

# Table of Contents

2020 GENERAL SHAREHOLDERS' MEETING PROCEDURE .....	2
2020 GENERAL SHAREHOLDERS' MEETING AGENDA .....	3
I. REPORTS .....	4
II. ACKNOWLEDGEMENTS .....	7
III. DISCUSSIONS .....	8
IV. EXTEMPORARY MOTION .....	9
V. ATTACHMENT	
1. 2019 BUSINESS REPORT .....	10
2. AUDIT COMMITTEE'S REVIEW REPORT .....	12
3. ISSUANCE AND EXECUTION OF CORPORATE BOND .....	13
4. REVISED ESTIMATED BENEFIT REPORT OF INVESTMENT IN MONOPRICE .....	14
5. 2019 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT .....	15
6. 2019 EARNINGS DISTRIBUTION .....	25
7. COMPARISON TABLE OF AMENDED ARTICLES OF INCORPORATION .....	26
8. COMPARISON TABLE OF AMENDED RULES OF PROCEDURE FOR SHAREHOLDERS' MEETINGS .....	28
9. TABLE OF CONCURRENT POSITIONS IN OTHER COMPANIES HELD BY DIRECTORS .....	31
VI. APPENDIX	
1. RULES OF PROCEDURE FOR SHAREHOLDERS' MEETINGS .....	33
2. ARTICLES OF INCORPORATION .....	41
3. STATEMENT OF SHAREHOLDINGS BY DIRECTORS .....	48

**YFC-BONEAGLE ELECTRIC CO., LTD.**  
**2020 GENERAL SHAREHOLDERS' MEETING PROCEDURE**

1. Call the meeting to order
2. Chairperson remarks
3. Report
4. Acknowledgements
5. Discussions
6. Extemporaneous motion
7. Adjournment

# **YFC-BonEagle ELECTRIC CO., LTD.**

## **2020 General shareholders' meeting agenda**

Time: 9:00 AM, June 18, 2020

Venue: No.8, Shuzi Rd., Zhongli District, Taoyuan City (South Garden Hotels and Resorts)

Call the meeting to order and chairperson remarks.

### **I. Report:**

1. 2019 business overview and business results
2. Audit Committee's review report on the 2019 financial statements
3. 2019 employees and directors remuneration distribution
4. 2019 earnings distribution in cash dividends
5. Endorsements/guarantees made
6. Issuance of 9<sup>th</sup> domestic unsecured convertible corporate bond
7. Benefit report of acquisition of Monoprice

### **II. Acknowledgement:**

1. 2019 business report and financial statements
2. 2019 earnings distribution

### **III. Discussions:**

1. Amendments to the Articles of Incorporation
2. Amendments to the Rules for the Procedures of Shareholders' Meetings
3. Release of non-competition restriction on directors

### **IV. Extemporary Motion**

### **V. Adjournment**

## I. Report

### 1st Motion

Cause: 2019 business overview and business results.

Remark: Please see page 10 to 11 (Attachment 1) for the Company's 2019 business report.

### 2nd Motion

Cause: Audit Committee's review report on the 2019 financial statements.

Remark: Please see page 12 (Attachment 2) for the Audit Committee's review report.

### 3rd Motion

Cause: 2019 employees and directors remuneration distribution.

Remarks: (1) In accordance with Article 20 of the Articles of Incorporation, if the Company has profits in a year, at least 6% shall be provided as employee remuneration and up to 6% as director remuneration.

(2) The Company's profit before tax in 2019 before deduction of the distribution of employee remuneration and directors' remuneration is NT\$ 208,049,948. It is proposed that NT\$12,483,000 be distributed as employee remuneration and NT\$8,322,000 be distributed as directors' remuneration, all in cash.

(3) The above employee and director remunerations are consistent with the forecast amounts for 2019.

### 4th Motion

Cause: 2019 earnings distribution in cash dividends.

Remarks: (1) In accordance with Article 20-1 of the Articles of Incorporation, the Board of Directors is authorized to resolute all or part of the dividends and bonuses that shall be distributed in the form of cash, and report in the shareholders' meeting.

(2) It is proposed to distribute shareholder cash dividends of NT\$105,871,315, i.e., a distribution of \$0.85 per share. Cash dividend would be distributed to 1 NT dollar (rounded down to an integer), fractional amount in this cash dividend distribution shall be included as other income of the Company.

(3) After this proposal is approved by the board of directors, the board of directors is authorized to further determine the record date, distribution date and other matters of the distribution. Only if the number of outstanding shares is impacted by a subsequent request by the competent authority, change of legislation, re-purchase of Company shares, conversion of outstanding convertible bonds, resulting in a change of shareholder dividend distribution ratio, it is proposed that the shareholders' meeting authorizes the chairperson of the board to handle such matters with full discretion.

### 5th Motion

Cause: Endorsement/guarantee made

Remark: Until December 31, 2019, all of the endorsements/guarantees made by the Company and its subsidiaries have fallen in the limit defined under the "Regulations Governing Making of Endorsement/Guarantee" adopted by the Company and its subsidiaries. The endorsements/guarantees were intended for financing in nature. For details, please see the following:

Unit: NT\$ thousand

Endorser/ guarantor Company name	Endorsed/guaranteed		Authorized limit on endorsemen ts/guarantee s made for any single entity	Current highest balance of endorsem ents/guara nteets	Balance of endorsem ents/guara nteets-endi ng	Actual disburse ments	Endors ements / guaran tees secur ed by propert y	Accumula ted endorsem ents/guar antees to net worth of the most recent financial statement	Highest endorsemen t/ guarantee limit	Endorse ment/ guarantee made by parent company for subsidiary	Endorse ment/g uarante e made by subsidi ary for parent compan y	Endorse ment/g uarante e made in the territori es of Mainlan d China
	Company name	Relations hip										
The Company	EUROPO WER INTERNAT IONAL LIMITED	A wholly owned sub-subs idiary	2,378,239	1,048,730	119,720	-	-	5.03%	4,756,478	Y	N	N
The Company	Wuxi Guofeng Electronic Technolo gy Co., Ltd.	A wholly owned sub-subs idiary	2,378,239	1,097,450	1,079,725	366,811	-	45.40%	4,756,478	Y	N	Y
EUROPO WER INTERNAT IONAL LIMITED	The Company	Parent company	1,528,226	300,000	-	-	-	-%	3,056,452	N	Y	N
EUROPO WER INTERNAT IONAL LIMITED	MONOPRI CE, INC.	The sub -subsidiar y and subsidiary wholly owned by the Company	1,528,226	631,000	598,600	149,650	-	25.17%	3,056,452	N	N	N
PRIME WIRE & CABLE,IN C.	UNC INVESTM ENT & DEVELOP MENT INC.	The sub-subs idiary and subsidiary wholly owned by the Company	854,738	483,149	458,341	438,115	-	19.27%	1,709,476	N	N	N
PRIME WIRE & CABLE,IN C.	BESTLINK NETWARE INC.	The sub-subs idiary and subsidiary wholly owned by the Company	854,738	15,422	-	-	-	-%	1,709,476	N	N	N

Note 1: The authorized limit on endorsements/guarantees made by the Company for any single entity shall not exceed 20% of the net worth in the Company's most recent financial statements, provided that the authorized limit on endorsements/guarantees made for any single overseas affiliate of the Company shall be no more than the net worth. The aggregate amount of endorsements/guarantees made by the Company and its subsidiaries for others shall be no more than 200% of the current net worth. The authorized limit on endorsements/guarantees made by the Company and its subsidiaries for any single entity shall be no more than 20% of the current net worth. Where the aggregate amount of endorsements/guarantees made by the Company and its subsidiaries is more than 50% of the Company's current net worth, the necessity and rationality thereof shall be stated at a shareholders' meeting. The authorized limit on endorsements/guarantees made by the Company's subsidiary for any of its single overseas affiliate shall be no more than 100% of the net worth in the financial statements. In case of endorsements/guarantees made for business relationship, the authorized limit thereon shall be no more than the aggregate amount of transactions with the Company for the most recent year (the higher purchase or sale amount). The net worth shall be based on that referred to in the most recent financial statement audited, certified or reviewed by the external auditor.

