA 90 days	-	-	(127,953)	(26.99)%	(USD248 thousand)	
PRIME WIRE & CABLE, INC.	The Company	Subsidiary to parent company	Purchase	612,982 (USD20,755 thousand)	27.90%	OA 90 days	-	-	(99,376)	(100.00)%	(USD3,297 thousand)	
BESTLINK NETWORK INC.	YFCEUROPOWERINTERNATIONAL CO., LTD	Subsidiary to subsidiary	Purchase	256,371 (USD8,730 thousand)	89.08%	OA 90 days	-	-	(131,054)	(100.00)%	(USD4,512 thousand)	
YFC-EUROPOWER INTERNATIONAL CO., LTD	The Company	Subsidiary to parent company	Purchase	176,197 (USD5,905 thousand)	24.98%	OA 90 days	-	-	(98,564)	(42.92)%	(USD3,215 thousand)	
MONOPRICE, INC.	YFC-EUROPOWER INTERNATIONAL CO., LTD	Subsidiary to subsidiary	Purchase	516,058 (USD17,027 thousand)	36.33%	OA 60 days	-	-	(427,417)	(66.58)%	(USD13,941 thousand)	

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 29.8379.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 30.6600.

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) of the consolidated financial report.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	Parent company to subsidiary	Other receivable: 268,858	2.76	-	-	10,463	-
WUXI UNIVERSAL	The Company	Subsidiary to parent company	Accounts receivable: 249,274	5.33	-	-	220,319	-
WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Subsidiary to subsidiary	Accounts receivable: 127,953	1.54	-	-	6,888	-
YFC-EUROPOWER INTERNATIONAL CO., LTD	BESTLINK NETWORK INC.	Subsidiary to subsidiary	Accounts receivable: 131,054	2.16	-	-	37,943	-
YFC-EUROPOWER INTERNATIONAL CO., LTD	MONOPRICE INC.	Subsidiary to subsidiary	Accounts receivable: 427,417	1.82	-	-	167,882	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of March 3, 2023.

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 29.8379.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 30.6600.

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

(ix) Trading in derivative instruments: None.

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Investment income (loss)	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	B.V.I.	Holding company set up for investments in Philippines, China and USA	1,794,633 (USD54,876 thousand)	1,781,915 (USD54,423 thousand)	53,906	100.00%	3,367,164	17,139	(39,249)	The difference between the subsidiary's profit and loss, and the Company's recognized profit and loss was due to the decreasing in downstream unrealized gain amounting to \$378 and the increasing in sidestream unrealized gain of \$22,488.
"	BESTLINK NETWORK INC.	USA	Trading business	31,393 (USD1,000 thousand)	31,393 (USD1,000 thousand)	1,000	100.00%	56,203	12,282	12,282	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50 thousand)	1,496 (USD50 thousand)	50	100.00%	1,415,199	1,319,471	1,319,471	
"	PREMIUM-LINE KSL GMBH	Austria	Trading business	28,193 (EUR600 thousand)	28,193 (EUR600 thousand)	-	100.00%	(57,115)	(6,484)	(6,484)	
"	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%	821,861	(321,831)	(321,831)	
"	PREMIUM-LINE SYSTEMS GMBH	Germany	Trading business	1,077 (EUR30 thousand)	1,077 (EUR30 thousand)	-	100.00%	-	-	-	
"	YUE FONG COMPANY LIMITED	Vietnam	Trading business	5,989 (USD200 thousand)	5,989 (USD200 thousand)	-	100.00%	(8,582)	(4,441)	(4,441)	
"	YFC-EUROPOWER INTERNATIONAL CO., LTD	Taiwan	Trading business	500	500	50	100.00%	25,262	16,580	16,580	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Caymans	Holding company set up for investments in China and USA	752,008 (USD22,807 thousand)	752,008 (USD22,807 thousand)	22,807	100.00%	1,393,448	(100,836)	(100,836)	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I	Trading business	161,778 (USD4,890 thousand)	161,778 (USD4,890 thousand)	4,890	100.00%	800,837	(24,123)	(24,123)	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	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%	656,740	110,826	110,826	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720 thousand)	23,392 (USD720 thousand)	720	80.00%	25,656	2,344	1,875	
"	PREMIUM LINE ASIA LTD.	Samoa	Trading business	1,472 (USD50 thousand)	1,472 (USD50 thousand)	50	100.00%	576	67	67	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	18,558 (USD653 thousand)	5,840 (USD200 thousand)	653	100.00%	(756)	11,807	11,807	
"	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20 thousand)	608 (USD20 thousand)	75	100.00%	544	-	-	
"	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%	(80,385)	(26,932)	(26,932)	
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100 thousand)	3,085 (USD100 thousand)	1,000	100.00%	14,183	33	33	
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	PRIME WIRE & CABLE, INC.	USA	Sale of electronic calculator software and hardware, network equipment and electronic appliances	511,700 (USD15,500 thousand)	511,700 (USD15,500 thousand)	15,500	100.00%	1,047,762	(54,222)	(54,222)	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507 thousand)	1,031,853 (USD32,507 thousand)	500	100.00%	821,861	(321,831)	(321,831)	

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Carrying amount as of December 31, 2022	Accumulated remittance of earnings in current period
					Outflow	Inflow						
DONGGUAN YFC	Manufacturing and sale of power cables, wires, and outlets	241,998 (USD7,387 thousand)	(2)	240,494 (USD7,007 thousand)	-	-	240,494 (USD7,007 thousand)	(51,590)	100.00%	(51,590) (1)	318,799	-
WUXI UNIVERSAL	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)	112,348	100.00%	112,348 (1)	653,621	-
CHENZHOU YFC	Processing and sale of communication products and internet cables	9,593 (USD300 thousand)	(2)	9,593 (USD300 thousand)	-	-	9,593 (USD300 thousand)	4,242	100.00%	4,242 (1)	127	-
INTERNATIONAL TRADING (WUXI)	Sale of electronic calculator software and hardware, network equipment and electronic appliances	31,032 (USD1,000 thousand)	(2)	23,381 (USD753 thousand)	-	-	23,381 (USD753 thousand)	-	-	- (1)	-	-
T-MARK	Wholesaling business	900,877 (HKD234,228 thousand)	(2)	167,022 (HKD42,000 thousand)	-	-	167,022 (HKD42,000 thousand)	-	15.81%	- (2)	(Note 6)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3 and 4)	Upper Limit on Investment (Note 5)
1,084,829 (USD33,643 thousand)	1,101,189 (USD34,022 thousand)	-

Note 1: The method of investments are as follows:

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

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

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

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

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

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

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

Note 7: 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 Company and the investee companies in Mainland China during the years ended December 31, 2022 .

(d) Major shareholders: No shareholders holding more than 5% of the shares. .

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD.
Notes to Parent-Company-Only Financial Statements

(14) Segment information:

Please refer the consolidated financial statements for the year ended December 31, 2022.

V. FY2022 Consolidated Financial Statements

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, 2022 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 28, 2023



安侯建業聯合會計師事務所

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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, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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 (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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)(v).

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.

3. Impairment assessment of goodwill and trademark

Please refer to note (4)(l), note (6)(h), and note (5), for significant accounting policy for the valuation of impairment of non-financial assets of intangible assets, disclosures of intangible assets, and material judgments of accounting policies, respectively.

Description of key audit matter:

In 2016, the Group acquired MONOPRICE, a US brand e-commerce company, wherein the intangible assets, such as goodwill and trademark of an indefinite age, had been recognized by the Group due to the operation of the e-commerce platform that was affected by factors such as changes in the market environment and competition among the ecommerce platform, in which the goodwill and trademark generated by the acquisition mentioned above had a significant impact on the consolidated financial statements. Therefore, the assessment of impairment for goodwill and trademark is one of our key audit matters.

How the matter was addressed in our audit:

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

- Understanding and evaluating (i) the management's identification and adoption of cash-generating units for goodwill and trademark, as well as (ii) the internal and external information for impairments
- Obtaining and evaluating the reasonableness of the parameters and assumptions for the recoverable amount of cash-generating units for MONOPRICE calculated by the management, as well as performing sensitivity analysis.
- Evaluating the achievement of past forecasts based on actual operating results to verify the accuracy of management's forecasts.
- Assessing the adequacy of the Group's disclosures in impairment of goodwill and trademark.

Other Matter

YFC-BONEAGLE ELECTRIC CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, 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 auditors' 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 Fang-Yi Lee and Chiu-Hua Hsieh.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2023

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are the Standards on Auditing of the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial
Statements Originally Issued in Chinese)

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 2,100,360	21	702,518	7	2100	Short-term borrowings (note 6(j))	\$ 2,023,640	20	2,917,638	28
1150-70	Notes and accounts receivable (note 6(b))	2,132,348	21	2,662,901	25	2110	Short-term notes and bills payable (note 6(k))	229,737	2	229,906	2
1200	Other receivables, net (note 6(c))	29,918	-	21,714	-	2130	Current contract liabilities (note 6(v))	84,422	1	96,291	1
1220	Current tax assets	81,639	1	78,882	1	2150-70	Notes and accounts payable	829,852	8	928,462	9
130X	Inventories (note 6(d))	3,120,018	32	4,052,841	39	2200	Other payables (note 6(n))	708,542	7	554,721	6
1410	Prepayments	452,446	4	341,886	3	2230	Current tax liabilities	8,467	-	21,228	-
1470	Other current assets (note 6(i))	12,657	-	11,764	-	2251	Current provisions for employee benefits	31,123	-	28,044	-
	Total current assets	<u>7,929,386</u>	<u>79</u>	<u>7,872,506</u>	<u>75</u>	2280	Current lease liabilities (note 6(o))	209,962	2	113,353	1
Non-current assets:						2365	Refund liabilities-current (note 6(n))	59,719	1	67,863	1
1600	Property, plant and equipment (notes 6(f) and 8)	1,053,309	10	1,366,954	13	2320	Long-term liabilities, current portion (notes 6(l), (m) and 8)	1,205,792	12	215,377	2
1755	Right-of-use assets (note 6(g))	422,627	4	477,956	5	2300	Other current liabilities (note 6(p))	4,012	-	5,583	-
1780	Intangible assets (note 6(h))	422,371	4	428,216	4		Total current liabilities	<u>5,395,268</u>	<u>53</u>	<u>5,178,466</u>	<u>50</u>
1840	Deferred tax assets (note 6(r))	199,848	2	213,406	2	Non-Current liabilities:					
1915	Prepayments for business facilities	1,409	-	16,223	-	2530	Bonds payable (note 6(m))	-	-	128,930	1
1900	Other non-current assets (notes 6(i), (q) and 8)	71,652	1	66,942	1	2540	Long-term borrowings (notes 6(l) and 8)	394,992	4	2,153,868	21
	Total non-current assets	<u>2,171,216</u>	<u>21</u>	<u>2,569,697</u>	<u>25</u>	2570	Deferred tax liabilities (note 6(r))	52,301	1	42,434	-
	Total assets	<u>\$ 10,100,602</u>	<u>100</u>	<u>10,442,203</u>	<u>100</u>	2580	Non-current lease liabilities (note 6(o))	352,398	3	381,288	4
						2600	Other non-current liabilities (note 6(p))	10,470	-	20,519	-
							Total non-current liabilities	<u>810,161</u>	<u>8</u>	<u>2,727,039</u>	<u>26</u>
							Total liabilities	<u>6,205,429</u>	<u>61</u>	<u>7,905,505</u>	<u>76</u>
						Equity attributable to owners of parent (notes 6(m), (s) and (t)):					
						3110	Ordinary share	1,438,682	14	1,319,723	12
						3130	Bond conversion entitlement certificates	3,169	-	-	-
							Subtotal	<u>1,441,851</u>	<u>14</u>	<u>1,319,723</u>	<u>12</u>
						3200	Capital surplus	949,023	9	807,149	8
						3300	Retained earnings	1,609,221	17	819,550	8
						3400	Other equity interest	(110,053)	(1)	(414,386)	(4)
							Total equity attributable to owners of parent	<u>3,890,042</u>	<u>39</u>	<u>2,532,036</u>	<u>24</u>
						36XX	Non-controlling interests	5,131	-	4,662	-
							Total equity	<u>3,895,173</u>	<u>39</u>	<u>2,536,698</u>	<u>24</u>
							Total liabilities and equity	<u>\$ 10,100,602</u>	<u>100</u>	<u>10,442,203</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of 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, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Operating revenue (note 6(v))	\$ 11,670,625	100	12,446,928	100
5110	Operating costs (notes 6(d), (o), (q), (w) and 12):	9,383,808	80	9,814,429	79
5900	Gross profit from operations	<u>2,286,817</u>	<u>20</u>	<u>2,632,499</u>	<u>21</u>
	Operating expenses (notes 6(b), (o), (q), (t), (w), 7 and 12):				
6100	Selling expenses	1,895,362	17	1,753,176	14
6200	Administrative expenses	707,275	6	626,482	5
6300	Research and development expenses	43,883	-	47,436	-
6450	Expected credit loss (gain)	10,779	-	(7,194)	-
6000	Total operating expenses	<u>2,657,299</u>	<u>23</u>	<u>2,419,900</u>	<u>19</u>
6900	Operating (loss) income	<u>(370,482)</u>	<u>(3)</u>	<u>212,599</u>	<u>2</u>
	Non-operating income and expenses (notes 6(m), (o) and (x)):				
7010	Other income	9,537	-	55,417	-
7020	Other gains and losses, net	1,952,974	16	(32,743)	-
7100	Interest income	7,056	-	838	-
7050	Finance costs, net	(160,868)	(1)	(103,727)	(1)
7000	Total non-operating income and expenses	<u>1,808,699</u>	<u>15</u>	<u>(80,215)</u>	<u>(1)</u>
7900	Profit from continuing operations before tax	1,438,217	12	132,384	1
7950	Less: Income tax expenses (note 6(r))	634,046	5	33,088	-
	Profit	<u>804,171</u>	<u>7</u>	<u>99,296</u>	<u>1</u>
8300	Other comprehensive income:				
8310	Items that not be reclassified subsequently to profit or loss(note(6)(q))				
8311	Gains on remeasurements of defined benefit plans	2,969	-	2,241	-
8349	Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that may not be reclassified subsequently to profit or loss	<u>2,969</u>	<u>-</u>	<u>2,241</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss (notes 6(r) and (s))				
8361	Exchange differences on translation of foreign operation	380,416	4	(93,960)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	76,083	1	(18,792)	-
	Total items that may be reclassified subsequently to profit or loss	<u>304,333</u>	<u>3</u>	<u>(75,168)</u>	<u>(1)</u>
8300	Other comprehensive income (loss)	<u>307,302</u>	<u>3</u>	<u>(72,927)</u>	<u>(1)</u>
8500	Total comprehensive income (loss)	<u>\$ 1,111,473</u>	<u>10</u>	<u>26,369</u>	<u>-</u>
	Profit attributable to:				
8610	Profit attributable to owners of parent	\$ 803,702	7	100,385	1
8620	Profit (loss) attributable to non-controlling interests	469	-	(1,089)	-
8600	Net profit	<u>\$ 804,171</u>	<u>7</u>	<u>99,296</u>	<u>1</u>
	Comprehensive income attributable to:				
8710	Comprehensive income (loss) attributable to owners of parent	\$ 1,111,004	10	27,458	-
8720	Comprehensive income (loss) attributable to non-controlling interests	469	-	(1,089)	-
8700	Comprehensive income (loss)	<u>\$ 1,111,473</u>	<u>10</u>	<u>26,369</u>	<u>-</u>
	Earnings per share (in NT dollars) (note 6(u))				
9750	Basic earnings per share	<u>\$ 5.87</u>		<u>0.76</u>	
9850	Diluted earnings per share	<u>\$ 5.65</u>		<u>0.75</u>	

See accompanying notes to consolidated financial statements.