Note 2: The highest amount of endorsements/guarantees made for the Company's investee upon resolution made by the Company's Board of Directors.

6th Motion

Cause: Issuance of 9th domestic unsecured convertible corporate bond

Remark: In order to repay the matured 8th domestic unsecured convertible corporate bond, the Company issued the 9th domestic unsecured convertible corporate bond amounting to NT\$404 million on February 18<sup>th</sup>, 2020. In accordance with Article 246 of Company Act, please see page 13 (Attachment 3) for report on the reason and other matters of the issuance.

7th Motion

Cause: Benefit report of acquisition of Monoprice

Remark: (1) The Company issued the 8th domestic unsecured convertible corporate bond in 2017 so as to repay the bank loan and improve the financial structure. The total issue amount of the bond is NT\$704.2 million, and the issuance is completed in June, 2017.

(2) Since the original purpose of the bank loan repaid this time was to purchase shares of MONOPRICE HOLDINGS, the implementation report of the anticipated benefit from the investment of MONOPRICE HOLDINGS is provided in accordance with the letter Jin-Guan-Zheng-Fa-Zi No. 1060017813 issued on May 26<sup>th</sup>, 2017 from the Financial Supervisory Commission. Considering the gross profit of third-party branded product is lower than the own branded product, the high procurement cost needed to be invested, and the inventory pressure, the Company later adjusted the product mix, cut down the promotions on the product mix of the third-party branded product and own branded product, and adjusted items of third-party branded products. Monoprice's sales revenue and operating profit have fallen short of expectations due to the 3D printer price war, so the Company amended the estimated benefit report of investment in Monoprice, which the original estimated benefit is deferred.

(3) Please see page 14 (Attachment 4) for revised estimated benefit report of investment in Monoprice.

## II. Acknowledgement

1st Motion (proposed by the Board of Directors)

Cause: 2019 business report and financial statements.

Remark: (1) The Company's 2019 financial statements and consolidated financial statements as audited and certified by Chiu Hua Hsieh, CPA and Yuan Chen Mei, CPA of KPMG, as well as the business report, have been reviewed by the audit committees. The audit committees issued their review report thereon.

(2) For said business report and financial statements, please see attachment 1 from page 10 to 11 and attachment 5 from page 15 to 24 herein.

Resolution:

2nd Motion (proposed by the Board of Director)

Cause: 2019 earnings distribution.

Remarks: Please refer to page 25 of the attachment 6 for Statement of 2019 earnings distribution of the Company.

Resolution:

### **III. Discussions**

1st Motion (proposed by the Board of Directors)

Cause: Amendments to the Articles of Incorporation

Remarks: In accordance with the Company's operating development in the long term, the Articles of the Incorporation are amended. Please see page 26 to 27 of the attachment 7 for a comparison table of the amended clauses.

Resolution:

2nd Motion (proposed by the Board of Directors)

Cause: Amendments to the Rules for the Procedures of Shareholders' Meetings

Remarks: In accordance with the amendments to the legislation of the competent authority, the Articles of the Rules for the Procedures of Shareholders' Meetings are amended. Please see page 28 to 30 of the attachment 8 for a comparison table of the amended clauses.

Resolution:

3rd Motion (proposed by the Board of Director)

Cause: Release of non-competition restriction on directors

Remarks: (1) Since directors of the Company actually engage in acts of participation in other business operations similar or identical to the Company's scope of operations, the Company shall, pursuant to Article 209 of the Company Act, request the Shareholders' Meeting to exempt the director from non-competition restrictions under the premise of no conflict of interest.

(2) Please see page 31 to 32 of the attachment 9 for table of concurrent positions in other companies held by directors.

Resolution:

**IV. Extemporany motion**

**V. Adjournment**

## Business report

### 1. Results of the 2019 business plan

#### (1) Implementation of the business plan

In 2019, YFC-BonEagle's consolidated operating revenue was NT\$11,572,582 thousand, a decrease of 1.86% from the consolidated operating revenue, NT\$11,792,427 thousand, in 2018. Its gross profit ratio was 22.80%, a decrease of 3.63% from its consolidated gross profit ratio, 23.66%, in 2018. Its consolidated net profit after tax was NT\$173,772 thousand, a decrease of 50.87% from its consolidated net profit after tax, NT\$353,720 thousand, in 2018. Its basic EPS was NT\$1.38, decreasing by 51.41% from its EPS, NT\$2.84, in 2018.

When U.S. raised tariff rates on China goods in respond to U.S.-China trade war in 2019, the U.S. customers asked for a lower price or switching the manufacturing site outside China. In order to meet the customers' needs and to retain customers, the Company rented a site in YangMei district, Taoyuan city for manufacturing, and set up processing satellite factories in Philippines to diversify manufacturing, which is mainly in China originally. The procurement of the E-commerce and brick-and-mortar retail subsidiaries also tried hard to develop qualified suppliers outside China. On the other hand, the U.S. E-commerce and branded channel subsidiaries can't fully pass the increased tariffs on to the customers and corporations, which led to the reduction of profits compared to last year. However, the Company has OEM manufacturing, branded e-commerce, retail and distribution channels at the same time, implements one-stop service to integrate sale, channels and production ends, and understands customers' needs effectively. As a result, the Company strives to reach a flat revenue when facing severe challenges.

#### (2) Analysis of receipts, expenditures and profitability

Unit: NT\$ thousand

Category	Title	2019	2018
Receipts & Expenditures	Operating revenue, net	11,572,582	11,792,427
	Gross profit from operations	2,638,286	2,790,630
	Net profit (loss) before tax	236,647	425,214
	Net profit (loss) after tax	173,772	353,720
Profitability	ROA (%)	3.27	5.47
	ROE (%)	6.96	14.18
	Operating income to paid-in capital (%)	28.02	39.73
	Net profit before tax to paid-in capital (%)	18.88	34.10
	Net profit margin (%)	1.49	3.00
	EPS (NT\$)	1.38	2.84

#### (3) R&D

1. Development of China national standard RVVP shielded cables and the application of 3C certification.
2. Development and certification application of Euro-spec halogen free products: SF-82F/SF-83F(IEC C14), SF-300, SF-01F, SF-03F, SF-04F, etc.

3. Internet cable UL-LP 4Port POE, UL LP certification.
  4. Development of outdoors cables.
  5. IEC type-C plug connector UL 60320 certification: SF-83, SF-85B, SF-80, etc.
  6. Development and certification application of Cat.8 S/FTP Data Center Cable.
  7. USB 4.0 (Type C to Type C Cable Assembly).
  8. HDMI 2.1 (Type AM to Type AM Cable Assembly).
  9. Additional self-test functioned component in GFCI.
2. Summary of the business plan 2020
- (1) Short-term business development plan:
1. Create the double engines driving growth of operating revenue and profitability through implementing one-stop service to integrate sale, channels and production ends, understanding customers' need and production cost effectively, providing the global consumers with the most valuable products (for industry, commerce and household).
  2. The subsidiaries in the U.S.A. will engage in distributing power cables and network product series and also work hard to develop other product lines to expand the sale performance.
  3. Work with the leading connector manufacturers in Japan to develop in-vehicle video/data transmission cables to accelerate the Company's operations in the vehicle markets of the U.S.A. and Japan.
  4. Adopt the model dedicated to providing the high-speed network transmission overall solution to promote the Company's high-end routing product, Cat.8, to the market.
- (2) Long-term business development plan:
1. Increase the sales shares in regions outside of the U.S., such as Europe, Southeast Asia, the Philippines, Australia.
  2. Through solid manufacturing and quality control ability of the Company's factories and cooperation with suppliers, the Company provides valuable products to satisfy various demands in the markets.
  3. Trade and sell products via the wholesale channels under the self-owned brand, PRIME, to satisfy the consumers who love to shop in stores.
  4. Provide the Internet users with the most optimal products in a timely manner via the e-commerce channels under the self-owned brand, MONOPRICE.
  5. Develop the industrial network patch cord market to distinguish the current mid-and-low-rank consumer market and traditional channels.
  6. Launch into the vehicle market of the Mainland China on the ground of vehicle high-frequency transmission cable solutions and electric vehicle power cable transmission solutions.

We sincerely appreciate the support and encouragement from all of you for so many years. We, the Company's management and staff, will keep making every endeavor to do our job to achieve remarkable results again. Wish you all the best!

Chairman of Board: Chun Jung Yeh  
 General Manager: Sen Fu Lin  
 Chief Accountant: Jui Hua Tsai

## **Audit Committee's review report**

The financial statements included in the business report, financial statements and motion for 2019 earnings distribution submitted by the Company's Board of Directors have been audited and certified by Chiu Hua Hsieh, CPA and Yuan Chen Mei, CPA of KPMG, and the CPAs issued the auditor's report accordingly. Said business report, financial statements and motion for earnings distribution shall be held complying with the related laws including the Company Act upon the audit committee's review. The audit committee issues the review report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act accordingly.

To:

YFC-BonEagle ELECTRIC CO., LTD.

General shareholders' meeting 2020

Chairman of the audit committee: Han Tzong Lee

March 27, 2020

**YFC-BonEagle ELECTRIC CO., LTD.**  
**Issuance and Execution of Corporate Bonds**

Bond Name	YFC 9 <sup>th</sup> domestic unsecured convertible corporate bond
Board of Directors Resolution Date	December 16 <sup>th</sup> , 2019
Approval of Financial Supervisory Commission (FSC)	January 15 <sup>th</sup> , 2020 FSC Approval letter: Jin-Guan-Zheng-Fa-Zi No. 10803422221
Issue Date	February 18 <sup>th</sup> , 2020
Issue Amount	Total issue amount shall be NT\$400 million, with NT\$100 thousand par value per bond. The bond shall be issue at a price of 101% of the par value.
Maturity	3-year, Maturity Date: February 18 <sup>th</sup> , 2023
Issue Rate	Coupon Rate: 0%
Trustee	Bank SinoPac Co. Ltd.
Underwriter	KGI Securities Co. Ltd.
Measure of Repayment	Unless the bond is converted by the holders in accordance with Article 10 of the Regulation, or bought back by the Company from the securities firm's business place for annulment, the bond shall be repaid at par value in cash in a lump sum upon maturity.
Use and estimated proceeds	Please refer to the Prospectus of the bond
The Possibility of Dilution of Equity and the Impact on Existing Shareholders' Equity Caused by the Regulations Issuance & Conversion, Condition of the Issuance	The total issue amount of the convertible corporate bond is NT\$400 million. After deducting NT\$78.7 million redeemed by the Company from the secondary market, the maximum convertible ordinary share is approximately 11,988 thousand shares, based on the latest conversion price NT\$26.8. Considering 124,555 thousand outstanding shares the Company has issued, the maximum ratio of diluted equity is approximately 8.78%. The dilution effect has no significant impact on Equity.
Outstanding Principle	NT\$ 321,300,000
Status of Conversion/Exchange	No creditors have applied for conversion due to the lock-up period after issuance and book closure date for shareholders' meeting. As of April 30 <sup>th</sup> , 2020, the Company has redeemed 787 convertible corporate bonds from the secondary market, remaining 3,213 of outstanding bonds.
Latest Conversion Price	NT\$26.8

## Revised Estimated Benefit Report of Investment in Monoprice

Unit: NT\$ thousand

Item	Year	2016	2017	2018	2019	2020	2021	2022	2023
		Actual	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated
Operating revenue		704,449	5,044,162	4,847,092	4,623,252	4,763,956	4,763,956	4,763,956	4,763,956
Operating costs		555,673	3,735,779	3,536,780	3,337,252	3,430,048	3,430,048	3,430,048	3,430,048
Gross profit from operations		148,776	1,308,383	1,310,312	1,286,000	1,333,908	1,333,908	1,333,908	1,333,908
Operating expenses		152,890	1,147,614	1,191,479	1,167,087	1,238,629	1,238,629	1,238,629	1,238,629
Operating income (loss)		(4,114)	160,769	118,833	118,913	95,279	95,279	95,279	95,279
Non-operating income and expenses		(1,991)	(18,159)	(29,576)	(35,216)	(12,400)	(12,400)	(12,400)	(12,400)
Profit before tax		(6,105)	142,610	89,257	83,697	82,879	82,879	82,879	82,879
Income tax expenses		0	58,257	10,025	24,975	24,035	24,035	24,035	24,035
Profit after tax		(6,105)	84,353	79,232	58,722	58,844	58,844	58,844	58,844
Investment income of MONOPRICE HOLDINGS'		(6,105)	84,353	79,232	58,722	58,844	58,844	58,844	58,844
Accumulated investment income of MONOPRICE HOLDINGS'		(6,105)	78,248	157,480	216,202	275,046	333,890	392,734	451,578
Depreciation & amortization expense		8,474	82,962	95,126	87,860	86,800	86,800	86,800	86,800
Cash flow including depreciation & amortization expense		2,369	167,315	174,358	146,582	145,644	145,644	145,644	145,644
Accumulated cash flow		2,369	169,684	344,042	490,624	636,268	781,912	927,556	1,073,200

## **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, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in 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 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 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 permit customers to return items within a specific period of time upon return policy, which lead to 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 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 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 accounting estimates and assumptions regarding inventory valuation and disclosures, please refer to note (5)(a) and note (6)(d).

### 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, due to the uncertainty in major accounting estimates and assumptions, valuation of inventory has been identified as a key audit matter.

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

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

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

#### **Other Matter**

YFC-BONEAGLE ELECTRIC CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, 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 or the supervisors) 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chiu-Hua Hsieh and Yuan-Chen Mei.