(English Translation of 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital							Retained earnings			Total other equity interest	Total equity
	Ordinary shares	Bond conversion entitlement certificates	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-control interests	
Balance at January 1, 2021	\$ 1,310,466	4,570	1,315,036	800,209	192,959	196,131	459,834	848,924	(339,218)	2,624,951	6,770	2,631,721
Profit (loss)	-	-	-	-	-	-	100,385	100,385	-	100,385	(1,089)	99,296
Other comprehensive income	-	-	-	-	-	-	2,241	2,241	(75,168)	(72,927)	-	(72,927)
Total comprehensive income	-	-	-	-	-	-	102,626	102,626	(75,168)	27,458	(1,089)	26,369
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	30,359	-	(30,359)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	143,087	(143,087)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(132,000)	(132,000)	-	(132,000)	-	(132,000)
Conversion of convertible bonds	-	4,687	4,687	6,940	-	-	-	-	-	11,627	-	11,627
Conversion of certificates of bonds conversion entitlement	9,257	(9,257)	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,019)	(1,019)
Balance at December 31, 2021	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	-	-	-	-	-	-	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 payments 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)	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	\$ 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

See accompanying notes to consolidated financial statements.

(English Translation of 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,438,217	132,384
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	243,632	212,503
Amortization expense	34,021	41,957
Expected credit loss (gain)	10,779	(7,194)
Interest expense	160,868	103,727
Interest income	(7,056)	(838)
Share-based payments	2,604	-
(Gain) loss on disposal of property, plan and equipment	(2,007,544)	2,049
Loss on disposal of investments	-	88
Impairment loss of non-financial assets	104,473	-
Unrealized foreign exchange loss	27,291	13,326
Government loan forgiveness reclassified as other income	-	(41,214)
Total adjustments to reconcile profit	(1,430,932)	324,404
Changes in operating assets and liabilities:		
Notes and accounts receivable	626,588	(173,420)
Other receivables	(7,688)	(442)
Inventories	1,289,527	(1,305,393)
Prepayments	(71,797)	(32,772)
Other current assets and right to the return goods	400	4,627
Total changes in operating assets	1,837,030	(1,507,400)
Notes and accounts payable	(252,660)	6,978
Other payables	96,682	(66,793)
Refund liabilities and provisions for employee benefits	(14,726)	(18,301)
Other current liabilities and contract liabilities	(22,265)	(42,635)
Other non-current liabilities	413	1,668
Total changes in operating liabilities	(192,556)	(119,083)
Total changes in operating assets and liabilities	1,644,474	(1,626,483)
Total adjustments	213,542	(1,302,079)
Cash inflow (outflow) generated from operations	1,651,759	(1,169,695)
Interest received	7,054	839
Interest paid	(158,890)	(100,836)
Income taxes paid	(63,066)	(144,030)
Net cash flows from (used in) operating activities	1,436,857	(1,413,722)

See accompanying notes to consolidated financial statements.

(English Translation of 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) investing activities:		
Proceeds from disposal of subsidiaries	-	8,438
Acquisition of property, plant and equipment	(194,039)	(136,081)
Proceeds from disposal of property, plant and equipment	2,656,868	4,316
Income taxes paid for disposal of property, plant and equipment	(623,612)	-
Acquisition of intangible assets	(85,591)	(36,352)
Increase (decrease) in other financial assets and non-current assets	2,537	(28,773)
Increase in prepayments for business facilities	(1,842)	(18,684)
Net cash flows from (used in) investing activities	1,754,321	(207,136)
Cash flows from (used in) financing activities:		
Increase in short-term loans	5,156,538	3,412,480
Decrease in short-term loans	(6,057,294)	(2,826,574)
(Decrease) increase in short-term notes and bills payable	(169)	100,020
Proceeds from long-term debt	1,169,531	2,016,712
Repayments of long-term debt	(2,101,553)	(969,785)
Payment of lease liabilities	(164,773)	(97,878)
(Decrease) in other non-current liabilities	(10,959)	(1,448)
Cash dividends paid	(17,000)	(132,000)
Proceeds from cash capital increase	147,500	-
Change in non-controlling interests	-	329
Net cash flows (used in) from financing activities	(1,878,179)	1,501,856
Effect of exchange rate changes on cash and cash equivalents	84,843	(17,296)
Net increase (decrease) in cash and cash equivalents	1,397,842	(136,298)
Cash and cash equivalents at beginning of period	702,518	838,816
Cash and cash equivalents at end of period	\$ 2,100,360	702,518

See accompanying notes to consolidated financial statements.

(English Translation of 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, 2022 and 2021

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

(1) Company history

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

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

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

The consolidated financial statements for the years ended December 31, 2022 and 2021 were authorized for issue by the board of directors on March 28, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities will Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant 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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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		Note
			December 31, 2022	December 31, 2021	
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. (Note 1)	Trading business	100%	100%	"
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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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%	100%	"
UNIVERSAL	WUXI UNIVERSAL NETWORK CORPORATION (WUXI) (Note 2)	Manufacturing and sale of high-speed high-frequency LAN cables	100%	100%	"

Note 1: The parent company remitted the investment amount of \$500 to the Company in April 2021 for the investment and establishment of its new subsidiary, YFC-EUROPOWER INTERNATIONAL CO., LTD.

Note 2: The Group sold 94.5% of the equity of YFC INRENATIONAL TRADING (WUXI) CO., LTD. at the price of \$23,069 to a non-controlling interest on August 31, 2021, resulting in a loss of the control over it.

(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.

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

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

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 should be measured at fair value through profit or loss if the financial liabilities are held-for-trading, derivative financial instruments, or originally mandatory classified. The financial liabilities at fair value through profit or loss are measured at fair value; and the related net gain or loss, including any interest expense, are 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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

(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.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 1~10 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.

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.

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Notes to Consolidated Financial Statements

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 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.

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.

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Notes to Consolidated Financial Statements

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.

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 is 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.

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.

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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.

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

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Notes to Consolidated Financial Statements

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.

(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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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(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.

(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

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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 affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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.

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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.

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

In preparing these 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.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

The assessment of impairment of intangible assets with non-indefinite useful lives (including goodwill and trademark) requires the Group to make subjective judgments to identify CGUs, allocate the goodwill and trademark to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(h) for further description of the impairment of goodwill and trademark.

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:

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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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 1,435	1,059
Demand deposits	2,026,072	560,324
Check deposits	72,369	137,495
Time deposits	484	3,640
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 2,100,360</u>	<u>702,518</u>

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

(b) Notes and accounts receivables

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	\$ 40,016	23,605
Accounts receivable - measured as amortized cost	2,146,445	2,678,311
Less: Loss allowance	(54,113)	(39,015)
Net	<u>\$ 2,132,348</u>	<u>2,662,901</u>

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

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	December 31, 2022		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
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	14,315	100%	14,315
Total	\$ 2,186,461		54,113

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

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

	2022	2021
Balance at January 1	\$ 39,015	49,072
Expect credit loss (gain)	10,779	(7,194)
Amounts written off	(97)	(1,445)
Derecognition from disposal of subsidiaries	-	(62)
Foreign exchange loss (gain)	4,416	(1,356)
Balance at December 31	\$ 54,113	39,015

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

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(c) Other receivables

	December 31, 2022	December 31, 2021
Value-added tax returned by export trade	\$ 7,666	17,831
Other	22,252	3,883
Less: Loss allowance	-	-
Net	\$ 29,918	21,714

As of December 31, 2022 and 2021, loss allowance for other receivables were measured at an amount equal to life time expected credit loss, and no provisions were required.

(d) Inventory

	December 31, 2022	December 31, 2021
Merchandise inventory (including goods in transit)	\$ 2,771,683	3,340,415
Finished goods	150,769	452,548
Work in progress	42,103	111,315
Raw materials	145,325	135,315
Supplies	10,138	13,248
Total	\$ 3,120,018	4,052,841

For the years ended in 2021 and 2021, the loss recognized for the loss recognized for the decline in the inventory prices were \$408,353 and \$27,684 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:

	2022	2021
Inventory valuation and obsolescence losses	\$ 408,353	27,684
Revenue from sale of scraps	(38,149)	(53,230)
Total	\$ 370,204	(25,546)

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) Loss of control over a subsidiary

The Group had sold 94.5% of its shares in YFC INTERNATIONAL TRADING (WUXI) CO., LTD. to non-controlling interest, wherein the proceeds of \$23,069 thousand, completely collected in the same year, were recognized as other receivables, on August 31, 2021, resulting in a loss of control over it. Therefore, the losses on disposal of \$88 thousand and \$2,189 thousand had been recognized as loss on disposal of investments and net foreign exchange loss under other gains and losses from consolidated statements of comprehensive income, respectively.

The carrying amounts of assets and liabilities of YFC INTERNATIONAL TRADING (WUXI) CO., LTD. on the date, which is August 31, 2021, of disposal were as follow:

Cash and cash equivalents	\$	14,631
Accounts receivable and other receivables		15,758
Inventories		6,133
Other current assets		189
Property, plant and equipment		269
Accounts payable		(11,705)
Other current liabilities		(770)
Carrying amount of net assets	\$	<u>24,505</u>
Carrying amount of net assets by share holdings proportion	\$	<u>23,157</u>
Loss on disposal of investments	\$	88
Realized exchange difference on translation of foreign financial statements (recognized as net foreign exchange loss)		<u>2,189</u>
Total	\$	<u>2,277</u>

Net cash inflow from disposal of the subsidiary:

		<u>2021</u>
		YFC
		INTERNATIONAL
		TRADING (WUXI)
		CO., LTD.
Proceeds from disposal of subsidiaries	\$	23,069
Less: Decrease in cash and cash equivalents from disposal of subsidiaries		<u>(14,631)</u>
Net cash inflow	\$	<u>8,438</u>

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(f) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Costs or deemed cost:					
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	<u>\$ 296,000</u>	<u>570,491</u>	<u>1,007,802</u>	<u>525,507</u>	<u>2,399,800</u>
Balance at January 1, 2021	\$ 292,327	972,349	1,114,700	334,920	2,714,296
Additions	-	480	55,033	105,234	160,747
Disposals	-	(3,967)	(28,262)	(10,038)	(42,267)
Disposal of subsidiaries	-	-	-	(2,571)	(2,571)
Effect of changes in foreign exchange rate	(7,554)	(15,791)	(8,357)	(9,530)	(41,232)
Balance at December 31, 2021	<u>\$ 284,773</u>	<u>953,071</u>	<u>1,133,114</u>	<u>418,015</u>	<u>2,788,973</u>
Depreciation and impairment loss:					
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>
Balance at January 1, 2021	\$ -	305,556	818,129	238,262	1,361,947
Depreciation for the period	-	22,262	55,376	34,202	111,840
Disposals	-	(3,967)	(23,734)	(8,201)	(35,902)
Disposal of subsidiaries	-	-	-	(2,302)	(2,302)
Effect of changes in foreign exchange rate	-	(2,637)	(5,810)	(5,117)	(13,564)
Balance at December 31, 2021	<u>\$ -</u>	<u>321,214</u>	<u>843,961</u>	<u>256,844</u>	<u>1,422,019</u>
Carrying value:					
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>
Balance at January 1, 2021	<u>\$ 292,327</u>	<u>666,793</u>	<u>296,571</u>	<u>96,658</u>	<u>1,352,349</u>
Balance at December 31, 2021	<u>\$ 284,773</u>	<u>631,857</u>	<u>289,153</u>	<u>161,171</u>	<u>1,366,954</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, UNC INVESTMENT & DEVELOPMENT INC., to an external third party based on a resolution approved during the board 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. Please refer to note 13(a)(vi) for related information and fair value. The Group subsequently agreed with the seller to lease back the warehouse for 18 months after the completion of the deed transfer for its operational use for the purpose of facilitating 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. For the reduction of depreciation for the sales-leaseback, please refer to note 6(g).

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).

(g) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 15,227	675,107	12,311	702,645
Additions	-	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	<u>\$ 15,468</u>	<u>775,097</u>	<u>12,353</u>	<u>802,918</u>
Balance at January 1, 2021	\$ 15,310	568,044	2,336	585,690
Additions	-	158,711	12,315	171,026
Write-off	-	(31,981)	(2,318)	(34,299)
Effect of changes in foreign exchange rate	(83)	(19,667)	(22)	(19,772)
Balance at December 31, 2021	<u>\$ 15,227</u>	<u>675,107</u>	<u>12,311</u>	<u>702,645</u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Accumulated depreciation:

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	\$	4,439	368,949	6,903	380,291
Balance at January 1, 2021	\$	3,782	158,511	1,773	164,066
Depreciation for the period		304	96,607	3,752	100,663
Write-off	-		(31,981)	(2,318)	(34,299)
Effect of changes in foreign exchange rate		(21)	(5,704)	(16)	(5,741)
Balance at December 31, 2021	\$	4,065	217,433	3,191	224,689

Carrying value:

Balance at December 31, 2022	\$	11,029	406,148	5,450	422,627
Balance at January 1, 2021	\$	11,528	409,533	563	421,624
Balance at December 31, 2021	\$	11,162	457,674	9,120	477,956

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 the amount of \$36,495 (including the deducted amount of the unrealized gain of the sale-leaseback) in 2022; as well as those in the Philippines, at the amount of \$158,711, in 2021. In addition, the realized gain of the sale-leaseback of \$49,533 was recognized under depreciation in 2022.