KPMG

Taipei, Taiwan (Republic of China)  
March 27, 2020

#### **Notes to Readers**

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

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

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

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018			
		Amount	%	Amount	%			Amount	%	Amount	%		
<b>Assets</b>								<b>Liabilities and Equity</b>					
<b>Current assets:</b>								<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 1,432,714	17	1,178,189	15	2100	Short-term borrowings (note (6)(k))	\$ 1,881,475	21	1,708,979	21		
1170	Notes and accounts receivable (note (6)(b) and (8))	1,994,094	23	2,275,605	28	2110	Short-term notes and bills payable (note (6)(l))	229,823	3	249,765	3		
1200	Other receivables, net (note (6)(c))	17,595	-	5,587	-	2130	Current contract liabilities (note (6)(v))	93,679	1	88,480	1		
1220	Current tax assets	47,482	-	34,943	-	2170	Notes and accounts payable	668,982	8	734,485	9		
130X	Inventories (note (6)(d))	2,282,649	27	2,308,275	29	2200	Other payables (note (6)(o))	459,398	5	412,233	5		
1410	Prepayments	261,422	3	234,948	3	2230	Current tax liabilities	14,479	-	26,493	-		
1470	Other current assets (note (6)(j))	16,569	-	14,981	-	2251	Current provisions for employee benefits	14,775	-	15,949	-		
1481	Right to the return goods-current	5,777	-	4,342	-	2280	Current lease liabilities (note (6)(p))	82,800	1	-	-		
	<b>Total current assets</b>	<b>6,058,302</b>	<b>70</b>	<b>6,056,870</b>	<b>75</b>	2365	Refund liabilities-current (note (6)(o))	63,940	1	38,735	1		
<b>Non-current assets:</b>								2320	Long-term liabilities, current portion (note (6)(m)(n) and (8))	1,211,071	14	200,900	3
1600	Property, plant and equipment (note (6)(f) and (8))	1,284,443	15	1,251,500	16	2300	Other current liabilities	2,193	-	5,330	-		
1755	Right-of-use assets (note (6)(g))	491,456	6	-	-		<b>Total current liabilities</b>	<b>4,722,615</b>	<b>54</b>	<b>3,481,349</b>	<b>43</b>		
1780	Intangible assets (note (6)(h))	502,167	6	545,000	7		<b>Non-Current liabilities:</b>						
1840	Deferred tax assets	154,134	2	118,350	1	2530	Bonds payable (note (6)(n))	-	-	679,225	9		
1915	Prepayments for business facilities	28,413	-	8,434	-	2540	Long-term borrowings (note (6)(m) and (8))	1,051,501	12	1,244,773	15		
1985	Long-term prepaid rents (note (6)(i))	-	-	12,449	-	2570	Deferred tax liabilities (note (6)(s))	72,979	1	74,986	1		
1900	Other non-current assets (note (6)(j) and (8))	131,705	1	56,894	1	2580	Non-current lease liabilities (note (6)(p))	414,033	5	-	-		
	<b>Total non-current assets</b>	<b>2,592,318</b>	<b>30</b>	<b>1,992,627</b>	<b>25</b>	2600	Other non-current liabilities	4,454	-	7,210	-		
							<b>Total non-current liabilities</b>	<b>1,542,967</b>	<b>18</b>	<b>2,006,194</b>	<b>25</b>		
							<b>Total liabilities</b>	<b>6,265,582</b>	<b>72</b>	<b>5,487,543</b>	<b>68</b>		
							<b>Equity attributable to owners of parent (note (6)(n)(t)):</b>						
						3110	Ordinary share	1,245,545	14	1,245,545	16		
						3200	Capital surplus	677,621	8	677,621	8		
						3300	Retained earnings	651,204	8	728,661	9		
						3400	Other equity interest	(196,131)	(2)	(95,454)	(1)		
							<b>Total equity attributable to owners of parent</b>	<b>2,378,239</b>	<b>28</b>	<b>2,556,373</b>	<b>32</b>		
						36XX	<b>Non-controlling interests</b>	6,799	-	5,581	-		
							<b>Total equity</b>	<b>2,385,038</b>	<b>28</b>	<b>2,561,954</b>	<b>32</b>		
							<b>Total liabilities and equity</b>	<b>\$ 8,650,620</b>	<b>100</b>	<b>\$ 8,049,497</b>	<b>100</b>		
	<b>Total assets</b>	<b>\$ 8,650,620</b>	<b>100</b>	<b>8,049,497</b>	<b>100</b>								

(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, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4110	<b>Operating revenue (note (6)(v))</b>	\$ 11,572,582	100	11,792,427	100
5110	<b>Operating costs (note (6)(d)(p)(q)(r)(w) and (12))</b>	8,934,296	77	9,001,797	76
5900	<b>Gross profit from operations</b>	2,638,286	23	2,790,630	24
<b>Operating expenses (note (6)(b)(i)(p)(q)(r)(w), (7) and (12)):</b>					
6100	Selling expenses	1,566,766	14	1,556,411	13
6200	Administrative expenses	652,345	6	675,019	6
6300	Research and development expenses	46,049	-	61,301	-
6450	Expected credit loss	24,139	-	3,056	-
6000	<b>Total operating expenses</b>	2,289,299	20	2,295,787	19
6900	<b>Operating income</b>	348,987	3	494,843	5
<b>Non-operating income and expenses (note (6)(n)(p)(x) and (7)):</b>					
7010	Total other income	26,982	-	27,595	-
7020	Other gains and losses, net	(13,522)	-	8,396	-
7050	Finance costs, net	(125,800)	(1)	(105,620)	(1)
7000	<b>Total non-operating income and expenses</b>	(112,340)	(1)	(69,629)	(1)
7900	<b>Profit from continuing operations before tax</b>	236,647	2	425,214	4
7950	<b>Less: Income tax expenses (note (6)(s))</b>	62,875	-	71,494	1
	<b>Profit</b>	173,772	2	353,720	3
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss(note(6)(q))</b>				
8311	Gains on remeasurements of defined benefit plans	(620)	-	1,347	-
8349	Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Total items that may not be reclassified subsequently to profit or loss</b>	(620)	-	1,347	-
8360	<b>Items that may be reclassified subsequently to profit or loss (note (6)(s)(t))</b>				
8361	Exchange differences on translation of foreign operation	(125,846)	(1)	85,797	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(25,169)	-	11,187	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(100,677)	(1)	74,610	1
8300	<b>Other comprehensive income (loss)</b>	(101,297)	(1)	75,957	1
8500	<b>Total comprehensive income</b>	\$ 72,475	1	429,677	4
<b>Profit, attributable to:</b>					
8610	Profit, attributable to owners of parent	\$ 172,272	2	353,241	3
8620	Profit, attributable to non-controlling interests	1,500	-	479	-
8600	<b>Net profit</b>	\$ 173,772	2	353,720	3
<b>Comprehensive income attributable to:</b>					
8710	Comprehensive income, attributable to owners of parent	\$ 70,975	1	429,198	4
8720	Comprehensive income, attributable to non-controlling interests	1,500	-	479	-
8700	<b>Comprehensive income</b>	\$ 72,475	1	429,677	4
<b>Earnings per share (in NT dollars) (note (6)(u))</b>					
9750	<b>Basic earnings per share</b>	\$ 1.38		2.84	
9850	<b>Diluted earnings per share</b>	\$ 1.35		2.67	

(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, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital		Retained earnings				Total other equity interest		Total equity attributable to owners of parent	Non-control interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements				
<b>Balance at January 1, 2018</b>	\$ 1,245,545	677,621	99,423	69,886	491,239	660,548	(170,064)	2,413,650	5,199	2,418,849	
Profit	-	-	-	-	353,241	353,241	-	353,241	479	353,720	
Other comprehensive income	-	-	-	-	1,347	1,347	74,610	75,957	-	75,957	
Total comprehensive income	-	-	-	-	354,588	354,588	74,610	429,198	479	429,677	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	41,047	-	(41,047)	-	-	-	-	-	
Special reserve appropriated	-	-	-	100,178	(100,178)	-	-	-	-	-	
Cash dividends paid	-	-	-	-	(286,475)	(286,475)	-	(286,475)	-	(286,475)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(97)	(97)	
<b>Balance at December 31, 2018</b>	1,245,545	677,621	140,470	170,064	418,127	728,661	(95,454)	2,556,373	5,581	2,561,954	
Profit	-	-	-	-	172,272	172,272	-	172,272	1,500	173,772	
Other comprehensive income	-	-	-	-	(620)	(620)	(100,677)	(101,297)	-	(101,297)	
Total comprehensive income	-	-	-	-	171,652	171,652	(100,677)	70,975	1,500	72,475	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	35,324	-	(35,324)	-	-	-	-	-	
Cash dividends paid	-	-	-	-	(249,109)	(249,109)	-	(249,109)	-	(249,109)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(282)	(282)	
<b>Balance at December 31, 2019</b>	\$ 1,245,545	677,621	175,794	170,064	305,346	651,204	(196,131)	2,378,239	6,799	2,385,038	

**(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, 2019 and 2018**

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

	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 236,647	425,214
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	202,730	119,258
Amortization expense	50,777	66,091
Expected credit loss	24,139	3,056
Interest expense	125,800	105,620
Interest income	(13,458)	(9,637)
(Gain) loss from disposal of property, plan and equipment	(462)	1,952
Unrealized foreign exchange (gain) loss	(893)	22,617
Total adjustments to reconcile profit	388,633	308,957
Changes in operating assets and liabilities:		
Notes and accounts receivable	181,097	175,335
Other receivables	(12,402)	29,882
Inventories	(31,019)	(58,658)
Prepayments	(33,940)	79,712
Other current assets and right to the return goods	(3,590)	11,335
Total changes in operating assets	100,146	237,606
Notes and accounts payable	(38,149)	(52,967)
Other payables	64,405	9,390
Refund liabilities and provisions for employee benefits	26,114	(231)
Other current liabilities and contract liabilities	3,610	(31,227)
Total changes in operating liabilities	55,980	(75,035)
Total changes in operating assets and liabilities	156,126	162,571
Total adjustments	544,759	471,528
Cash inflow generated from operations	781,406	896,742
Interest received	13,365	9,657
Interest paid	(111,435)	(92,428)
Income taxes paid	(102,160)	(52,129)
<b>Net cash flows from operating activities</b>	<b>581,176</b>	<b>761,842</b>

(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, 2019 and 2018**

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

	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) investing activities:</b>		
Net cash flow used in acquisition of subsidiaries	-	(1,077)
Acquisition of property, plant and equipment	(193,891)	(159,750)
Proceeds from disposal of property, plant and equipment	21,133	1,976
Acquisition of intangible assets	(20,140)	(32,004)
Increase in other financial assets and non-current assets	(5,270)	(11,073)
Increase in prepayments for business facilities	(21,779)	(6,729)
Increase in prepayments for land purchases	(71,128)	(17,253)
<b>Net cash flows used in investing activities</b>	<b>(291,075)</b>	<b>(225,910)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	2,645,022	2,890,089
Decrease in short-term loans	(2,439,617)	(2,976,421)
(Decrease) increase in short-term notes and bills payable	(19,942)	79,919
Proceeds from long-term debt	1,677,157	60,000
Repayments of long-term debt	(1,537,046)	(132,125)
Payment of lease liabilities	(79,185)	-
Decrease in other non-current liabilities	(2,657)	214
Cash dividends paid	(249,109)	(286,475)
Change in non-controlling interests	(282)	(97)
<b>Net cash flows used in financing activities</b>	<b>(5,659)</b>	<b>(364,896)</b>
Effect of exchange rate changes on cash and cash equivalents	(29,917)	17,860
Net increase in cash and cash equivalents	254,525	188,896
Cash and cash equivalents at beginning of period	1,178,189	989,293
Cash and cash equivalents at end of period	<b>\$ 1,432,714</b>	<b>1,178,189</b>

**YFC-BonEagle ELECTRIC CO., LTD.****2019 Earnings Distribution**

Balance of unallocated earnings - beginning	133,693,466
Add (Less): Current actuarial gains (losses)	(619,117)
Add: Net profit after tax this year	172,272,405
Less: Provision of 10% legal reserve	(17,165,329)
Less: Provision of special reserve	(26,066,157)
Allocable earnings	262,115,268
Allocation titles:	
Cash bonus to shareholders	(105,871,315)
Unallocated earnings - ending	156,243,953

Chairman of Board: Chun Rong Yeh

General Manager: Shen Fu Lin

Chief Accountant: Jui Hua Tsai

## Comparison Table of Amended Articles of Incorporation

Remarks	Article No.	Proposed Amendments	Existing Clause
Amendments in accordance with the Company's operation	Article 20-1	<p>If the Company retains earnings upon final accounting, after paying taxes and covering losses for the previous year, the Company shall set aside 10% of the remainder, if any, as legal reserve, unless the legal reserve amounts to the total paid-in capital; the balance amount, if any, may be used to distribute dividends distributable for preferred shares in the current year, then, the Company shall set aside or reverse a reserve pursuant to laws, if any, plus unallocated earnings for the previous year shall be allocated upon resolution of a shareholders' meeting on the motion for allocation proposed by the Board of Directors.</p> <p><u>As the Company takes stable development and solid financial structure into account, the allocation of earnings shall not less than 50% of the allocable earnings after deducting the earnings of previous year. When the allocable earnings after deducting the earnings of previous year less than 1% of the paid-in capital, the Company may waive the allocation upon resolution.</u></p> <p>The Company's dividend policy adopts recapitalization of earnings, recapitalization of capital surplus and cash dividend to distribute dividends.</p> <p>The Company will solidify financial structure and protect shareholders' equity, subject to the Company's</p>	<p>If the Company retains earnings upon final accounting, after paying taxes and covering losses for the previous year, the Company shall set aside 10% of the remainder, if any, as legal reserve, unless the legal reserve amounts to the total paid-in capital; the balance amount, if any, may be used to distribute dividends distributable for preferred shares in the current year, then, the Company shall set aside or reverse a reserve pursuant to laws, <u>and 40~90% of the remainder</u>, if any, plus unallocated earnings for the previous year shall be allocated upon resolution of a shareholders' meeting on the motion for allocation proposed by the Board of Directors, <u>provided that the allocable earnings less than 0.5% of the paid-in capital</u>, if any, may waive the allocation upon resolution.</p> <p>The Company's dividend policy adopts recapitalization of earnings, recapitalization of capital surplus and cash dividend to distribute dividends.</p> <p>The Company will solidify financial structure and protect shareholders' equity, subject to the Company's development and growth. The proportion of cash dividend shall be no less than 10% of the whole dividends.</p> <p>In accordance with Articles 240 and 241 of the Company Act, the Company shall issue new shares or distribute cash for</p>

Remarks	Article No.	Proposed Amendments	Existing Clause
		<p>development and growth. The proportion of cash dividend shall be no less than 10% of the whole dividends.</p> <p>In accordance with Articles 240 and 241 of the Company Act, the Company shall issue new shares or distribute cash for all or part of the dividends, bonus or capital reserve in accordance with the shareholders' original shareholding percentages. If cash is distributed, the board of directors is authorized to pass a resolution through the majority of directors attending a meeting that is attended by 2/3 or more directors, followed by a report to the shareholders' meeting. If new shares are issued, distribution shall be made after a shareholders' resolution.</p>	<p>all or part of the dividends, bonus or capital reserve in accordance with the shareholders' original shareholding percentages. If cash is distributed, the board of directors is authorized to pass a resolution through the majority of directors attending a meeting that is attended by 2/3 or more directors, followed by a report to the shareholders' meeting. If new shares are issued, distribution shall be made after a shareholders' resolution.</p>
Date of amendment is added	Article 22	<p>The Articles of Incorporation was established on July 29, 1983.</p> <p>1st ~ 28th amendment omitted.</p> <p>29th amendment hereto was made on June 14, 2017.</p> <p>30th amendment hereto was made on June 18, 2019.</p> <p><u>31st amendment hereto was made on June 18, 2020.</u></p>	<p>The Articles of Incorporation was established on July 29, 1983.</p> <p>1st ~ 28th amendment omitted.</p> <p>29th amendment hereto was made on June 14, 2017.</p> <p>30th amendment hereto was made on June 18, 2019.</p>

## Comparison Table of Amended Rules of Procedure for Shareholders'

### Meetings

Remarks	Article No.	Proposed Amendments	Existing Clause
Amendments in accordance with legislation of the competent authority	Article 3	<p>Convening shareholders' meetings and shareholders' meeting notices</p> <p>Paragraph 1~4 omitted.</p> <p>(5) Election or dismissal of directors, amendments to the articles of incorporation, <u>reduction of capital, application for the approval of ceasing the status as a public Company, approval of competing with the Company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, shall be set out and elaborate the essential contents</u> in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion. <u>The essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice.</u></p> <p>(6) <u>If the reasons for convening the shareholders' meeting have specified the full re-election of directors and the take office date, after the full</u></p>	<p>Convening shareholders' meetings and shareholders' meeting notices</p> <p>Paragraph 1~4 omitted.</p> <p>(5) Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, <u>Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.</p>