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

(h) Intangible assets

The costs and amortization of intangible assets of the Group for the years ended December 31, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Trademark</u>	<u>Patent and customer relationships</u>	<u>Computer software and development cost</u>	<u>Total</u>
Costs or deemed cost:					
Balance at January 1, 2022	\$ 285,108	89,543	76,554	238,754	689,959
External acquisition	-	-	-	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	\$ 316,381	99,362	84,606	355,539	855,888

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Balance at January 1, 2021	\$	293,368	92,136	78,780	210,061	674,345
External acquisition		-	-	-	36,352	36,352
Effect of changes in foreign exchange rate		(8,260)	(2,593)	(2,226)	(7,659)	(20,738)
Balance at December 31, 2021		<u>\$ 285,108</u>	<u>89,543</u>	<u>76,554</u>	<u>238,754</u>	<u>689,959</u>
Amortization and impairment loss:						
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>
Balance at January 1, 2021	\$	-	6,296	67,584	154,120	228,000
Amortization for the period		-	325	7,679	33,953	41,957
Effect of changes in foreign exchange rate		-	(180)	(1,877)	(6,157)	(8,214)
Balance at December 31, 2021		<u>\$ -</u>	<u>6,441</u>	<u>73,386</u>	<u>181,916</u>	<u>261,743</u>
Carrying value:						
Balance at December 31, 2022		<u>\$ 209,030</u>	<u>92,217</u>	<u>-</u>	<u>121,124</u>	<u>422,371</u>
Balance at January 1, 2021		<u>\$ 293,368</u>	<u>85,840</u>	<u>11,196</u>	<u>55,941</u>	<u>446,345</u>
Balance at December 31, 2021		<u>\$ 285,108</u>	<u>83,102</u>	<u>3,168</u>	<u>56,838</u>	<u>428,216</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:

	2022	2021
Operating cost – amortization	\$ 2,287	1,746
Operating expenses – amortization	31,734	40,211
Total	<u>\$ 34,021</u>	<u>41,957</u>

(i) Evaluation of goodwill and trademark

The goodwill incurred from the acquisition of a US subsidiary, PRIME WIRE, amounted to \$139,228. After conducting a regular impairment testing, the recoverable amounts as of December 31, 2022 and 2021 exceeded their carrying amounts, thus, there was no risk of impairment of goodwill as a result of the above acquisition.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

The recoverable amount of \$821,861 of MONOPRICE turned out to be lower than its book value of \$926,334 due to 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(x). In addition, after performing an impairment test, the recoverable amount of MONOPRICE still exceeded its book value in 2021, hence, no provision for impairment was necessary.

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

	December 31, 2022	December 31, 2021
Other current assets:		
Temporary payments	\$ 6,694	6,391
Right to the return goods-current	5,963	5,373
Subtotal	<u>12,657</u>	<u>11,764</u>
Other non-current assets:		
Other non-current financial assets	6,063	5,407
Guarantee deposits paid	58,858	56,647
Net defined benefit assets	5,561	2,530
Other	1,170	2,358
Subtotal	<u>71,652</u>	<u>66,942</u>
Total	<u>\$ 84,309</u>	<u>78,706</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.

(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).

(j) Short-term borrowings

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

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 2,005,324	2,917,638
Unsecured non-financial institution loans	18,316	-
Total	<u>\$ 2,023,640</u>	<u>2,917,638</u>
Unused short-term and long-term credit lines	<u>\$ 2,338,347</u>	<u>1,144,408</u>
Interest rates	<u>1.81~6.3%</u>	<u>0.72~2.15%</u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(k) Short-term notes and bills payable

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

	December 31, 2022		
	Institution	Interest rate	Amount
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			<u>(263)</u>
Total			<u><u>\$ 229,737</u></u>

	December 31, 2021		
	Institution	Interest rate	Amount
Commercial paper payable	Mega Bills Finance, Taiwan Finance, Taiwan Cooperative Bills Finance, and Dah Chung Bills Finance	1.14~1.16%	\$ 230,000
Less: Discount on short-term notes and bills payable			<u>(94)</u>
Total			<u><u>\$ 229,906</u></u>

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

(l) Long-term borrowings

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

	December 31, 2022			
	Currency	Interest rates	Expiration	Amount
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	2.5%	112	<u>38,633</u>
Total				1,584,122
Less: Current portion				<u>(1,189,130)</u>
Non-current portion				<u><u>\$ 394,992</u></u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2021			
	Currency	Interest rates	Expiration	Amount
Unsecured bank loans	NTD	1.42~1.55%	111~115	\$ 581,961
Secured bank loans	NTD	1.18~1.42%	117~129	153,775
Unsecured bank loans	USD and PHP	2.95~3.00%	111~112	1,141,381
Secured bank loans	USD	4.40%	117	383,404
Secured non-financial institution loans	NTD	2.50%	112	<u>108,724</u>
Total				2,369,245
Less: Current portion				<u>(215,377)</u>
Non-current portion				<u>\$ 2,153,868</u>

(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%. For the years ended December 31, 2022 and 2021, the actual used credit facilities amounted to \$219,130 and \$185,210, while the fair value imputed by the market interest rate of 1.4% amounted to \$208,410 and \$175,443, with the difference of \$10,720 and \$9,767, respectively, deemed as government grant and recognized in deferred income. Please refer to note (6)(p).

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

(m) Bonds payable

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

	December 31, 2022	December 31, 2021
Convertible bonds issued	\$ 400,000	400,000
Less: Unamortized discount on convertible bonds	(338)	(2,470)
Accumulated converted and redeemed amount	(383,000)	(268,600)
	16,662	128,930
Less: Current portion	(16,662)	-
Non-current portion	\$ -	128,930
Equity component – conversion options (included in “Capital surplus – stock options”)	\$ 2,026	6,928
	2022	2021
Interest expense	\$ 1,630	2,188

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

Period	Type	Issuance Period	Total Amount (in thousands dollars)	Coupon Rate	Effective Rate	Conversion Price (in dollar)
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0%	1.67%	24.30

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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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 reversed 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 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.

In 2021, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 120 bonds, with the carrying amount of \$11,627, resulting in the capital surplus to increase by \$6,940, and the ordinary shares to be converted at the amount of \$4,687.

(v) Repurchase of bonds

There was no repurchase of bond payable for the years ended December 31, 2022 and 2021.

(vi) Collateral

There were no bonds payable pledged as collateral by the Company for the years ended December 31, 2022, and 2021.

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Notes to Consolidated Financial Statements

(n) Other payables and refund liabilities

	December 31, 2022	December 31, 2021
Salaries and bonuses payable	\$ 85,065	89,566
Compensation and bonus due to employees	52,181	7,671
Compensation due to directors	34,787	5,114
Interest payable	4,609	4,261
Processing fee payable	8,056	22,332
Payable on machinery and equipment	11,572	4,655
Freight payable	80,578	121,159
VAT and sales tax payable	219,392	162,075
Other accrued expenses	212,302	137,888
Other payables	\$ 708,542	554,721
Refund liabilities	\$ 59,719	67,863

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

(o) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	\$ 209,962	113,353
Non-current	\$ 352,398	381,288

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

For the years ended December 31, 2022 and 2021, the Group recognized its lease liabilities amounting to \$185,094 and \$171,026, with an interest rate of 1.50%~3.00% and 1.15%~3.00%, respectively.

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	<u>\$ 16,471</u>	<u>17,335</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 7,022</u>	<u>2,642</u>
Expenses relating to short-term leases	<u>\$ 10,898</u>	<u>9,923</u>
Expenses relating to leases of low-value assets (excluding low-value assets of short-term leases)	<u>\$ 157</u>	<u>236</u>

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

	2022	2021
Total cash outflow for leases	<u>\$ 199,321</u>	<u>128,014</u>

(i) Real estate leases

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

(ii) Other leases

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

(p) Deferred income

	December 31, 2022	December 31, 2021
Deferred income-government grants	<u>\$ 6,143</u>	<u>7,693</u>
Current (recognized under other current liabilities)	\$ 1,536	2,501
Non-current (recognized under other non-current liabilities)	<u>4,607</u>	<u>5,192</u>
Total	<u>\$ 6,143</u>	<u>7,693</u>

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

For the years ended December 31, 2022 and 2021, the other income reclassified from deferred income amounted to \$2,501 and \$1,288, respectively, please refer to note(6)(x).

(q) 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:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 13,922	15,948
Fair value of plan assets	(19,483)	(18,478)
Net defined benefit assets	<u>\$ (5,561)</u>	<u>(2,530)</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, 2022 and 2021, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$19,483 and \$18,478, 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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 15,948	17,787
Current service costs and interest	192	145
Benefits paid by the plan	(676)	-
Remeasurement in net defined benefit liability		
— Experience adjustments to actuarial losses (gains)	(688)	(1,427)
— Actuarial loss from changes in financial assumption	(854)	(557)
Defined benefit obligation at December 31	<u>\$ 13,922</u>	<u>15,948</u>

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:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 18,478	17,991
Interest income	130	63
Benefits paid by the plan	(676)	-
Remeasurement in net defined benefit liability		
— Expected return on plan assets (excluding interest income)	1,427	257
Contributions made	124	167
Fair value of plan assets at December 31	<u>\$ 19,483</u>	<u>18,478</u>

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

For the years 2022 and 2021, 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 2022 and 2021 were as follows:

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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	<u>2022</u>	<u>2021</u>
Current service cost	\$ 82	83
Interest on net defined benefit obligation	<u>(20)</u>	<u>(1)</u>
Total (recognized under "Administrative expense – pension")	<u><u>\$ 62</u></u>	<u><u>82</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:

	<u>2022</u>	<u>2021</u>
Cumulative amount at January 1	\$ 7,966	5,725
Obligations recognized (reversed)	<u>2,969</u>	<u>2,241</u>
Cumulative amount at December 31	<u><u>\$ 10,935</u></u>	<u><u>7,966</u></u>

- 7) Actuarial assumptions

The Company's principal actuarial assumptions were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.30%	0.70%
Future salary rate increases	2.00%	2.00%

As of December 31, 2022 and 2021, the amount of contributions expected to be made to the defined contribution plans within one year of the report date were \$310 and \$340, respectively. The weighted average term of defined contribution plans were 9 and 10 years, respectively.

- 8) Sensitivity analysis

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

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2021

Discount rate (at 0.25% change)	430	414
Future salary increase (at 0.25% change)	423	410

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 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6.00% 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.

The Company's pension expenses under the defined contribution method amounted to \$4,630 and \$4,557 for the years ended December 31, 2022 and 2021, respectively. Payments were made to the Bureau of Labor Insurance.

Pension expenses made in accordance with local regulations for all subsidiaries amounted to \$28,083 and \$31,689 for the years ended December 31, 2022 and 2021, respectively.

Pension expenses recognized by the Group were as follows:

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 7,831	11,410
Selling expenses	18,702	19,024
Administrative expenses	4,586	3,804
Research and development expenses	1,594	2,008
Total	<u>\$ 32,713</u>	<u>36,246</u>

(r) Income tax

(i) Income tax expense

The components of income tax expense (income) for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 672,603	61,518
Adjustments for prior periods	5,593	(1,758)

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Subtotal	678,196	59,760
Deferred tax expense		
Origination and reversal of temporary differences	(44,150)	(26,672)
Subtotal	(44,150)	(26,672)
Income tax (income) expense	<u>\$ 634,046</u>	<u>33,088</u>

The amounts of income tax expense (income) recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u>76,083</u>	<u>(18,792)</u>

Reconciliation of income tax and profit before tax for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	\$ 1,438,217	132,384
Income tax expense at the statutory rate	287,643	26,477
Effect of tax rates in foreign jurisdiction	209,334	5,187
Under (over) provision in prior periods	5,593	(1,758)
Changes in unrecognized deductible temporary differences	52,867	-
Unrecognized current tax loss of deferred tax assets	83,760	-
Others	(5,151)	3,182
Income tax expense	<u>\$ 634,046</u>	<u>33,088</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 622,521</u>	<u>399,037</u>

2) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	\$ 56,083	3,216
Tax losses	<u>103,459</u>	<u>18,459</u>
Total	<u>\$ 159,542</u>	<u>21,675</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. Such tax losses 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.

As of December 31, 2022, 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:

<u>Year of occurrence</u>	<u>Remaining creditable amount</u>	<u>Expiry Year</u>
The subsidiaries		
2018 (filing)	\$ -	2023
2020 (filing)	2,071	2025
2021 (declared)	3,338	2026
2022 (forecast)	<u>36,846</u>	2027
Total	<u>\$ 42,255</u>	

As of December 31, 2022, 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:

<u>Year of occurrence</u>	<u>Remaining creditable amount</u>	<u>Expiry Year</u>
The subsidiaries		
2020 (filing)	\$ 2,288	2025
2021 (declared)	4,823	2026
2022 (forecast)	<u>5,354</u>	2027
Total	<u>\$ 12,465</u>	

As of December 31, 2022, 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:

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Year of occurrence	Remaining creditable amount	Expiry Year
The subsidiaries		
2021 (declared)	\$ 56,415	2024
2022 (forecast)	29,826	2025
Total	<u>\$ 86,241</u>	

As of December 31, 2022, US-based subsidiaries' income tax rate was about 29.84%, the information the US-based subsidiaries' unused tax losses for which no deferred tax assets were recognized are as follow:

Year of occurrence	Remaining creditable amount	Expiry Year
The subsidiaries		
2022 (forecast)	216,253	NA
Total	<u>\$ 216,253</u>	

3) Recognized deferred tax assets and liabilities

Movements of deferred tax assets and liabilities for the years 2022 and 2021 were as follows:

a) Deferred tax assets

	Unrealized inventory valuation and obsolescence loss	Temporary differences from depreciation and amortizations	Loss carry-forwards	Exchange difference on transaction of foreign financial statements	Other	Total
January 1, 2022	\$ 70,294	3,648	18,426	102,389	18,649	213,406
Recognized in profit or loss	52,704	483	(17,990)	-	14,310	49,507
Recognized in other comprehensive income	-	-	-	(76,083)	-	(76,083)
Effect of changes in foreign exchange rates	9,044	413	1,473	-	2,088	13,018
December 31, 2022	<u>\$ 132,042</u>	<u>4,544</u>	<u>1,909</u>	<u>26,306</u>	<u>35,047</u>	<u>199,848</u>
January 1, 2021	\$ 75,531	4,143	-	83,597	19,095	182,366
Recognized in profit or loss	(3,167)	(382)	18,611	-	88	15,150
Recognized in other comprehensive income	-	-	-	18,792	-	18,792
Effect of changes in foreign exchange rates	(2,070)	(113)	(185)	-	(534)	(2,902)
December 31, 2021	<u>\$ 70,294</u>	<u>3,648</u>	<u>18,426</u>	<u>102,389</u>	<u>18,649</u>	<u>213,406</u>

The tax loss of \$9,543, which can be used to offset the tax income between 2023 and 2032, resulted in the Company to recognize the deferred income tax asset of \$1,909 for the year ended December 31, 2022.

b) Deferred tax liabilities

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Notes to Consolidated Financial Statements

	Temporary differences from depreciation and amortization	Other	Total
January 1, 2022	\$ 39,094	3,340	42,434
Recognized in profit or loss	7,376	(2,019)	5,357
Effect of changes in foreign exchange rates	4,491	19	4,510
December 31, 2022	\$ 50,961	1,340	52,301
January 1, 2021	\$ 55,229	135	55,364
Recognized in profit or loss	(14,727)	3,205	(11,522)
Effect of changes in foreign exchange rates	(1,408)	-	(1,408)
December 31, 2021	\$ 39,094	3,340	42,434

(iii) Examination and approval

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

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

(s) Capital and other equities

As of December 31, 2022 and 2021, 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, 2022 and 2021 were 143,868 and 131,972 thousand shares, respectively. All issued shares were issued and outstanding.