Remarks	Article No.	Proposed Amendments	Existing Clause
		<u>re-election of directors has completed, the take office date shall not be changed by making an extraordinary motion or by any other methods.</u>	
	Article 10	<p>Discussion of proposals</p> <p>(1) If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. <u>Relevant proposals, including extemporary motions and amended proposals, shall be voted for resolutions case by case.</u> The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.</p> <p>Paragraph 2~3 omitted.</p> <p>(4) The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed, call for a vote <u>and arrange adequate time for voting.</u></p>	<p>Discussion of proposals</p> <p>(1) If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.</p> <p>Paragraph 2~3 omitted.</p> <p>(4) The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.</p>
	Article 13	<p>Voting on proposals, vote monitoring and vote counting</p> <p>Paragraph 1 omitted.</p> <p>(2) <u>When convening a shareholders' meeting, the Company shall adopt exercise of voting rights by electronic</u></p>	<p>Voting on proposals, vote monitoring and vote counting</p> <p>Paragraph 1 omitted.</p> <p>(2) A shareholder exercising voting rights by correspondence or electronic means will be deemed to</p>

Remarks	Article No.	Proposed Amendments	Existing Clause
		<p><u>means and may adopt exercise of voting rights by correspondence. The method of exercise shall be stated in the notice of the shareholders' meeting.</u> A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. <u>Therefore, the Company should avoid making extraordinary motions and amendments to original proposals.</u></p> <p>Paragraph 3~8 omitted.</p>	<p>have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.</p> <p>Paragraph 3~8 omitted.</p>
	Article 15	<p>Meeting Minutes and Signatures Paragraph 1 omitted.</p> <p>(2) The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and the <u>voting results, including the statistical weights, and the number of the voting rights of each candidates when electing directors,</u> and shall be retained for the duration of the existence of the Company.</p> <p>Paragraph 3 omitted.</p>	<p>Meeting Minutes and Signatures Paragraph 1 omitted.</p> <p>(2) The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.</p> <p>Paragraph 3 omitted.</p>
	Article 20	<p>These Rules were established on 10 May 2019.</p> <p><u>1st amendment hereto was made on March 27, 2020.</u></p>	<p>These Rules were established on 10 May 2019.</p>

### Table of Concurrent Positions in Other Companies Held by Directors

Job title	Name	Concurrent positions in other companies
Chairman of Board	Representative of Good Win Investment Co., Ltd. Chairman of Board: Chun Rong Yeh	Chairman of Board: 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 Independent director: M.J.INTERNATIONAL CO., LTD.
Vice Chairman of Board	Representative of Great King Investment & Development Co., Ltd.: Shen Fu Lin	Chairman of Board: BESTLINK NETWARE INC. UNC INVESTMENT & DEVELOPMENT, INC. MONOPRICE HOLDINGS, INC. MONOPRICE, INC. CHENZHOU YFC WUXI UNIVERSAL INTERNATIONAL TRADING (WUXI) Director: PRIME WIRE & CABLE, INC. DONGGUAN YFC WEI SHUN CONSTRUCTION CO. LTD. Independent director: ACON HOLDINGS,INC.
Director	Ying Ming Ku	Chairman of Board: YFC BONEAGLE ELECTRONIC TECHNOLOGY YFC DEVELOPMENT CORPORATION YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS.CORPORATION
Director	Jung Kuang Chang	Chairman of Board: PRIME WIRE & CABLE, INC. DORRIS-MIC INTERNATIONAL COMPANY LTD. Director: DONGGUAN YFC WUXI UNIVERSAL
Director	Representative of He Ding Investment Co., Ltd.: Yen Ting Lin	Chairman of Board: YANG LIN INTERNATIONAL CO., LTD. Director: HAPRO LIMITED
Independent Director	Han Tzong Lee	Independent director: ANALOG INTEGRATIONS CORP.

Job title	Name	Concurrent positions in other companies
Independent Director	Chao Ting Chen	Director: H&C MANAGEMENT CONSULTING CO., LTD. Independent director: REMOTEK CORPORATION

## **YFC-BonEagle ELECTRIC CO., LTD.**

### **Rules of Procedure for Shareholders' Meetings**

Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 6 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulations or the articles of incorporation, shall be as provided in these Rules.

Article 3 Convening shareholders' meetings and shareholders' meeting notices

- (1) Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.
- (2) To convene a general shareholders' meeting, a notice shall be given to each shareholder 30 days in advance. For shareholders holding less than 1,000 registered shares, the notice may be given on the Market Observation Post System 30 days in advance. To convene a special shareholders' meeting, a notice shall be given to each shareholder 15 days in advance. For shareholders holding less than 1,000 registered shares, the notice may be given on the Market Observation Post System 15 days in advance.
- (3) The meeting notice shall specify the time during which shareholder attendance registrations will be accepted, the place to register for attendance, other matters for attention ,and the agenda.
- (4) When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice.
- (5) Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

Article 4 Attendance to Shareholders' Meeting by Representation and Revocation of Proxy

- (1) For each shareholders' meeting, a shareholder may appoint a proxy to attend the

meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

- (2) A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company 5 days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
- (3) After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes casted at the meeting by the proxy shall prevail.

#### Article 5 Principles determining the time and place of a shareholders' meeting

Venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

#### Article 6 Preparation of attendance book and other necessary documents

- (1) Shareholders and their proxies (hereinafter collectively referred to as "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
- (2) Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.
- (3) The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
- (4) When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

#### Article 7 The chairman and non-voting participants of a shareholders' meeting

- (1) If a shareholders' meeting is convened by the board of directors, the meeting shall be

chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

- (2) It is advisable that shareholders meetings convened by the board of directors be attended by a majority of the directors.
- (3) If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
- (4) The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

#### Article 8 Documentation of a shareholders' meeting by audio or video

The Company shall make an uninterrupted audio and video recording of the full proceedings of the shareholders' meeting and the recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

#### Article 9 Number of shares present in a shareholders' meeting

- (1) Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- (2) The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare the meeting adjourned.
- (3) If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total

number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

- (4) When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

#### Article 10 Discussion of proposals

- (1) If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.
- (2) The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.
- (3) The chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting.
- (4) The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.

#### Article 11 Shareholder speech

- (1) Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
- (2) A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
- (3) Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 3 minutes. If the shareholders' speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.
- (4) When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor; the chairman shall stop any violation.

- (5) When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- (6) After an attending shareholder has spoken, the chairman may respond in person or direct relevant personnel to respond.

#### Article 12 Calculation of voting shares and recusal system

- (1) Voting at a shareholders' meeting shall be calculated based the number of shares.
- (2) With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
- (3) With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### Article 13 Voting on proposals, vote monitoring and vote counting

- (1) A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares.
- (2) A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.
- (3) A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 2 business days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
- (4) After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the

shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

- (5) Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairman or a person designated by the chairman shall announce the total number of voting rights represented by the attending shareholders.
- (6) Proposals shall be voted by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the Market Observation Post System.
- (7) When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.
- (8) Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.  
Vote counting shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting shall be announced on-site at the meeting, and a record made of the vote.

#### Article 14 Elections

- (1) The election of directors at a shareholders' meeting shall be held in accordance with the election rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.
- (2) The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15 Meeting Minutes and Signatures

- (1) Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion

of the meeting. The meeting minutes may be produced and distributed in electronic form. Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the Market Observation Post System.

- (2) The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.
- (3) The resolution manners under the previous paragraph shall be voted by the shareholders case-by-case and the results of the votes shall be specified in the minutes.

#### Article 16 Public disclosure

- (1) On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.
- (2) Matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the Market Observation Post System within the prescribed time period.

#### Article 17 Maintaining order at the meeting place

- (1) Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.
- (2) The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
- (3) If a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairman may prevent the shareholder from so doing.
- (4) When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

#### Article 18 Recess and resumption of a shareholders' meeting

- (1) When a meeting is in progress, the chairman may announce a break based on time considerations. If a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
- (2) If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the

shareholders' meeting may adopt a resolution to resume the meeting at another venue.

(3) A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meeting.

Article 20 These Rules were established on 10 May 2019.

## **Articles of Incorporation of YFC-BonEagle ELECTRIC CO., LTD.**

### Chapter I General Provisions

Article 1: The Company is incorporated under the Company Act and named YFC-BonEagle ELECTRIC CO., LTD..

Article 2: The Company's business lines are specified as follows:

1. CC01080 Electronic Parts and Components Manufacturing
2. CC01060 Wired Communication Equipment and Apparatus Manufacturing
3. CC01020 Electric Wires and Cables Manufacturing
4. CC01070 Telecommunication Equipment and Apparatus Manufacturing
5. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company's head office is situated in Taoyuan City, Taiwan and, when necessary, may set up branches domestically and overseas upon resolution adopted at the meeting of the Board of Directors.

Article 4: The Company may authorize the Board of Directors to make investment externally upon approval of a shareholders' meeting, and the total investment is exempted from the restriction referred to in Article 13 of the Company Law.

Article 4-1: If necessary, the Company may make endorsements/guarantees for other companies in which the Company holds more than 50% of the shares with voting right directly or indirectly.

### Chapter II Shares

Article 5: The authorized total capital stock of the Company shall be NT\$1.8 billion, divided into 180 million shares (including the employee stock warrants totaling 35 million shares), with the possibility to issue preferred shares, at a par value of NT\$10 per share and to be issued in installment. The Board of Directors will resolve to offer unissued shares, if necessary.

Article 5-1: When the Company re-purchases treasury shares for assignment to the employees and issues new shares and new shares with restricted employee rights, and employee stock options, in addition to employees of the Company, the target may also include employees of subsidiaries in which the Company directly or indirectly holds 50% or more shares.

Article 6: The rights and obligations of preferred shares of the Company and other important terms of issuance are as follows:

1. If the Company has profit at the annual closing, in addition to tax payments in accordance with the law, losses from past years shall first be compensated. Then legal reserve shall be provided in accordance with the law. A special reserve shall then be provided or reversed in accordance with the provisions of the Articles of Association. The

- balance amount, if any, may be used in priority to distribute dividends distributable in the current year to preferred shares.
2. Dividends for preferred shares are capped at 8% per annum and shall be calculated based on the issue price per share. Dividends may be issued in cash in one lump sum every year. After the financial reports are approved by the general shareholders' meeting every year, the board of directors shall determine the record date for payment of the dividends distributable from the previous year. The amount of dividend in the year of issuance and redemption shall be calculated based on the actual number of outstanding days in the current year.
  3. The Company has the discretion on the distribution of dividends for preferred shares. If the Company has no profits at the annual closing or if the profit is insufficient to distribute dividends for preferred shares, the Company may resolve not to distribute dividends for the preferred shares. Shareholders of preferred shares shall not voice any objections. If the preferred shares issued are non-accumulative, the dividends that are not distributed or the shortfall of dividends distributed shall not be accumulated to the subsequent years with profit for deferred payment.
  4. Other than collecting dividends provided in sub-paragraph 2 of this paragraph, the non-participating preferred shares holders, are not entitled to participate in the distribution of cash or stock dividends with regard of the common shares derived from earnings or capital surplus. When the Company issues new shares in cash, shareholders of preferred shares shall have the same pre-emptive rights as shareholders of ordinary shares.
  5. Shareholders of preferred shares shall have priority rights over shareholders of ordinary shares in the order of distribution of remaining properties of the Company. Shareholders of all types of preferred shares issued by the Company shall rank in the same order of compensation, which shall be subordinated to general creditors, provided that it shall not exceed the amount calculated based on the issue price and the total number of preferred shares outstanding at the time of distribution.
  6. Shareholders of preferred shares are not entitled to voting rights or election rights. However, they may be elected as directors and are entitled to voting rights in shareholders meetings for preferred shares or in shareholders meetings in relation to matters involving the rights and obligations of shareholders of preferred shares.
  7. If preferred shares issued by the Company are convertible preferred shares, such shares shall not be converted until one year from their issue date. The board of directors is authorized to determine the conversion period in the actual terms of issuance. Shareholders of convertible preferred shares may convert all or part of the preferred shares they hold into ordinary shares based on a 1:1 ratio in accordance with the terms of issuance. After conversion, preferred shares are converted into ordinary shares, the

rights and obligations thereof shall be the same as ordinary shares. Dividends issued in the year of conversion shall be calculated based on the actual number of outstanding days in proportion to the number of days in the full year. However, in case of conversion before the record date for dividends distribution, the shareholders shall not participate in the distribution of dividends for preferred shares in the current year or dividends distribution in the subsequent year, but may participate in the distribution of profit and capital reserve for ordinary shares in the current year.

8. There is no maturity date for preferred shares. Shareholders of preferred shares have no right to demand that the Company redeems the preferred shares. However, at any time starting the day following the 5<sup>th</sup> anniversary date of issuance, the Company may redeem all or part of the preferred shares based on the actual issue price and applicable terms of issuance through cash redemption, mandatory conversion through issuance of new shares or other means permitted by law. For preferred shares that are not redeemed, the rights and obligations in accordance with the terms of issuance under this Article shall continue until redemption by the Company. If the shareholders' meeting of the Company resolves to distribute dividend in the year of redemption of preferred shares, dividends distributable as of the redemption date shall be calculated based on the actual outstanding days of the current year.

9. The board of directors is authorized to list preferred shares and ordinary shares converted from preferred shares in the over-the-counter market in accordance with the situation of the Company and the market.

The board of directors is authorized to determine the names, issue dates, specific terms of issuance and other relevant matters of preferred shares in accordance with the Articles of Association of the Company and applicable laws depending on the situation of the capital market and the investors' willingness to subscribe at the time of actual issuance.

Article 7: The Company may be exempted from printing any share certificate for the shares issued by the Company, provided that the Company shall appoint a centralized securities custody enterprise to make recordation of the issue of such shares.

Article 8: Registration for the transfer of stocks shall be suspended 60 days before any general shareholders' meeting, 30 days before any special shareholders' meeting, or 5 days before the record date for determination of the shareholders entitled to dividends, bonuses or any other profits distributed by the Company.

### Chapter III Shareholders' Meeting

Article 9: The shareholders meetings are categorized into the general shareholders' meeting and special shareholders' meeting. The general shareholders' meeting shall be convened once a year by the board of directors within six months after the close of each fiscal year. The special shareholders meetings shall be convened pursuant to laws, if necessary.

Shareholders meetings of preferred shares may be held as required in accordance with the law.

Article 10: If a shareholder is unable to attend a shareholders' meeting for any cause, he/she shall appoint a proxy to attend the meeting on behalf of him/her by issuing a written proxy in the form printed by the Company and state therein the scope of authority affixed with his/her seal/signature.

Article 11: Unless otherwise provided by related laws, each of the Company's shareholders shall have one voting right.

Article 12: The resolution at the shareholders' meeting shall be adopted by a majority of the shareholders present who represent a majority of the total number of issued shares, unless otherwise provided in laws.

The Company's shareholders may also exercise their voting rights by way of electronic transmission as set forth in the notice for the shareholders' meeting. The shareholder who exercises his/her/its voting right by way of electronic transmission shall be deemed to have attended the shareholders' meeting in person, provided that such exercise shall constitute his/her/its waiver to any extemporaneous motions and amendments to any motions.

Article 12-1: The shareholders' meeting convened by the board of directors shall be chaired by the Chairman of the Board. Where the Chairman is on leave or fails to exercise his power with cause, he shall appoint the proxy to act on behalf of him pursuant to Paragraph 3 of Article 208 of the Company Law. Where the meeting is convened by any person other than the Board of Directors, the chairperson shall be acted by the convener, provided that where there are more than two conveners, the chairperson shall be elected from among themselves.

Article 12-2: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after closing of the meeting.

The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.