(i) Issuance of common stock

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.1110342536 on May 24, 2022. All related registration procedures had been completed in September 2022.

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).

The Group converted its bonds by issuing 469 thousand shares of common stocks amounting to \$4,687. The related registration procedures had already been completed in May, 2021.

Changes in the numbers of outstanding shares for the years ended December 31, 2022 and 2021, were as follows:

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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	Common Shares (in thousand shares)	
	2022	2021
Beginning balance at January 1	131,972	131,503
Cash capital increase	7,500	-
Conversion of convertible bonds	4,713	469
Ending balance at December 31	144,185	131,972

(ii) Capital surplus

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

	December 31, 2022	December 31, 2021
Premium issuance	\$ 896,237	749,461
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	6,928
Expired employee stock options	30,685	30,685
Total	\$ 949,023	807,149

Premium insurance, 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%.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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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.

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 2021 and 2010 to be distributed in 2022 and 2021, respectively, 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 are 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 28, 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, yet to be approved by the shareholders, amounted to \$434,605, with a par value of \$3 per share.

In the shareholder's 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

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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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 distributed to the shareholders in August, 2022 amounted to \$17,000, with a par value of \$0.13 per share.

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

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

(iv) Other equity interest (net taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2022	\$ (414,386)
Exchange differences on foreign operation	<u>304,333</u>
Balance at December 31, 2022	<u>\$ (110,053)</u>
Balance at January 1, 2021	\$ (339,218)
Exchange differences on foreign operation	<u>(75,168)</u>
Balance at December 31, 2021	<u>\$ (414,386)</u>

(t) 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:

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	<u>Equity-settled</u>
	Cash capital increase reserved for employee subscription
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

- (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.

	<u>Cash capital increase reserved for employee subscription</u>
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%

The estimation of the fair value per share is based on the closing price of the common shares of the Groupon the Taiwan Over-The-Counter Securities Exchange (Gre Tai Securities Market) trading center on the granted date. The execution price is set in accordance with the Group's new share issuance of cash capital increase. The expected volatility is estimated based on the Group's daily historical stock price fluctuation data for the last three months prior. In addition, the payment period of the cash capital increase was July 19 to August 19, 2022, estimated the duration as 0.07 year. The Group did not plan to have a scheduled dividend payment, so the expected stock interest rate will be 0%.

The risk-free interest rate is calculated on the fixed interest rate of the postal savings fund for one to three months.

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

- (u) Earnings per share

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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	<u>2022</u>	<u>2021</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 803,702</u>	<u>100,385</u>
Weighted-average number of ordinary shares	<u>136,873</u>	<u>131,898</u>
Basic earnings per share (in dollars)	<u>\$ 5.87</u>	<u>0.76</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 803,702	100,385
Effects of dilutive potential ordinary shares:		
Interest of convertible bond	1,630	2,188
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	<u>\$ 805,332</u>	<u>102,573</u>
Weighted-average number of ordinary shares (in thousands of shares)	136,873	131,898
Effects of dilutive potential ordinary shares:		
Effects of employee stock bonus (in thousands of share)	2,065	304
Effects of conversion of convertible bond (in thousands of share)	3,661	5,419
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (in thousands of shares)	<u>142,599</u>	<u>137,621</u>
Diluted earnings per share (in dollars)	<u>5.65</u>	<u>0.75</u>

(v) Revenue from contracts with customers

(i) Details of revenue

	<u>2022</u>	<u>2021</u>
Goods sold	\$ 11,652,688	12,436,890
Rental income	17,937	10,038
Total	<u>\$ 11,670,625</u>	<u>12,446,928</u>

(ii) Disaggregation of revenue

	<u>For the year ended December 31, 2022</u>			
	<u>Manufactruing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Total</u>
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	<u>\$ 4,278,897</u>	<u>3,169,332</u>	<u>4,204,459</u>	<u>11,652,688</u>

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	For the year ended December 31, 2022			
	Manufactruing	Wholesaling	Online retailing	Total
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	\$ 4,278,897	3,169,332	4,204,459	11,652,688
Timing of revenue recognition:				
Product transferred at a point in time	\$ 4,278,897	3,169,332	4,204,459	11,652,688
Sales channels				
Directly to customers	\$ 4,278,897	3,169,332	4,204,459	11,652,688

	For the year ended December 31, 2021			
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 2,225,040	2,728,802	5,138,006	10,091,848
China	684,644	34,312	-	718,956
Taiwan	320,503	-	-	320,503
Canada	53,636	336,438	-	390,074
United Kingdom	99,839	-	-	99,839
Others	601,187	214,483	-	815,670
Total	\$ 3,984,849	3,314,035	5,138,006	12,436,890
Main products/services lines				
CABLE	\$ 1,250,636	144,727	1,903,504	3,298,867
POWER CORD	2,447,884	3,066,470	-	5,514,354
Consumer electronics	-	-	3,234,502	3,234,502
Others	286,329	102,838	-	389,167
Total	\$ 3,984,849	3,314,035	5,138,006	12,436,890
Timing of revenue recognition:				
Product transferred at a point in time	\$ 3,984,849	3,314,035	5,138,006	12,436,890
Sales channels				
Directly to customers	\$ 3,984,849	3,314,035	5,138,006	12,436,890

(iii) Contract balances

	December 31, 2022	December 31, 2021	December 31, 2020
Contract liabilities — advance sales receipts	\$ 84,422	96,291	141,558

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$94,995 and \$133,654, 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.

(w) 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, 2022, and 2021, the Group accrued its remuneration to employees of \$52,181 and \$7,671 respectively; as well as its remuneration to directors amounted to \$34,787 and \$5,114, respectively. 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, for the year 2022 amounted to \$71,000 and \$15,000, respectively, except for the employee remuneration of \$46,000 in stock, all other remunerations are pay in cash. In addition, the cash remunerations to employees and directors, for the year 2021 amounted to \$7,600 and \$5,000, respectively. The 2022 and 2021 remunerations mentioned above were based on the resolution decided during the board of directors' meetings held in 2023 and 2022, respectively.

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

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

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Notes to Consolidated Financial Statements

(x) Other non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ 7,056	838

(ii) Other income

	2022	2021
Government grants	\$ 7,363	44,585
Other income	2,174	10,832
Total	\$ 9,537	55,417

The Group received the Paycheck Protection Program loan from U.S. Small Business Administration amounting to \$41,124 (\$1,473 thousand USD) in April 2020. The Paycheck Protection Program loan was provided by the U.S. government as an economic relief package, wherein it requires a subsidized company to pay its employee their salaries within two months after having received the loan, otherwise, the Group will have to repay the loan under the regulated interest rate according to the provision of the Paycheck Protection Program. As of September 30, 2021, the Group had met all the criteria, and thus, applied for forgiveness of the Paycheck Protection Program loan to the government. In September 2021, the related legal review procedures had been completed and the Group recognized the amount of \$41,214 as grant income.

(iii) Other gains and losses

	2022	2021
Gain (loss) on disposal of property, plant, and equipment	\$ 2,007,544	(2,049)
Loss on disposal of investments	-	(88)
Impairment loss of non-financial assets	(104,473)	-
Foreign exchange gain (loss)	58,799	(23,537)
Other non-operating expenses	(8,896)	(7,069)
Other gains and losses, net	\$ 1,952,974	(32,743)

For the years ended December 31, 2021, the loss on settled transaction of derivative financial instruments amounting to \$18 was recognized by the Group as foreign exchange loss. For the years ended December 31, 2022, there was no transaction of derivative instruments.

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(iv) Financial costs

	2022	2021
Interest expense		
Interest on bank and non-financial institution loans	\$ 140,093	82,610
Interest on lease liabilities	16,471	17,335
Short-term notes and bills payable	2,674	1,594
Bonds payable	1,630	2,188
Total	\$ 160,868	103,727

(y) Reclassification adjustments of components of other comprehensive income

The details of reclassification adjustment of component of other comprehensive income for the nine months ended December 31, 2022 and 2021 were as follows:

	2022	2021
Exchange differences on translation of foreign financial statements:		
Losses from current period	\$ -	(96,149)
Less: reclassification of exchange loss in profit or loss	-	2,189
Net change in fair value recognized in other comprehensive income	\$ -	(93,960)

Information on reclassification of exchange loss, please refer to note (6)(e) for details.

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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, 2022 and 2021, five clients contributed to 44% and 47%, respectively, of the accounts receivable, hence, the Group has a significant concentration on credit risk.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

	Carrying value	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
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)	1,584,122	1,628,581	1,324,023	67,761	153,461	83,336
Total	<u>\$ 5,954,915</u>	<u>6,056,220</u>	<u>5,374,300</u>	<u>220,427</u>	<u>333,943</u>	<u>127,550</u>
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,917,638	2,927,692	2,927,692	-	-	-
Short-term notes and bills payable	229,906	230,000	230,000	-	-	-
Notes and accounts payable	928,462	928,462	928,462	-	-	-
Other payables	554,721	554,721	554,721	-	-	-
Bonds payable (includes current portion)	128,930	131,400	-	131,400	-	-
Lease liabilities - current and noncurrent	494,641	545,868	129,888	117,927	212,194	85,859
Long-term borrowings (includes current portion)	2,369,245	2,517,733	1,642,116	179,516	279,943	416,158
Total	<u>\$ 7,623,543</u>	<u>7,835,876</u>	<u>6,412,879</u>	<u>428,843</u>	<u>492,137</u>	<u>502,017</u>

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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(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)

	December 31, 2022			December 31, 2021		
	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD
<u>Financial assets:</u>						
<u>Monetary items</u>						
USD	\$ 38,352	30.66	1,175,872	48,538	27.63	1,341,105
HKD	3,160	3.93	12,426	9,479	3.54	33,583
CNY	705	4.40	3,104	1,608	4.33	6,968
EUR	747	32.52	24,292	1,265	31.12	39,367
CAD	454	23.92	10,860	1,414	19.51	27,587
<u>Financial liabilities:</u>						
<u>Monetary items</u>						
USD	20,893	30.66	640,579	38,481	27.63	1,063,230

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, 2022 and 2021, assuming the TWD appreciated by 1%, were decreases of \$5,860 and \$3,854, respectively. The analysis is performed on the same basis for the prior year.

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange (loss) gains (including both realized and unrealized) amounted to \$58,799 and \$(23,537), respectively.

4) 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

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 \$36,078 and \$52,868 for the years ended December 31, 2022 and 2021, respectively, which mainly results from bank loans with variable interest rates.

5) 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.

(aa) 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 charged 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 understands their own roles and responsibilities.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

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, 2022, 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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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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 fulfillments 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, 2022 and 2021 were \$2,338,347 and \$1,144,408 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.

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.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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(ab) 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:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 6,205,429	7,905,505
Less : cash and cash equivalents	(2,100,360)	(702,518)
Net liabilities	4,105,069	7,202,987
Total equity (excluding non-controlling interests)	3,890,042	2,532,036
Adjust capital	\$ 7,995,111	9,375,023
Debt-to-equity ratio	51.3	73.9
	4%	9%

For the year ended 2022, the financial structure of the Group has vastly improved due to its cash capital increase, sales of its real estate in a non-remote area of California and strengthening of its operating capital control.

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

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

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	January 1, 2022	Cash inflow	Cash Outflow	Non-cash changes				December 31, 2022
				Foreign exchange movement	Unrealized gain of the sale-leasebac k	Increase in Right-of-use assets	Conversion of convertible bonds and Others	
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>

	January 1, 2021	Cash inflow	Cash Outflow	Non-cash changes				December 31, 2021
				Foreign exchange movement	Increase in Right-of-use assets	Government grant reclassified as other income	Conversion of convertible bonds and Others	
Short-term borrowings	\$ 2,356,577	3,412,480	(2,826,574)	16,369	-	(41,214)	-	2,917,638
Short-term notes and bills payable	129,886	100,020	-	-	-	-	-	229,906
Bonds payable (includes current portion)	138,370	-	-	-	-	-	(9,440)	128,930
Lease liabilities	436,229	-	(97,878)	(14,736)	171,026	-	-	494,641
Long-term borrowings (includes current portion)	1,350,801	2,016,712	(969,785)	(28,483)	-	-	-	2,369,245
Total liabilities from financing activities	<u>\$ 4,411,863</u>	<u>5,529,212</u>	<u>(3,894,237)</u>	<u>(26,850)</u>	<u>171,026</u>	<u>(41,214)</u>	<u>(9,440)</u>	<u>6,140,360</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

- (b) Names and relationship with related parties

Name of related party	Relationship with the Group
All directors and general managers, etc.	Key management personnel

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 46,663	24,452
Post-employment benefits	596	596
Total	<u>\$ 47,259</u>	<u>25,048</u>

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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.

For the years ended December 31, 2021, the Group rented 4 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$3,590, and the balance of lease liabilities amounted to \$10,014 (including current and non-current), also, the rent expense of \$149 was recognized during the period.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land ,plant and buildings	Long-term borrowings	\$ 249,841	668,797
Other financial asset — non-current	Long-term borrowings	6,063	5,407
Guarantee deposits paid	Long-term borrowings and Customs security deposits	<u>15,331</u>	<u>15,331</u>
Total		<u>\$ 271,235</u>	<u>689,535</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

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

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D	2022.05~2023.04	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 amount overdue 2. Late payment surcharge at 1% rate per year
F	2022.01~2022.12	Average price (in USD) listed in LME of the previous month, plus, US\$145, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,900 per ton of conversion cost	920~1,690 tons of copper wire	1. Late payment surcharge at 10% rate per year 2. Supplier can demand back parts of the unpaid purchased wires upon overdue

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

	December 31,	December 31,
	2022	2021
Acquisition of equipments	<u>\$ 13,037</u>	<u>15,187</u>

(iii) Unused letters of credit: None.

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

(b) Significant contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: Please refer to note 6(s)(iii).

(12) Other:

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

by Nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	296,978	767,118	1,064,096	291,306	766,173	1,057,479
Labor and health insurance (Note 1)	8,942	104,515	113,457	9,436	95,089	104,525
Pension (Note 2)	7,831	24,944	32,775	11,410	24,918	36,328
Remuneration of directors	-	36,274	36,274	-	6,575	6,575
Other employee benefits	5,602	13,938	19,540	6,141	15,439	21,580
Depreciation	68,225	175,407	243,632	74,123	138,380	212,503
Amortization	2,287	31,734	34,021	1,746	40,211	41,957

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.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions for the years ended December 31, 2022 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	WUXI UNIVERSAL	Other receivables	Yes	35,848 (RMB8,000 thousand)	-	-	-	1	1,898,633	Business operation	-	-	-	1,898,633	1,898,633
0	The Company	YUE FONG COMPANY LIMITED	Other receivables	Yes	23,376 (USD800 thousand)	15,330 (USD500 thousand)	15,330	-	2	-	Business operation	-	-	-	972,511	1,556,017
0	The Company	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Other receivables	Yes	171,842 (USD5,840 thousand)	85,848 (USD2,800 thousand)	85,848	-	1	613,016	Business operation	-	-	-	613,016	613,016
1	PRIME WIRE & CABLE INC.	BESTLINK NETWARE INC.	Other receivables	Yes	48,248 (USD1,500 thousand)	45,990 (USD1,500 thousand)	-	2.30~3.25%	2	-	Business operation	-	-	-	1,047,762	1,047,762
2	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	Other receivables	Yes	53,311 (EUR1,676 thousand)	-	-	-	2	-	Business operation	-	-	-	800,837	800,837
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL INC.	Other receivables	Yes	157,863 (USD4,908 thousand)	19,929 (USD4,908 thousand)	-	0%~1.15%	2	-	Business operation	-	-	-	800,837	800,837
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	1,035,075 (USD37,000 thousand)	797,160 (USD26,000 thousand)	705,180	-	2	-	Business operation	-	-	-	800,837	800,837
3	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	Other receivables	Yes	160,825 (USD5,000 thousand)	153,300 (USD5,000 thousand)	49,669	-	2	-	Business operation	-	-	-	1,393,448	1,393,448
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	96,495 (USD3,000 thousand)	91,980 (USD3,000 thousand)	87,678	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	The Company	Other receivables	Yes	466,393 (USD14,500 thousand)	444,570 (USD14,500 thousand)	352,590	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	PREMIUM-LINE KSI GMBH	Other receivables	Yes	55,284 (EUR1,700 thousand)	55,284 (EUR1,700 thousand)	54,518	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC BONEAGLE INTERNATIONAL INC.	Other receivables	Yes	138,310 (USD4,300 thousand)	131,838 (USD4,300 thousand)	130,548	-	2	-	Business operation	-	-	-	3,426,779	3,426,779
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE INC.	Other receivables	Yes	524,280 (USD17,000 thousand)	521,220 (USD3,000 thousand)	521,220	3%	2	-	Business operation	-	-	-	1,415,199	1,415,199
5	UNC INVESTMENT & DEVELOPMENT INC.	MONOPRICE INC.	Other receivables	Yes	308,400 (USD10,000 thousand)	306,600 (USD10,000 thousand)	306,600	3%	2	-	Business operation	-	-	-	1,415,199	1,415,199

Note 1: The numbers are filled in as follows:

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

Note 2: Purposes of financing are labelled as follows:

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

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

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

(Continued)

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor (Note 1)	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	WUXI UNIVERSAL NETWORK CORPORATION	1, 2	3,890,042	1,086,530	799,488	201,231	-	20.55%	7,780,084	Y	N	Y
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1, 2	3,890,042	100,000	100,000	40,470	-	2.57%	7,780,084	Y	N	N
0	The Company	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	1, 2	3,890,042	160,825	153,500	42,280	-	3.95%	7,780,084	Y	N	N
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1, 2	3,890,042	58,850	-	-	-	- %	7,780,084	Y	N	N
1	PRIME WIRE & CABLE, INC.	UNC INVESTMENT & DEVELOPMENT, INC.	1, 4	1,047,762	454,359	-	-	-	- %	2,095,524	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, 2022 (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, 2022.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount (Note 2)	Amount actually receivable	Gain from disposal (Note 2)	Counter-party	Nature of relationship	Purpose of disposal	Price reference (Note 3)	Other terms
UNC INVESTMENT & DEVELOPMENT, INC.	Land and buildings	(Note 1)	2013.3.22	447,321	2,625,735	The full amount had been received after the deed transfer.	2,029,815	Atlantic SPC Acquisition Holdings, LLC	None	Enrich the working capital of the Group	2,526,396	(Note 4)

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

Note 2: The selling price, selling expense, and income tax, amounted to \$2,625,735 (USD88,000 thousand), \$86,205 (USD2,889 thousand), and \$623,612 (USD20,900 thousand), respectively. Moreover, the deduction of above selling price of \$2,625,735, minus the carrying amount of \$447,321, less the unrealized gain on the sale-leaseback of \$148,599, resulted in the gain on disposal of \$2,029,815.

Note 3: The appraisal amount of \$2,526,396 (USD86,000 thousand), which was similar to the fair value, was based on the report issued by a professional appraiser.

Note 4: The Group subsequently agreed with the seller to lease back the warehouse for 18 months, which were recognized in right-of-use asset and lease, after the completion of the deed transfer for its operational use and to facilitate the relocation of its warehouse thereafter.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details (Note 4)				Transactions with terms different from others		Notes/Accounts receivable (payable) (Note 4)		Note
			Purchase/Sale	Amount (Note 1)	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance (Note 2)	Percentage of total notes/accounts receivable (payable)	
The Company	DONGGUAN YFC	Parent company to subsidiary	Purchases	301,772 (USD10,363 thousand)	7.05%	OA 90 days	-	-	(14,538) (USD474 thousand)	(3.49)%	
The Company	WUXI UNIVERSAL	Parent company to subsidiary	Purchases	1,898,633 (USD64,836 thousand)	44.36%	OA 90 days	-	-	(249,274) (USD8,130 thousand)	(59.84)%	
The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Parent company to subsidiary	Purchases	613,012 (USD20,860 thousand)	14.32%	OA 90 days	-	-	-	-%	
YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	DONGGUAN YFC	Subsidiary to subsidiary	Purchases	112,575 (USD3,818 thousand)	17.62%	OA 90 days	-	-	(63,918) (USD2,085 thousand)	(13.48)%	
YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	WUXI UNIVERSAL	Subsidiary to subsidiary	Purchases	152,687 (USD5,231 thousand)	23.89%	OA 90 days	-	-	(127,953) (USD4,173 thousand)	(26.99)%	
PRIME WIRE & CABLE, INC.	The Company	Subsidiary to parent company	Purchases	612,982 (USD20,755 thousand)	27.90%	OA 90 days	-	-	(99,376) (USD3,297 thousand)	(100.00)%	
BESTLINK NETWORK INC.	YFC-EUROPOWER INTERNATIONAL CO., LTD	Subsidiary to subsidiary	Purchase	256,371 (USD8,730 thousand)	89.08%	OA 90 days	-	-	(131,054) (USD4,512 thousand)	(100.00)%	
YFC-EUROPOWER INTERNATIONAL CO., LTD	The Company	Subsidiary to parent company	Purchase	176,197 (USD5,905 thousand)	24.98%	OA 90 days	-	-	(98,564) (USD3,215 thousand)	(42.92)%	
MONOPRICE, INC.	YFC-EUROPOWER INTERNATIONAL CO., LTD	Subsidiary to subsidiary	Purchase	516,058 (USD17,027 thousand)	36.33%	OA 60 days	-	-	(427,417) (USD13,941 thousand)	(66.58)%	

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 29.8379.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 30.6600.

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

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

(Continued)

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	Parent company to subsidiary	Other receivable: 268,858	2.76	-	-	10,463	-
WUXI UNIVERSAL	The Company	Subsidiary to parent company	Accounts receivable: 249,274	5.33	-	-	220,319	-
WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Subsidiary to subsidiary	Accounts receivable: 127,953	1.54	-	-	6,888	-
YFC-EUROPOWER INTERNATIONAL CO., LTD	BESTLINK NETWORK INC.	Subsidiary to subsidiary	Accounts receivable: 131,054	2.16	-	-	37,943	-
YFC-EUROPOWER INTERNATIONAL CO., LTD	MONOPRICE INC.	Subsidiary to subsidiary	Accounts receivable: 427,417	1.82	-	-	167,882	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of March 3, 2023.

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 29.8379.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 30.6600.

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, 2022 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	PRIME WIRE & CABLE, INC.	1	Sales	612,982	A percentage of gross profit	5%
0	The Company	PRIME WIRE & CABLE, INC.	1	Accounts Receivable	99,376	OA 90 days	1%
0	The Company	MONOPRICE INC.	1	Sales	16,258	A percentage of gross profit	-%
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1	Sales	53,538	A percentage of gross profit	-%
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1	Accounts Receivable	49,266	OA 90 days	-%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivable	73,463	The Company payment for goods on behalf of the subsidiary	1%
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	1	Sales	176,197	A percentage of gross profit	2%
0	The Company	YFC-EUROPOWER INTERNATIONAL CO.,	1	Accounts Receivable	139,881	OA 90 days	1%

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

		LTD					
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1	Other Receivable	268,858	The Company payment for goods on behalf of the subsidiary	3%
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD	1	Miscellaneous Income	39,350	Management service income	-%
0	The Company	YUE FONG COMPANY LIMITED	1	Other Receivables	15,330	Based on collection status	-%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivables	85,848	Based on collection status	1%
0	The Company	WUXI UNIVERSAL	1	Accounts Receivable	11,288	OA 90 days	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	24,400	The Company collects payment for goods on behalf of the subsidiary	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	705,180	Based on collection status	7%
2	DONGGUAN YFC	The Company	2	Sales	301,772	A percentage of gross profit	3%
2	DONGGUAN YFC	The Company	2	Accounts Receivable	14,538	OA 90 days	-%
2	DONGGUAN YFC	WUXI UNIVERSAL	3	Sales	44,420	A percentage of gross profit	-%
2	DONGGUAN YFC	WUXI UNIVERSAL	3	Accounts Receivable	13,002	OA 90 days	-%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS Corp	3	Sales	112,575	A percentage of gross profit	1%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivable	63,918	OA 90 days	1%
2	DONGGUAN YFC	YFC-EUROPOWER INTERNATIONAL CO., LTD	3	Sales	25,520	A percentage of gross profit	-%
3	WUXI UNIVERSAL	The Company	2	Sales	1,898,633	A percentage of gross profit	16%
3	WUXI UNIVERSAL	The Company	2	Accounts Receivable	249,274	OA 90 days	2%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS Corp.	3	Sales	152,687	A percentage of gross profit	1%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS Corp.	3	Accounts Receivable	127,953	OA 90 days	1%

(Continued)

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

3	WUXI UNIVERSAL	PREMIUM-LINE KSI GMBH	3	Sales	12,574	A percentage of gross profit	-%
3	WUXI UNIVERSAL	PREMIUM-LINE KSI GMBH	3	Accounts Receivable	19,500	OA 90 days	-%
3	WUXI UNIVERSAL	YFC-EUROPOWER INTERNATIONAL CO., LTD	3	Sales	33,911	A percentage of gross profit	-%
3	WUXI UNIVERSAL	YUE FONG COMPANY LIMITED	3	Accounts Receivable	11,799	OA 90 days	-%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Sales	31,820	A percentage of gross profit	-%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Accounts Receivable	18,276	OA 90 days	-%
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE, INC	3	Other Receivables	521,220	Based on collection status	5%
5	UNC INVESTMENT & DEVELOPMENT INC.	MONOPRICE INC.	3	Other Receivables	306,600	Based on collection status	3%
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE, INC.	3	Rent Revenue	12,488	Changed monthly	-%
6	BESTLINK NETWARE INC.	PRIME WIRE & CABLE, INC.	3	Sales	10,017	A percentage of gross profit	-%
7	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Sales	613,012	A percentage of gross profit	5%
8	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	2	Other Receivable	49,669	Based on collection status	-%
9	YFC-EUROPOWER INTERNATIONAL CO., LTD	MONOPRICE INC.	3	Sales	516,058	A percentage of gross profit	4%
9	YFC-EUROPOWER INTERNATIONAL CO., LTD.	MONOPRICE INC.	3	Accounts Receivable	427,417	OA 60 days	4%
9	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWARE INC.	3	Sales	256,371	A percentage of gross profit	2%
9	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWARE INC.	3	Accounts Receivable	131,054	OA 90 days	1%
9	YFC-EUROPOWER INTERNATIONAL CO., LTD.	YFC-BONEAGLE INTERNATIONAL, INC.	3	Accounts Receivable	24,426	OA 90 days	-%
10	YFC-BONEAGLE ELECTRIC (B.V.) CO., LTD.	The Company	2	Other Receivable	352,590	Based on collection status	3%

(Continued)

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

10	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	3	Other Receivable	87,678	Based on collection status	1%
10	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC-BONEAGLE INTERNATIONAL, INC.	3	Other Receivable	130,548	Based on collection status	1%
10	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	PREMIUM-LINE KSI GMBH	3	Other Receivable	54,518	Based on collection status	1%

Note 1: The numbers are filled in as follows:

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

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

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

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Investment income (loss)	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	B.V.I.	Holding company set up for investments in Philippines, China and USA	1,794,633 (USD54,876 thousand)	1,781,915 (USD54,423 thousand)	53,906	100.00%	3,367,164	100.00%	(17,139)	(39,249)	The difference between the subsidiary's profit and loss, and the Company's recognized profit and loss was due to the decreasing in downstream unrealized gain amounting to \$378 and the increasing in sidestream unrealized gain amounting to \$22,488.
"	BESTLINK NETWORK INC.	USA	Trading business	31,393 (USD1,000 thousand)	31,393 (USD1,000 thousand)	1,000	100.00%	56,203	100.00%	12,282	12,282	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50 thousand)	1,496 (USD50 thousand)	50	100.00%	1,415,199	100.00%	1,319,471	1,319,471	
"	PREMIUM-LINE KSI GMBH	Austria	Trading business	28,193 (EUR600 thousand)	28,193 (EUR600 thousand)	-	100.00%	(57,115)	100.00%	(6,484)	(6,484)	
"	MONOPRICE HOLDINGS, INC	USA	Holding company set up for investments in USA	1,031,853 (USA32,507 thousand)	1,031,853 (EUR32,507 thousand)	100	100.00%	821,861	100.00%	(321,831)	(321,831)	
"	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%	(8,582)	100.00%	(4,441)	(4,441)	
"	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Taiwan	Trading business	500	500	50	100.00%	25,262	100.00%	16,580	16,580	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	CAYMANS	Holding company set up for investments in China and USA	752,008 (USD22,807 thousand)	752,008 (USD22,807 thousand)	22,807	100.00%	1,393,448	100.00%	(100,836)	(100,836)	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I.	Trading business	161,778 (USD4,890 thousand)	161,778 (USD4,890 thousand)	4,890	100.00%	800,837	100.00%	(24,123)	(24,123)	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	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%	656,740	100.00%	110,826	110,826	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720 thousand)	23,392 (USD720 thousand)	720	80.00%	25,656	80.00%	2,344	1,875	
"	PREMIUM LINE ASIA LTD.	Samoa	Trading business	1,472 (USD50 thousand)	1,472 (USD50 thousand)	50	100.00%	576	100.00%	67	67	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	18,558 (USD653 thousand)	5,840 (USD200 thousand)	653	100.00%	(756)	100.00%	11,807	11,807	
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20 thousand)	608 (USD20 thousand)	75	100.00%	544	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%	(80,385)	100.00%	(26,932)	(26,932)	
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100 thousand)	3,085 (USD100 thousand)	1,000	100.00%	14,183	100.00%	33	33	
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	PRIME WIRE & CABLE, INC.	USA	Sale of electronic calculator software and hardware, network equipment and electronic appliances	511,700 (USD15,500 thousand)	511,700 (USD15,500 thousand)	15,500	100.00%	1,047,762	100.00%	(54,222)	(54,222)	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507 thousand)	1,031,853 (USD32,507 thousand)	500	100.00%	821,861	100.00%	(321,831)	(321,831)	

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

(Continued)

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (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, 2022	Accumulated remittance of earnings in current period
					Outflow	Inflow							
DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	Manufacturing and sale of power cables, wires, and outlets	241,998 (USD7,387 thousand)	(2)	240,494 (USD7,007 thousand)	-	-	240,494 (USD7,007 thousand)	(51,590)	100.00%	100.00%	(51,590) (1)	318,799	-
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)	112,348	100.00%	100.00%	112,348 (1)	653,621	-
CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD.	Processing and sale of communication products and internet cables	9,593 (USD300 thousand)	(2)	9,593 (USD300 thousand)	-	-	9,593 (USD300 thousand)	4,242	100.00%	100.00%	4,242 (1)	127	-
YFC INTERNATIONAL TRADING (WUXI) CO., LTD.	Sale of electronic calculator software and hardware, network equipment and electronic appliances	31,032 (USD1,000 thousand)	(2)	23,381 (USD753 thousand)	-	-	23,381 (USD753 thousand)	-	-	-	- (1)	-	-
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 6)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3 and 4)	Upper Limit on Investment (Note 5)
1,084,829 (USD33,643 thousand)	1,101,189 (USD34,022 thousand)	-

Note 1: The method of investments are as follows:

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

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

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

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

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

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

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

Note 7: 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, 2022

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Major shareholders: No shareholders holding more than 5% of the shares.

(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, 2022				
	Manufacturing	Wholesaling	Online retailing	Adjustments and elimination	Total
Revenue:					
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
Total revenues	<u>\$ 8,367,096</u>	<u>4,006,799</u>	<u>4,215,210</u>	<u>(4,911,424)</u>	<u>11,677,681</u>
Interest expense	\$ 83,032	35,123	42,713	-	160,868
Depreciations and amortization	108,773	32,503	136,377	-	277,653
Reportable segment profit or loss	<u>\$ 713,071</u>	<u>1,882,515</u>	<u>(267,629)</u>	<u>(889,740)</u>	<u>1,438,217</u>
Capital expenditures on non-current asset	179,717	5,649	8,673	-	194,039
Reportable segment assets	<u>\$ 11,282,241</u>	<u>4,564,344</u>	<u>3,229,502</u>	<u>(8,975,485)</u>	<u>10,100,602</u>
Reportable segment liabilities	<u>\$ 5,698,655</u>	<u>2,127,816</u>	<u>2,351,438</u>	<u>(3,972,480)</u>	<u>6,205,429</u>

	For the year ended December 31, 2021				
	Manufacturing	Wholesaling	Online retailing	Adjustments and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,984,849	3,324,073	5,138,006	-	12,446,928
Inter-segment revenue	5,860,858	360,878	6,022	(6,227,758)	-
Interest income	1,367	144	40	(713)	838
Total revenues	<u>\$ 9,847,074</u>	<u>3,685,095</u>	<u>5,144,068</u>	<u>(6,228,471)</u>	<u>12,447,766</u>
Interest expense	\$ 48,677	28,584	27,179	(713)	103,727
Depreciations and amortization	102,207	28,482	123,771	-	254,460
Reportable segment profit or loss	<u>\$ 44,780</u>	<u>172,574</u>	<u>(38,561)</u>	<u>(46,409)</u>	<u>132,384</u>
Capital expenditures on non-current asset	67,010	10,860	58,211	-	136,081
Reportable segment assets	<u>\$ 11,333,852</u>	<u>3,419,090</u>	<u>3,648,665</u>	<u>(7,959,404)</u>	<u>10,442,203</u>
Reportable segment liabilities	<u>\$ 7,179,506</u>	<u>2,416,025</u>	<u>2,474,362</u>	<u>(4,164,388)</u>	<u>7,905,505</u>

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Product and service information

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

Products	2022	2021
CABLE	\$ 3,753,143	3,298,867
POWER CORD	5,289,707	5,514,354
Consumer electronic	2,278,004	3,234,502
Others	349,771	399,205
Total	\$ 11,670,625	12,446,928

(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.

Geographical Information	2022	2021
Revenue from external customers:		
United States	\$ 10,028,889	10,101,886
Mainland China	305,183	718,956
Taiwan	298,890	320,503
Canada	346,734	390,074
United Kingdom	93,031	99,839
Other countries	597,898	815,670
Total	\$ 11,670,625	12,446,928

Geographical Information	December 31, 2022	December 31, 2021
Non-current assets:		
Taiwan	\$ 313,418	349,481
Mainland China	447,840	453,378
United States	859,295	1,319,754
Other countries	279,163	166,736
Total	\$ 1,899,716	2,289,349

Non-current assets include property, plant, and equipment, intangible assets, right-of-use assets, prepayments for business facilities, and prepaid for land, 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, 2022 and 2021, the amounts of sales to customers representing greater than 10% of net revenue were as follows:

	2022	2021
Company G	\$ 2,068,683	1,195,399

VII. Financial Difficulties and Impacts Occurred to the Company and its Subsidiaries over the Past Year and up to the Annual Report Publication Date

None

G. Review & Analysis of Financial Position, Performance, and Risk Management

I. Analysis of Financial Status

Unit: NT\$ thousand

Item \ Year	2022	2021	Increase (decrease) amount	Change ratio
Current assets	7,929,386	7,872,506	56,880	0.72%
Property, plant and equipment	1,053,309	1,366,954	(313,645)	(22.94)%
Right-of-use assets	422,627	477,956	(55,329)	(11.58)%
Intangible assets	422,371	428,216	(5,845)	(1.36)%
Other assets	272,909	296,571	(23,662)	(7.98)%
Total assets	10,100,602	10,442,203	(341,601)	(3.27)%
Current liabilities	5,395,268	5,178,466	216,802	4.19%
Non-current liabilities	810,161	2,727,039	(1,916,878)	(70.29)%
Total liabilities	6,205,429	7,905,505	(1,700,076)	(21.50)%
Share capital	1,441,851	1,319,723	122,128	9.25%
Additional paid-in capital	949,023	807,149	141,874	17.58%
Retained earnings	1,609,221	819,550	789,671	96.35%
Other interests	(110,053)	(414,386)	304,333	(73.44)%
Treasury stock	—	—	—	—
Non-controlling interests	5,131	4,662	469	10.06%
Total equity	3,895,173	2,536,698	1,358,475	53.55%

1. Description of material changes:

- (1) The decrease in property, plant and equipment was mainly due to the sale of UNC Warehouse, a subsidiary in the U.S. in 2022.
- (2) The decrease in non-current liabilities was mainly due to the decrease in long-term loans in 2022.
- (3) The decrease in total liabilities was mainly due to the decrease in long-term and short-term borrowings in 2022.
- (4) The increase in EPS was mainly due to the increase in net profit after tax in 2022.
- (5) The increase in other equity was mainly due to the increase in the cumulative translation adjustments in 2022.
- (6) The increase in total equity was mainly due to the increase in net profit after tax in 2022.

2. Response plan: The above changes did not pose material impact on the Company

II. Analysis of Financial Performance

(I) Comparative analysis of operating results

Unit: NT\$K

Item \ Year	2022	2021	Increase (decrease) amount	Change ratio
Operating income	11,670,625	12,446,928	(776,303)	(6.24)%
Operating costs	9,383,808	9,814,429	(430,621)	(4.39)%
Gross profit	2,286,817	2,632,499	(345,682)	(13.13)%
Operating expenses	2,657,299	2,419,900	237,399	9.81%
Operating profits	(370,482)	212,599	(583,081)	(274.26)%
Non-operating income and expenses	1,808,699	(80,215)	1,888,914	(2,354.81)%
Pre-tax income	1,438,217	132,384	1,305,833	986.40%
Income tax expense	634,046	33,088	600,958	1816.24%
Net income (loss)	804,171	99,296	704,875	709.87%
Other comprehensive income (net after tax)	307,302	(72,927)	380,229	(521.38)%
Total comprehensive income for the period	1,111,473	26,369	1,085,104	4115.07%

Description of material changes:

- (1) The decrease in operating income was due to the significant increase in cost of goods sold and operating expenses in 2022.
- (2) The increase in income tax expenses was due to the increase in the profit from the sale of UNC Warehouse, a subsidiary in the U.S., in 2022.
- (3) The increase in net profit before tax and net profit for the period was due the profit from the sale of UNC Warehouse, a subsidiary in the U.S., in 2022.
- (4) The increase in other comprehensive income (net after tax) was mainly due to the increase in the cumulative translation adjustments in 2022.
- (5) The increase in total comprehensive income for the period was due to the increase in net income for the period in 2022.

(II) Sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response:

According to the historical data of the Company's operating income and with reference to forecasts of professional forecasters in the power cord and cable industry, it is expected that the sales volume and revenue of the Company in the coming year will remain optimistic.

III. Analysis of Cash Flow

(I) Analysis of changes in cash flows in the past two years

Unit: NT\$K

Item	2022	2021	Increase (decrease) number	Change ratio
Net cash inflow (outflow) from operating activities	1,436,857	(1,413,722)	2,850,579	(201.64)%
Net cash inflow (outflow) from investing activities	1,754,321	(207,136)	1,961,457	(946.94)%
Net cash inflows (outflows) from financing activities	(1,878,179)	1,501,856	(3,380,035)	(225.06)%
Description:				
(1) Operating activities: The increase in cash inflow from operations was due to the increase in accounts receivable and decrease in inventories in 2022.				
(2) Investing activities: The increase in cash inflow from investing activities in 2022 was mainly due to the increase in the proceeds from disposal of real estate in 2022.				
(3) Financing activities: The increase in cash outflow from financing activities in 2022 was due to the decrease in long-term borrowings in 2022.				

(II) Liquidity analysis for the coming year.

Unit: NT\$K

Cash balance at the beginning of the period	Projected full-year net cash (out)flows from operating activities	Projected full-year cash (out)flows	Projected cash surplus amount	Remedies for projected cash shortfalls to maintain a comparable cash balance	
				Investment plan	Financing plan
452,061	521,300	(673,361)	300,000	0	0
Liquidity analysis: The net cash inflow from operating activities for the year was mainly due to the collection of sales revenues in 2023; the net cash outflow for the year was mainly due to the payment for raw materials and repayment of bank borrowings.					

IV. Major Capital Expenditures and Impact on Financial and Business

In 2022, the Company or its subsidiaries did not have significant capital expenditures.

V. Reinvestment Policies and Main Profit/Loss Reason of the Past Year and Improvement Plans, with Investment Plans for the Coming Year

(I) Reinvestment profit or loss for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

Unit: NT\$K

Investment by the Company	Investment profit or loss for the most recent year	Policy	Main reason for profit or loss	Plan for improvement
YFC-BONEAGLE ELECTRIC (B.V.I)CO., LTD.	(39,249)	Holding company established to invest in the Philippines, China and the U.S.	Mainly for recognizing the profit or loss of YFC-BonEagle Holdings (Cayman) Co., Ltd., Europower International Limited, Universal Network Corporation, Max Synergy Limited, Premium Link Asia Ltd., YFC-BonEagle International, Inc., Beszin Corporation Inc.	Not applicable
BESTLINK NETWARE, INC.	12,282	Trading business	Business stable with continuous profitability.	Not applicable
UNC INVESTMENT & DEVELOPMENT INC.	1,319,471	Investment business	Business stable with continuous profitability.	Not applicable
PREMIUM-LINE KSI GMBH	(6,484)	Trading business	The loss was a result from the fact that economic scale was not reached.	Continued to develop business and expand customer orders.
MONOPRICE HOLDINGS, INC.	(321,831)	Holding company established to invest in the U.S.	Mainly for recognizing the profit or loss of Monoprice, Inc.	Not applicable
PREMIUM-LINE SYSTEMS GMBH	0	Trading business	None.	Not applicable
YUE FONG COMPANY LIMITED	(4,441)	Trading business	Established in February 2020 to expand the market in Southeast Asia; this company is still in the early stage of investment.	Continued to develop business and expand customer orders.
YFC-Europower International Co., Ltd.	16,580	Trading business	Business stable with continuous profitability.	Not applicable
YFC-BONEAGLE HOLDINGS (CAYMAN) CO., LTD.	(100,836)	Holding company established to invest in China and the U.S.	Mainly for recognizing the profit or loss of Prime Wire & Cable, Inc.	Not applicable
EUROPOWER INTERNATIONAL LIMITED	(24,123)	Trading business	Orders have been transferred to the parent company Taiwan YFC-BonEagle Electric since 2019.	The subsequent operating expenses are supported by the parent company
UNIVERSAL NETWORK CORPORATION	110,826	Holding company established to invest in China	Mainly for recognizing the profit or loss of Wuxi Universal Network Corporation.	Not applicable
MAX SYNERGY LIMITED	1,875	Holding company established to invest in China	None.	Not applicable
PREMIUM LINE ASIA LTD.	67	Trading business	None.	Not applicable
YFC-BONEAGLE	11,087	Trading business	Business stable with continuous	Not applicable

Investment by the Company	Investment profit or loss for the most recent year	Policy	Main reason for profit or loss	Plan for improvement
INTERNATIONAL, INC.			profitability.	
YFC DEVELOPMENT CORPORATION	0	Investment business	None.	Not applicable
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS.	(26,932)	Production and sales of various types of electric wires, cables, plugs and sockets	This company officially operated in 2021 and is still in the early stage of investment, with economic scale not achieved.	Continued to develop business and expand customer orders.
BESZIN COPORATION INC.	33	Trading business	The profit and loss was a result of exchange rate changes.	Not applicable
PRIME WIRE & CABLE, INC.	(54,222)	Sales of power cords, power cord sets, and network structured cabling systems	The temporary losses were mainly due to soaring international shipping costs and the continued impact of tariffs from the US-China trade war, affecting selling price was not reflected immediately.	Adjusted
TAIPIN CIRCULATING ENTERPRISE CO., LTD.	—	Holding company established to invest in China	None.	Not applicable
MONOPRICE, INC.	(321,831)	Trading business	Mainly due to soaring international shipping costs and the continued impact of tariffs from the US-China trade war, the selling price was not reflected immediately, resulting in temporary losses.	Adjusted
Dongguan YFC	(51,590)	Production and sales of various types of electric wires, cables, plugs and sockets	Due to the reduction of production volume, some production was moved to the plant in the Philippines.	Adjusted product prices and continued to improve the production processes of products.
Wuxi Universal Network Corporation	112,348	Production and sales of high-speed broadband LAN communications networks	Business stable with continuous profitability.	Not applicable
Chenzhou YFC BonEagle Electronic Co., Ltd.	127	Processing and sales of network communication products, network cables	Business stable with continuous profitability.	Not applicable
YFC-BonEagle International Trade (Wuxi) Co., Ltd.	0	Electronic computer software and hardware, network equipment and electronic products	The Company disposed of the subsidiary at the end of August 2021.	Not applicable

(II) Investment plans for the coming year: The Company does not have significant investment plans for the coming year.

VI. Risk Items Analysis of the Past Year and up to the Annual Report Publication Date

(I) Organizational structure of risk management

The Board of Directors is fully responsible for the establishment and supervision of the Company's risk management structure. The Board of Directors delegates the control of each department, mainly the Sales Dept. and Finance Dept. for the control of their sales and financial risks. The Sales Dept. and Finance Dept. are responsible for the development and control of the Company's risk management policy. These two departments also report to the Chairman and the CEO of their operations on a regular basis, and report to the Board of Directors when necessary.

The Company's risk management policy is formulated to identify and analyze the risks faced by the Company and set appropriate risk limits and control, while monitoring compliance with risks and risk limits. The risk management policy and system are reviewed periodically in order to reflect market conditions and changes in the operation of the Company. Through promotion, management policy and operating procedures, the Company has developed a disciplined and constructive control environment, enabling all employees to understand their role and responsibilities.

The management of business risks is handled according to the Company's internal control regulations. The departments are responsible for the risk assessment of their respective operating activities and risks are reported to the supervisor according to their importance. The audit department is responsible for reviewing the risks that may be caused by each operating activity and drawing up a risk-oriented audit plan accordingly. The risk assessment scope of each department is as follows:

President Office: Responsible for business decision planning and evaluating the benefits of medium and long-term investments to reduce strategic risks.

Finance Dept.: Effectively grasps the process and approaches of financial accounting management In line with the Company's overall operations; responsible for company capital management and establishing a hedging mechanism, as well as revising and promoting the internal control system, ensuring that they are continuously and effectively implemented. By doing this, the operating results are delivered and the reliability of financial reporting and compliance with relevant laws and regulations achieved, reducing risks associated with financial accounting.

Sales Dept.: Master customer needs and marketing strategies, expand business, promote products, and continue to develop new customers and markets, reducing the risks associated with business operations.

Information Department: Responsible for network information security control and protection, preservation of company database, normal operation of ERP system, and formulation of personal data protection management rules. A Personal Data Protection and Promotion Committee has been set up according to these rules to reduce information-related risks.

(II) Impact of risk factors and measures to adopt in response in the future:

1. Effect of interest rate changes

Interest expenses for the Company and subsidiaries in 2021 and 2022 were NT\$103,727 thousand and NT\$160,868 thousand, respectively, representing 0.83% and 1.38% of operating incomes for each year. In terms of measures in response to interest rate changes – the Company and its subsidiaries designate specialists to evaluate the interest rates over bank borrowings according to changes in market rates and keep in close contact with the banks to evaluate capital market and monetary market interest rates. Furthermore, various financial instruments (e.g., issuance of convertible bonds or cash capital increase) are used gain more favorable borrowing rates in order to reduce the risk of changes in interest rates. Based on this, there are no expected rate changes that will result in significant risk to the Company's gain or loss.

2. Effect of exchange rate changes

Net foreign currency exchange gains (losses) for the Company and subsidiaries in 2021 and 2022 were NT\$(23,537) thousand and NT\$58,799 thousand, respectively. The Company's proposed future measures for changes in exchange rates are as follows:

- (1) The financial unit maintains close contact with the foreign currency department of our financial institutions and collects information associated with exchange rate changes at all times. As well as this, the financial unit also adopts timely and favorable measures to reduce the negative impact of exchange rate changes.
- (2) The products of the Company and subsidiaries are mainly sold overseas. In 2022, revenue from foreign sales accounted for 97.48% of total revenue. This was mainly due to the fact that major sales quotations and receipts were quoted and received in U.S. dollars. In addition to adopting the natural hedge of accounts receivable against accounts payable to hedge the risk of exchange rate fluctuations, in the event of a short-term imbalance, the U.S. dollar position is hedge by buying or selling foreign currencies at real-time exchange rates to ensure that the net exposure remains at an acceptable level.
- (3) Due to foreign exchange fund needs, foreign currencies are kept in foreign currency savings accounts. Foreign currencies held are adjusted in a timely manner according to the exchange rates in order to reduce the impact of exchange rate fluctuations.
- (4) When quoting customers, we take into account any possible impact arising from changes in exchange rates. Moreover, we will adopt a more stable exchange rate as the basis for quotation, so as to minimize the impact of exchange rate fluctuations on the interests of the orders received.

3. Inflation

Copper and PVC, the main raw materials of the Company and subsidiaries have been affected by international prices and this has posed a certain degree of impact on the Company's cost and profitability. In addition to signing long-term contracts with suppliers to ensure a stable source of supply, the Company quotes copper prices to customers by locking in regular copper prices for orders with 3 months or more deadline. At the same time, the Company will also adopt a pragmatic principle and asks major copper suppliers to prepare materials with different delivery schedules.

4. Measures to adopt in response in the future

In response to changes in interest rates and exchange rates, the Company keeps close contact with the banks in order to grasp market change trends for careful evaluation which is served as a reference basis for transactions. In addition, prior to making appropriate and reasonable quotations to customers, the business unit first considers and evaluates future exchange rate trends and factors affecting the exchange rate. By doing so, adverse impact arising from exchange rate changes on revenue and profitability of the Company and subsidiaries can be avoided.

(III) High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company and its subsidiaries uphold the principle of prudence and pragmatic management. In addition to focusing on the Company's business fields, the Company and its subsidiaries did not engage in high-risk, high-leverage investments.
2. The engagement in derivative transactions by the Company and its subsidiaries is based on the "Procedures for the Acquisition and Disposal of Assets" and "Procedures for Engagement in Derivative Transactions." As derivative transactions engaged in by the Company and its subsidiaries are to hedge the exchange rate risk exposed to operating activities and are not speculative operations, no significant foreign exchange gains or losses were incurred.

3. The formulation of the “Procedures for Loaning Funds to Others” of the Company and its subsidiaries was approved by the Board of Directors. In 2022 and up to the date of publication of the annual report, the Company and its subsidiaries performed relevant operations and announcements in accordance with the relevant regulations.
4. The formulation of the “Regulations Governing Making of Endorsements/Guarantees” of the Company and its subsidiaries was approved by the Board of Directors. In 2022 and up to the date of publication of the annual report, endorsements and guarantees were made only to the Company’s 100%-owned subsidiaries and between its 100%-owned subsidiaries due to bank financing. No endorsements or guarantees were provided to others, and relevant operations and announcements were performed in accordance with the relevant regulations.

(IV) Future research and development projects, and expenditures expected in connection therewith:

1. Network cables and information technology products:

Unit: NT\$ thousand

R&D plan	Current progress	Expected R&D expenses	Expected time for mass production completion	Main factors affecting the success of future R&D
Cat.8 S/FTP SLD Data Center Cable Certification LSOH ETL CHANNEL& PERMANENT LINK Certification	1. Improve the high frequency decay properties of finished products. 2. During production, the angle of aluminum foil wrapping is slightly scratched, so the jig (base) is intended to be molded.	100	2023/Q1	Adaptability of connector and wire product properties
CPR certified wires, CE to UKCA certification (4 specifications)	Efectis-UK application and factory testing validation	320	2023/06	Regulatory changes due to Brexit
EN 50575 CPR CLASS C&B2ca cable specification maintenance (11 specifications)	1. 3P/Efectis validation maintenance for cable specifications 2. Testing application for new wire development certification	1,500	2023/11	Development carried out in line with the new European regulations and customer demand
EN 50575 CPR cable specification application (Wuxi Factory) 1. CPR Class Eca & Dca (System 3) 2. CPR Class Cca & B2ca (System 1+)	1. CPR Class Eca & Dca completed and CAT.6 & CAT.5E UTP certified. Sample for CAT.5E SF/UTP & F/UTP is expected to be completed on January 12. 2. Material for CPR Class Cca & B2ca under assessment	(1)1,200 (2)3,000	2023/02 2023/12	Material selection and EN50399 testing and certification
Outdoor cables and certifications for harsh environment	UL444/UL758 is being tested	1,066	2023/04	Material properties and outdoor weathering tests
Development of new material for Lan CM grade PVC wire – Cat.6 UTP series	New material extrusion testing for sampling	80	2023/Q2	Meeting international minimum standards for electrical testing

R&D plan	Current progress	Expected R&D expenses	Expected time for mass production completion	Main factors affecting the success of future R&D
Lan CMP PVC – Cat.6 UTP&FTP and Cat.6A UTP series	Structure materials under assessment	410	2023/Q4	Meeting international minimum standards for electrical testing
Lan CMR PVC – Cat.6/Cat.5e UTP and Cat.6A UTP series	Structure materials under assessment	300	2023/Q3	Meeting international minimum standards for electrical testing
Lan PVC/LSOH wire – Cat.6A Shielded wire	Structure materials under assessment	125	2023/Q3	Meeting international minimum standards for electrical testing
Lan PVC/LSOH – Cat.6A UTP	1. New packaging material under design and development 2. Data reading analysis and structural analysis	176	2023/Q2	Patented technology
Materials were supplied locally for 5G foam insulation material development and application – physical foam	Material specifications under assessment and trial conditions confirmed	300	2023/Q4	Cooperation with vendors Material foaming technology
PVC UL CM development (Wuxi)	Sample under production	550	2023/04	Product certification
Network cable product certified – Philippines Factory	Sample under production	1,200	2023/03	Product certification
Support POE CAT.6/6A shielded/unshielded connector	Materials under assessment	30	2023/Q2	Product upgrade
CAT.6A Toolless RJ45 connector	Materials under assessment	50	2023/Q2	Product upgrade

2. 3C cable and cable set processing products:

R&D plan	Current progress	Expected R&D expenses	Expected time for mass production completion	Main factors affecting the success of future R&D
UL758 UL10269\UL11627\UL3817 certified	Specifications under assessment	806	2023/09	Product certification
RG174 Coaxial Cable UL CM certification	Report and certificate obtained	200	2023/02	Product certification
Outdoor waterproof PV energy storage rechargeable battery	Under assessment	1,295	2023/Q2	Product cost
PV1-F solar panels connected to PV extension cable.	Under assessment	86	2023/Q3	Product cost

3. Power cord and power cord set products

R&D plan	Current progress	Expected R&D expenses	Expected time for mass	Main factors affecting the success of future R&D
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			production completion	
US-spec extension cord with spring strain relief.	Under discussion with PRIME regarding structure	301	2022/07	Structural certification and function verification
3-pin U.S.-spec extension cord	Under discussion with PRIME regarding structure	301	2022/09	Structural certification and function verification
Patented IEC C13 locking connector	Product structure design completed; market evaluation data being collected	860	2022/05	Function verification
NSW+CE	Samples sent to DEKRA lab for testing	675	2023/03	Product certification
VDE-certified H03Z1Z1H2-F H03Z1Z1-F Halogen-free wire H05Z1Z1H2-F H05Z1Z1-F	Material for sample being prepared – copper conductor and LSOH material have arrived at the Company for making sample	3,150	2023/06	Product certification
SJTW\SJTOW\SJEOW SJEOOW UL added with -50°C certification	Materials under assessment	1,197	2023/09	Product certification
US-spec 3-prong plug LED lighting male plug/female plug, outdoor waterproof	The customer expects to sell this product in 2023 Q4	1,555	2023/Q4	Product certification and unit price

(V) The impact upon the company’s financial operations of important policy and legal developments at home and abroad, and the measures the company plans to adopt in response:

The Company and its subsidiaries keep a close eye on important domestic and foreign policies as well as legal changes and take the initiative to propose measures in response in a timely manner. In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the Company’s financial business was not affected due to changes in important domestic and foreign policies.

(VI) Effect on the company’s financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

Eco-friendly products and wireless communication are the world’s future trend and there are more and more upstream and downstream integration in industries. The Company and its subsidiaries will take the advantage of our advantage in technology and quality of products and strive for industry integration, while at the same time seeking opportunities for strategic alliances with major domestic and foreign manufacturers, creating maximum profits for the Company. The Company has an internal control system in place for information security management. The Information Department under the Group’s General Management Department is responsible for coordinating and implementing the information security policy. As well as these, the Information Department also oversees the promotion of information security information, enhancement of the awareness of information security among employees, collection and improvement of the organization’s information security management system.

(VII) The impact of changes in the company’s image upon its crisis management, and the measures the company plans to adopt in response:

The corporate image of the Company and its subsidiaries is good as we have always upheld the principle of prudence and pragmatic management. By entering the capital market, we strive to attract more talented people to join the Company and its subsidiaries. By deepening the strength of the management team, we are able to

return the operating results to our shareholders, fulfilling our corporate social responsibility. There was no risk of endangering the corporate image or corporate crisis.

- (VIII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

In the most recent fiscal year or during the current fiscal year up to the date of publication of the prospectus, the Company or its subsidiaries did not have any merger or acquisitions.

- (IX) The expected benefits and potential risks of any plant expansion, and measures to be adopted in response:

In the most recent fiscal year or during the current fiscal year up to the date of publication of the prospectus, the Company or its subsidiaries did not plan any plant expansion.

- (X) The risks associated with any consolidation of sales or purchasing operations, and measures to be adopted in response:

1. Solving the risk of overconcentration of imports: The reason for the Company and its subsidiaries to seek several suppliers with excellent ratings is to ensure the quality of raw materials while also reducing the risk of supply shortage or interruption of supply.

2. Solving the risk of overconcentration of sales: The products of the Company and its subsidiaries are mainly sold to major international manufacturers located in the Europe, Americas, and Asia, who the Company and its subsidiaries keep close and sound relationships with. In addition to continuing to stabilize existing customers, the Company and its subsidiaries also proactively expand and develop new customer base in order to diversify the risk of concentration of sales

- (XI) Effect upon and risk to the company if a substantial quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and measures to be adopted in response:

In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, no substantial quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company was transferred or changed hands.

- (XII) Effect upon and risk to the company associated with any change in governance personnel or top management, and measures to be adopted in response:

In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, there was no change in governance personnel or top management.

- (XIII) Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities: None.

- (XIV) Other important risks and measures to be adopted in response:

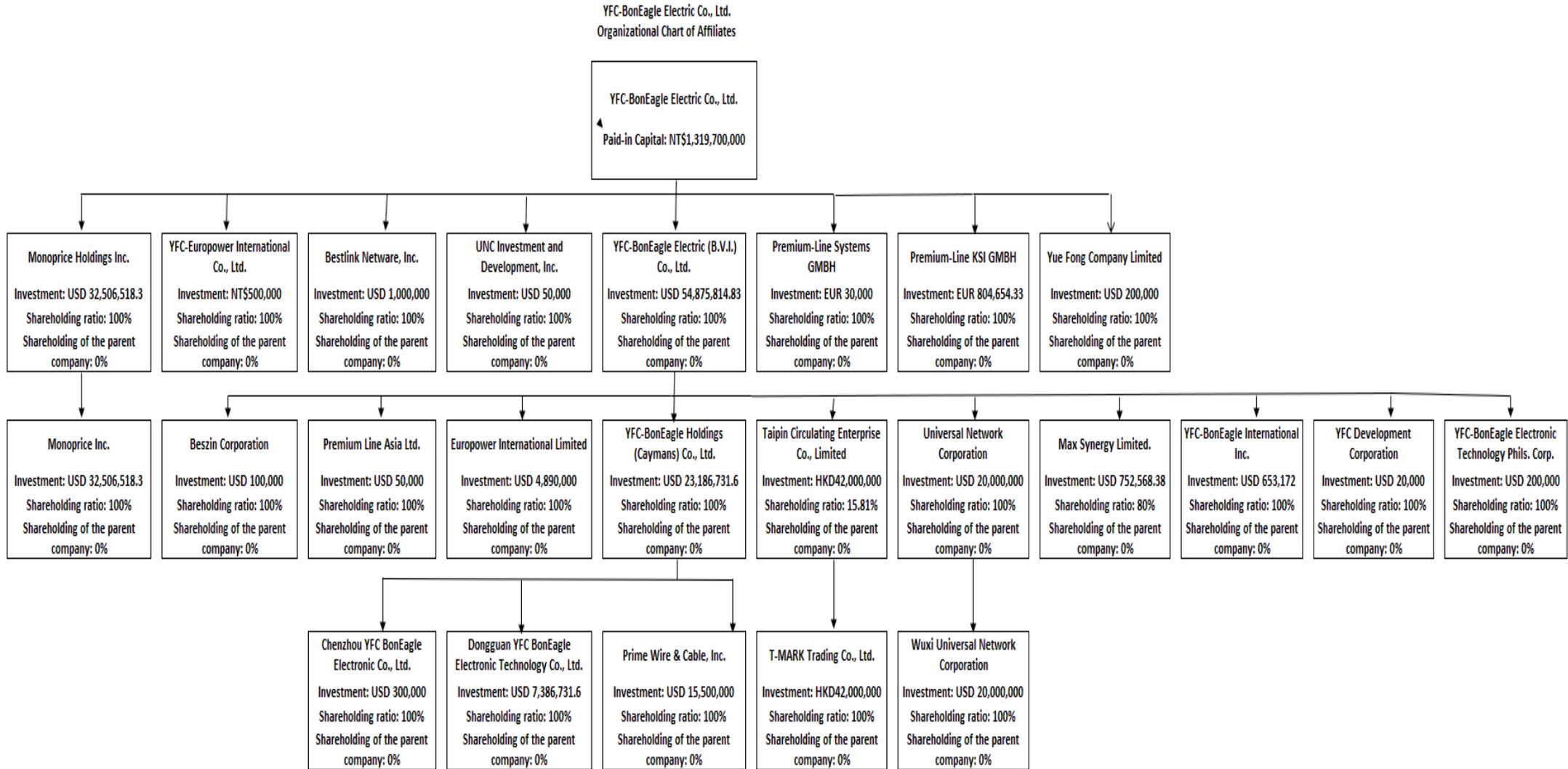
VII. Other Material Information

None

H. Special Disclosure

I. Information on Affiliated Companies

(I) Organizational chart of affiliates



(II) Basic information of affiliates

Unit: NT\$K

Name of enterprise	Date of establishment	Main business or production items	Paid-in capital	Address
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	1999.08.31	Holding company established to invest in China and the U.S.	\$ 1,794,633 (USD 54,876K)	P.O.BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS
BESTLINK NETWARE, INC.	2004.04.22	Trading business	31,393 (USD 1,000K)	16200 CARMENITA ROAD, CERRITOS, CA 90703
UNC INVESTMENT & DEVELOPMENT, INC.	2013.02.20	Investment business	1,496 (USD 50K)	16200 CARMENITA ROAD, CERRITOS, CA 90703
PREMIUM-LINE KSI GMBH	2016.08.11	Trading business	28,193 (EUR 600K)	Richard-Strauss-Straße 39, A-1230 Wien, Austria
MONOPRICE HOLDINGS, INC.	2016.11.18	Holding company established to invest in the U.S.	1,031,853 (USD 32,507K)	11701 6th Street, Rancho Cucamonga, CA 91730
PREMIUM-LINE SYSTEMS GMBH	2017.03.19	Trading business	1,077 (EUR 30K)	Rosenheimer Str.89,83064 Raubling
YUE FONG COMPANY LIMITED	2020.01.13	Trading business	5,989 (USD 200K)	NO.146/2/28, Road 30, Ward 6, Go Vap District, Ho Chi Minh City
YFC-EUROPOWER INTERNATIONAL CO., LTD.	2021.05.03	Trading business	500	NO12-9,130th LANE. SECTION 2,CHUNG SHAN E,ROAD,HSINWU,TAOYUAN
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	2000.03.29	Holding company established to invest in China and the U.S.	752,008 (USD 22,807K)	HUNTLAW BUILDING, P.O.BOX 2804, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS
EUROPOWER INTERNATIONAL LIMITED	2001.11.16	Trading business	161,778 (USD 4,890K)	P.O.BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS
UNIVERSAL NETWORK CORPORATION	2002.05.07	Holding company established to invest in China	646,459 (USD 20,000K)	OFFSHORE CHAMBERS P.O.BOX217.APIA .SAMOA
MAX SYNERGY LIMITED	2010.05.21	Holding company established to invest in China	31,032 (USD 1,000K)	OFFSHORE CHAMBERS P.O.BOX 217. APIA. SAMOA
PREMIUM LINE ASIA LTD.	2010.12.29	Trading business	1,472 (USD 50K)	Offshore Chambers, P.O. Box 217, Apia, Samoa
YFC-BONEAGLE INTERNATIONAL, INC.	2017.08.20	Trading business	18,558 (USD 653K)	Room 501, NO.1579 F.Benitez Street, Ermita, Manila Philippines

Name of enterprise	Date of establishment	Main business or production items	Paid-in capital	Address
BESZIN CORPORATION INC.	2018.07.31	Trading business	3,085 (USD 100K)	Yong Kou Industrial Zone, Shijie Town, Dongguan City, Guangdong Province
YFC DEVELOPMENT CORPORATION	2020.05.27	Investment business	608 (USD 20K)	LOT 1-4,BLOCK 15,HERMOSA ECOZONE INDUSTRIAL PARK, Palihan, HERMOSA,REGION III,BATAAN,Philippines
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS.CORPORATION	2020.05.21	Production and sales of various types of cables, power cords, plugs and sockets, online communication products and cables	6,170 (USD 200K)	LOT 1-4,BLOCK 15,HERMOSA ECOZONE INDUSTRIAL PARK, Palihan, HERMOSA,REGION III,BATAAN,Philippines
MONOPRICE, INC.	2016.11.18	Trading business	1,031,853 (USD 32,507K)	11701 6th Street,Rancho Cucamonga, CA 91730
PRIME WIRE & CABLE,INC.	1981.10.29	Sales of power cords, power cord sets, and network structured cabling systems	511,700 (USD 15,500K)	280 Machlin Court, City of Industry , CA 91789-3026
DONGGUAN YFC BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	2001.06.01	LAN cables, computer peripherals, 3C power cords and cable processing, sockets, and online communication products	241,998 (USD 7,38K)	Yong Kou Industrial Zone, Shijie Town, Dongguan City, Guangdong Province
CHENZHOU YFC BONEAGLE ELECTRONIC CO., LTD.	2010.05.20	Processing and sales of online communication products, cables	9,593 (USD 30K)	Guiyang County Industrial Park, Chenzhou City, Guangdong Province
WUXI UNIVERSAL NETWORK CORPORATION	2003.04.24	High-speed broadband LAN equipment, optoelectronic components, optical communication transceiver modules, computer peripheral transmission equipment, high transmission power cord sets, broadband LAN system design	646,459 (USD 20,00K)	No.315, Youyi North Road, Xishan District, Wuxi City, Jiangsu Province

(III) For companies presumed to have a relationship of control and subordination: None.

(IV) Information on the directors, supervisors and presidents of each affiliate

Unit: NT\$K

Name of Enterprise	Title	Name of Representative	Shareholding	
			Number of Shares (Contribution Amount)	Shareholding Ratio (%)
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	Chairman	Andrew Yeh	\$ 1,794,633 (USD 54,876K)	100.00
BESTLINK NETWARE,INC.	Chairman	Grow Lin	31,393 (USD 1,000K)	100.00
UNC INVESTMENT & DEVELOPMENT, INC.	Chairman	Grow Lin	1,496 (USD 50K)	100.00
PREMIUM-LINE KSI GMBH	Chairman	Andrew Yeh	28,193 (EUR 600K)	100.00
PREMIUM-LINE SYSTEMS GMBH	Chairman	Andrew Yeh	1,077 (EUR 30K)	100.00
YUE FONG COMPANY LIMITED	Chairman	Huang Chuan-Hsing	5,989 (USD 200K)	100.00
YFC-EUROPOWER INTERNATIONAL CO., LTD.	Chairman	Andrew Yeh	500	100.00
MONOPRICE HOLDINGS,INC.	Chairman	Grow Lin	1,031,853 (USD 32,507K)	100.00
	Director	John Hsieh Conni Tsai		
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Chairman	Andrew Yeh	752,008 (USD 22,807K)	100.00
EUROPOWER INTERNATIONAL LIMITED	Chairman	Andrew Yeh	161,778 (USD 4,890K)	100.00
UNIVERSAL NETWORK CORPORATION	Chairman	Andrew Yeh	646,459 (USD 20,000K)	100.00
MAX SYNERGY LIMITED	Chairman	Grow Lin	23,392 (USD 753K)	80.00

Name of Enterprise	Title	Name of Representative	Shareholding	
			Number of Shares (Contribution Amount)	Shareholding Ratio (%)
PREMIUM LINE ASIA LTD.	Chairman	Andrew Yeh	1,472 (USD 50K)	100.00
YFC-BONEAGLE INTERNATIONAL, INC.	Chairman	Eddy Ku	18,558 (USD 653K)	100.00
BESZIN CORPORATION INC.	Chairman	Grow Lin	3,085 (USD 100K)	100.00
YFC DEVELOPMENT CORPORATION	Chairman	Eddy Ku	608 (USD 20K)	100.00
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Chairman	Eddy Ku	6,170 (USD 200K)	100.00
MONOPRICE, INC.	Chairman	Grow Lin	1,031,853 (USD 32,507K)	100.00
	Director	John Hsieh Conni Tsai		
PRIME WIRE & CABLE, INC.	Chairman	Chang, Lung-Kwang	511,700 (USD 15,500K)	100.00
	Director	Grow Lin		
DONGGUAN YFC BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	Chairman	Andrew Yeh	241,998 (USD 7,387K)	100.00
	Director	Grow Lin, Chang Lung-Kwang		
CHENZHOU YFC BONEAGLE ELECTRONIC CO., LTD.	Chairman	Grow Lin	9,593 (USD 300K)	100.00
	Director	Arthur Hua Fu Yao-Chun		
WUXI UNIVERSAL NETWORK CORPORATION	Chairman	Grow Lin	646,459 (USD 20,000K)	100.00
	Director	Hsieh Chi-Hung Chang, Lung-Kwang		

(V) Business overview of affiliates

Unit: NT\$K

Name of enterprise	Amount of Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Income (Loss)	Gains / Losses for the Period (after tax)	EPS(NT\$) (after tax)
YFC-BONEAGLE ELECTRIC CO., LTD.	1,441,851	8,321,194	4,431,154	3,890,042	4,773,332	(93,388)	803,702	5.87
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	1,794,633	3,426,779	0	3,426,779	0	(10,016)	(17,139)	—
BESTLINK NETWARE, INC.	31,393	190,692	134,488	56,204	426,223	7,702	12,282	—
UNC INVESTMENT & DEVELOPMENT, INC.	1,496	1,561,274	146,075	1,415,199	26,622	(80,398)	1,319,471	—
PREMIUM-LINE KSI GMBH	28,193	55,201	112,317	(57,116)	70,600	(5,786)	(6,484)	—
MONOPRICE HOLDINGS, INC.	1,031,853	3,038,808	2,216,947	821,861	0	0	(321,831)	—
YUE FONG COMPANY LIMITED	5,989	28,960	37,542	(8,582)	21,736	(2,979)	(4,441)	—
YFC-EUROPOWER INTERNATIONAL CO., LTD.	500	631,877	606,616	25,261	772,428	25,644	16,580	—
PREMIUM-LINE SYSTEMS GMBH	1,077	0	0	0	0	0	0	—
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	752,008	1,432,081	38,633	1,393,448	0	(5)	(100,836)	—
EUROPOWER INTERNATIONAL LIMITED	161,778	801,132	295	800,837	0	(19,401)	(24,123)	—
UNIVERSAL NETWORK CORPORATION	646,459	658,110	1,370	656,740	0	(1,888)	110,826	—
MAX SYNERGY LIMITED	23,392	25,656	0	25,656	0	0	1,875	—
PREMIUM LINE ASIA,LTD.	1,472	1,087	511	576	0	(4)	67	—
YFC-BONEAGLE INTERNATIONAL, INC.	5,840	214,208	214,964	(756)	130,878	13,430	11,807	—
YFC DEVELOPMENT CORPORATION	608	81,488	80,943	545	0	0	0	—
YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	6,170	492,237	572,622	(80,385)	551,661	(9,280)	(26,932)	—
BESZIN CORPORATION INC.	3,085	14,183	0	14,183	0	0	33	—
MONOPRICE, INC.	1,031,853	3,038,808	2,216,947	821,861	3,788,253	(74,709)	(321,831)	—
PRIME WIRE & CABLE,INC.	511,700	2,057,556	1,009,793	1,047,763	2,961,837	(67,507)	(54,222)	—
DONGGUAN YFC BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD.	241,998	370,784	51,985	318,799	604,113	(60,686)	(51,590)	—
CHENZHOU YFC BONEAGLE ELECTRONIC CO., LTD.	9,593	1,673	1,546	127	2,773	4,214	4,242	—
WUXI UNIVERSAL NETWORK CORPORATION	646,459	1,323,635	670,014	653,621	2,447,671	143,050	112,348	—

II. Private Placement Securities

None

III. Status of Shares Acquired or Disposed by Subsidiaries

None

IV. Events with Material Impacts on Shareholders' Equity or Stock Price over the Past Year and up to the Annual Report Publication Date, Stipulated in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act

None

V. Other Required Supplementary Notes

None