The distribution of the minutes of shareholders' meeting as required in Paragraph One of this Article may be effected by means of a public notice.

#### Chapter IV Directors and Audit Committee

Article 13: The Company shall have 7~11 directors with a term of office of 3 years, who shall be elected under the candidate nomination system from the persons with disposing capacity at a shareholders' meeting and may be eligible for re-election. The total shareholdings held by all of its directors shall be prescribed subject to the securities competent authority's requirements.

For the duration of the term of office of directors, the Company shall take out liability insurance for directors with respect to liabilities resulting from the performance of duties during their terms of office, pursuant to laws, in order to mitigate and disperse the risk over significant damages caused by directors' fault or negligence to the Company and shareholders, if any. The Board of Directors is authorized to maintain such insurance with full power.

Article 13-1: Among the above number of directors, the Company's directors shall include no less than three independent directors who shall be no less than one-fifth of the whole directors. In the election of directors, independent directors and non-independent directors shall be elected at the same time and the number of elected directors shall be calculated, respectively. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Security Authority.

Article 13-2: The Company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, which is formed by all independent directors. One of such directors shall be the chairman and at least one shall possess accounting or financial expertise.

The audit committee or members of the audit committee is responsible for the performance of supervisors' duties under the Company Act, the Securities and Exchange Act and other laws and shall comply with applicable laws and regulations of the Company.

Article 14: The Board of Directors shall consist of directors, and shall elect the Chairman of the Board from among the directors by a majority vote at a directors' meeting attended by over two-thirds of the directors, respectively.

A Vice Chairman shall be elected from among the directors in the same manner.

The Chairman shall represent the Company externally, and execute the Company's business in accordance with laws, Articles of Incorporation, and resolution made by a shareholders' meeting or directors' meeting. The directors' meeting to convene notification shall be made in writing or by fax or e-mail, according to Article 204 of the Company Law. A director unable to attend the directors' meeting in person may authorize another director to attend the meeting on behalf of him/her by issuing a written proxy.

Article 15: Where the Chairman is on leave or fails to exercise his power with cause, he shall appoint the Vice Chairman to act on behalf of him pursuant to Article 208 of the Company Law.

Article 16: The Board of Directors shall be authorized to set the remuneration or salary to directors for their performance of duties on the basis of the level of their participation in the Company's operations and value of their contributions, and the general standards applicable in the same trade.

## Chapter V Managerial Officers

Article 17: The Company may appoint the president, vice president and several managerial officers, and the appointment and dismissal thereof or other matters related thereto shall be handled in accordance with Article 29 of the Company Law.

## Chapter VI Accounting

Article 18: The Company shall have the Board of Directors prepare the following documents at the end of each fiscal year: (1) Business report; (2) Financial statements; (3) Motion for allocation of earnings or covering of losses. Said documents shall be submitted to a general shareholders' meeting for ratification pursuant to laws.

Article 19: Deleted.

Article 20: If the Company has profits in a year, it shall allocate no less than 6% as employees' remuneration and no more than 6% as directors' remuneration, provided that where the Company retains accumulated losses, it shall first make up for the losses.

The profit referred to in the preceding paragraph shall mean the earnings before tax prior to deduction of employees' and directors' remuneration.

Article 20-1: If the Company retains earnings upon final accounting, after paying taxes and covering losses for the previous year, the Company shall set aside 10% of the remainder, if any, as legal reserve, unless the legal reserve amounts to the total paid-in capital; the balance amount, if any, may be used to distribute dividends distributable for preferred shares in the current year, then, the Company shall set aside or reverse a reserve pursuant to laws, and 40~90% of the remainder, if any, plus unallocated earnings for the previous year shall be allocated upon resolution of a shareholders' meeting on the motion for allocation proposed by the Board of Directors, provided that the allocable earnings less than 0.5% of the paid-in capital, if any, may waive the allocation upon resolution.

The Company's dividend policy adopts recapitalization of earnings, recapitalization of capital surplus and cash dividend to distribute dividends. The Company will solidify financial structure and protect shareholders' equity, subject to the Company's development and growth. The proportion of cash dividend shall be no less than 10% of the whole dividends. In accordance with Articles 240 and 241 of the Company Act, the Company shall issue new shares or distribute cash for all or part of the dividends, bonus or capital reserve in accordance with the shareholders' original shareholding percentages. If cash is distributed, the board of directors is authorized to pass a resolution through the majority of directors attending a meeting that is attended by 2/3 or more directors, followed by a report to the shareholders' meeting. If new shares are issued, distribution shall be made after a shareholders' resolution.

## Chapter VII Bylaw

Article 21: Any matter not covered herein shall be implemented in accordance with the Company Law and other related laws.

Article 22: The Articles of Incorporation was established on July 29, 1983.

1st amendment hereto was made on January 2, 1985.

2nd amendment hereto was made on May 13, 1987.

3rd amendment hereto was made on July 4, 1990.

4th amendment hereto was made on June 8, 1991.

5th amendment hereto was made on September 19, 1991.

6th amendment hereto was made on October 22, 1993.

7th amendment hereto was made on June 4, 1994.

8th amendment hereto was made on September 1, 1994.

9th amendment hereto was made on June 13, 1996.

10th amendment hereto was made on October 23, 1997.

11th amendment hereto was made on July 10, 1998.

12th amendment hereto was made on February 24, 1999.

13th amendment hereto was made on October 26, 1999.

14th amendment hereto was made on December 6, 1999.

15th amendment hereto was made on June 16, 2000.

16th amendment hereto was made on May 7, 2001.

17th amendment hereto was made on May 20, 2002.

18th amendment hereto was made on June 30, 2004.

19th amendment hereto was made on June 30, 2004.

20th amendment hereto was made on June 14, 2005.

21st amendment hereto was made on August 28, 2006.

22nd amendment hereto was made on June 13, 2007.

23rd amendment hereto was made on June 16, 2009.

24th amendment hereto was made on June 17, 2010.

25th amendment hereto was made on June 17, 2011.

26th amendment hereto was made on June 12, 2012.

27th amendment hereto was made on June 15, 2015.

28th amendment hereto was made on June 22, 2016.

29th amendment hereto was made on June 14, 2017.

30th amendment hereto was made on June 18, 2019.

YFC-BonEagle ELECTRIC CO., LTD

Chairman of Board: Chun Jung Yeh

## Statement of Shareholdings by Directors

The minimum number of shares required to be held by the whole directors of the Company, and the numbers of shares held by the directors individually and in total respectively as recorded in the roster of shareholders as of the date of suspension of transfer until that shareholders' meeting:

1. The statutory number of shares to be held by, and the number of shares held by, the Company's current directors:

The number of common shares issued by the Company shall be 124,554,488 shares.

The statutory number of shares to be held by the whole directors shall be 8,000,000 shares.

2. Details about the number of shares held by directors:

The information available until the date of suspension of transfer, namely April 20, 2020:

Unit: Shares

Job title	Name	Current number of	
		shares	shareholding ratio
Chairman of Board	Representative of Good Win Investment Co., Ltd. Chairman of Board: Chun Rong Yeh	6,620,361	5.32%
Vice Chairman of Board	Representative of Great King Investment & Development Co., Ltd.: Shen Fu Lin	2,126,000	1.71%
Director	Ying Ming Ku	1,062,412	0.85%
Director	Jung Kuang Chang	2,967,085	2.38%
Director	Representative of Yu Yao Investment Co., Ltd.: Chu Tsu Chang	809,000	0.65%
Director	Representative of He Dind Investment Co., Ltd.: Yen Ting Lin	3,416,776	2.74%
Independent Director	Han Tzong Lee	354,959	0.28%
Independent Director	Chao Ting Chen	0	0%
Independent Director	Tzeng Show Ling	0	0%
Number of shares held by the whole directors		17,356,593	13.93%

The number of shares held by the whole directors is considered complying with the requirement about number of shares referred to in the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies"