

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of YFC-BONEAGLE ELECTRIC CO., LTD. and its subsidiaries as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$969,584 thousand and \$919,494 thousand, constituting 11% and 11% of consolidated total assets as of March 31, 2020 and 2019, respectively, total liabilities amounting to \$543,274 thousand and \$592,284 thousand, constituting 9% and 11% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and total comprehensive income (loss) amounting to \$2,707 thousand and \$8,400 thousand, constituting 13% and 25% of consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of YFC-BONEAGLE ELECTRIC CO., LTD. and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 8, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2020 and 2019
(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31 and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets	March 31, 2020			December 31, 2019			March 31, 2019			March 31, 2020			December 31, 2019			March 31, 2019		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Current assets:																		
1100 Cash and cash equivalents (note (6)(a))	\$ 2,076,151	24	1,432,714	17	1,711,267	21	2100 Short-term borrowings (note (6)(i))	\$ 1,870,391	21	1,881,475	21	1,683,087	21	229,823	3	249,878	3	
1170 Notes and accounts receivable (note (6)(b) and (8))	1,595,608	18	1,994,094	23	1,549,431	19	2110 Short-term notes and bills payable (note (6)(j))	179,898	2	210 Short-term notes and bills payable (note (6)(j))	179,898	2	51,520	1	93,679	1	55,473	-
1200 Other receivables, net (note (6)(c))	13,987	-	17,595	-	3,883	-	2130 Current contract liabilities (note (6)(s))	487,115	6	487,115	6	668,982	8	540,334	7	540,334	7	
1220 Current tax assets	29,979	-	47,482	-	20,658	-	2170 Notes and accounts payable	436,121	5	436,121	5	459,398	5	327,754	4	327,754	4	
130X Inventories (note (6)(d))	2,217,518	26	2,282,649	27	2,265,148	28	2200 Other payables (note (6)(m))	17,511	-	17,511	-	14,479	-	18,126	-	18,126	-	
1410 Prepayments	220,598	3	261,422	3	217,484	3	2230 Current tax liabilities	14,209	-	14,209	-	14,775	-	15,437	-	15,437	-	
1470 Other current assets (note (6)(h))	8,104	-	16,569	-	15,867	-	2251 Current provisions for employee benefits	83,837	1	83,837	1	82,800	1	69,476	1	69,476	1	
1481 Right to the return goods-current	5,824	-	5,777	-	4,357	-	2280 Current lease liabilities (note (6)(n))	55,433	1	55,433	1	63,940	1	40,924	-	40,924	-	
Total current assets	6,167,769	71	6,058,302	70	5,788,095	71	2365 Refund liabilities-current (note (6)(m))											
Non-current assets:																		
1600 Property, plant and equipment (note (6)(e) and (8))	1,271,592	15	1,284,443	15	1,246,498	15	2320 Long-term liabilities, current portion (note (6)(k)(l) and (8))	1,315,343	15	1,211,071	14	219,086	3	219,086	3	219,086	3	
1755 Right-of-use assets (note (6)(f))	469,905	5	491,456	6	428,676	5	2300 Other current liabilities	5,077	-	5,077	-	2,193	-	4,627	-	4,627	-	
1780 Intangible assets (note (6)(g))	500,246	6	502,167	6	539,207	7	Total current liabilities	4,516,455	52	4,722,615	54	3,224,202	39					
1780 Intangible assets (note (6)(g))	500,246	6	502,167	6	539,207	7	Non-Current liabilities:											
1840 Deferred tax assets	149,584	2	154,134	2	112,432	1	306,164	3	-	-	-	-	682,722	8	682,722	8	682,722	8
1915 Prepayments for business facilities	31,396	-	28,413	-	18,022	-	997,590	11	1,051,501	12	1,268,769	16	1,268,769	16	1,268,769	16		
1900 Other non-current assets (note (6)(h) and (8))	128,821	1	131,705	1	71,430	1	2540 Deferred tax liabilities	73,577	1	72,979	1	75,403	1	41,4,033	5	350,193	4	
Total non-current assets	2,551,544	29	2,592,318	30	2,416,265	29	2570 Non-current lease liabilities (note (6)(n))	394,649	5	4,678	-	4,454	-	7,696	-	7,696	-	
							2600 Other non-current liabilities	1,776,658	20	1,542,967	18	2,384,783	29	2,384,783	29	2,384,783	29	
							Total non-current liabilities	6,293,113	72	6,265,582	72	5,608,985	68	5,608,985	68	5,608,985	68	
Equity attributable to owners of parent (note (6)(f)(q)):																		
3110 Ordinary share							3110 Ordinary share	1,245,545	14	1,245,545	14	1,245,545	15	677,621	8	677,621	8	
3200 Capital surplus							3200 Capital surplus	698,714	8	698,714	8	653,203	8	651,204	8	734,613	9	
3300 Retained earnings							3300 Retained earnings	(177,459)	(2)	(177,459)	(2)	(196,131)	(2)	(68,848)	(2)	(68,848)	(2)	
3400 Other equity interest							3400 Other equity interest	2,420,003	28	2,420,003	28	2,378,239	28	2,588,931	32	2,588,931	32	
36XX Non-controlling interests							36XX Non-controlling interests	6,197	-	6,197	-	6,799	-	6,444	-	6,444	-	
Total equity	\$ 8,719,313	100	\$ 8,650,620	100	\$ 8,204,360	100	Total equity	\$ 2,426,200	28	\$ 2,355,038	28	\$ 2,595,375	32	\$ 2,595,375	32	\$ 2,595,375	32	
Total assets	\$ 8,719,313	100	\$ 8,650,620	100	\$ 8,204,360	100	Total assets	\$ 8,719,313	100	\$ 8,650,620	100	\$ 8,204,360	100	\$ 8,204,360	100	\$ 8,204,360	100	

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

	For the three months ended March 31			
	2020		2019	
	Amount	%	Amount	%
4110	Operating revenue (note (6)(s))		\$ 2,222,515	100
5110	Operating costs (note (6)(d)(n)(o)(t) and (12))		1,667,011	75
5900	Gross profit from operations		555,504	25
	Operating expenses (note (6)(b)(n)(o)(t), (7) and (12)):			
6100	Selling expenses		376,695	17
6200	Administrative expenses		154,029	7
6300	Research and development expenses		7,770	-
6450	Expected credit loss (gain)		2,715	-
6000	Total operating expenses		541,209	24
6900	Operating income		14,295	1
	Non-operating income and expenses (note (6)(l)(n)(u) and (7)):			
7010	Other income		11,953	1
7020	Other gains and losses, net		10,071	-
7050	Finance costs, net		(28,734)	(1)
7000	Total non-operating income and expenses		(6,710)	-
7900	Profit from continuing operations before tax		7,585	1
7950	Less: Income tax expenses (note (6)(p))		6,145	-
	Profit		1,440	1
8300	Other comprehensive income:			
8360	Items that may be reclassified subsequently to profit or loss (note (6)(p)(q))			
8361	Exchange differences on translation of foreign operation		23,340	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss		4,668	-
	Total items that may be reclassified subsequently to profit or loss		18,672	1
8300	Other comprehensive income		18,672	1
8500	Total comprehensive income		\$ 20,112	2
	Profit, attributable to:			
8610	Profit, attributable to owners of parent		\$ 1,999	1
8620	Profit, attributable to non-controlling interests		(559)	-
8600	Net profit		\$ 1,440	1
	Comprehensive income attributable to:			
8710	Comprehensive income, attributable to owners of parent		20,671	1
8720	Comprehensive income, attributable to non-controlling interests		(559)	-
8700	Comprehensive income		\$ 20,112	1
	Earnings per share (in NT dollars) (note (6)(r))			
9750	Basic earnings per share		\$ 0.02	0.05
9850	Diluted earnings per share		\$ 0.02	0.05

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		Equity attributable to owners of parent									
Share capital		Retained earnings						Total other equity interest			
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2019		\$ 1,245,545	677,621	140,470	170,064	418,127	728,661	(95,454)	2,556,373	5,581	2,561,954
Profit		-	-	-	-	5,952	5,952	-	5,952	6,691	6,691
Other comprehensive income		-	-	-	-	-	-	26,606	26,606	-	26,606
Total comprehensive income		-	-	-	-	5,952	5,952	26,606	32,558	739	33,297
Changes in non-controlling interests		-	-	-	-	-	-	-	-	124	124
Balance at March 31, 2019		\$ 1,245,545	677,621	140,470	170,064	424,079	734,613	(68,848)	2,588,931	6,444	2,595,375
Balance at January 1, 2020		\$ 1,245,545	677,621	175,794	170,064	305,346	651,204	(196,131)	2,378,239	6,799	2,385,038
Profit (loss)		-	-	-	-	1,999	1,999	-	1,999	(559)	1,440
Other comprehensive income		-	-	-	-	-	-	18,672	18,672	-	18,672
Total comprehensive income		-	-	-	-	1,999	1,999	18,672	20,671	(559)	20,112
Due to recognition of equity component of convertible bonds issued		-	-	-	-	-	-	-	21,093	-	21,093
Changes in non-controlling interests		-	-	-	-	-	-	-	(43)	(43)	(43)
Balance at March 31, 2020		\$ 1,245,545	698,714	175,794	170,064	307,345	653,203	(177,459)	2,420,003	6,197	2,426,200

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 7,585	7,236
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	49,017	50,782
Amortization expense	10,980	13,507
Expected credit loss (gain)	2,715	(2,619)
Interest expense	28,734	30,727
Interest income	(2,470)	(1,522)
Loss on disposal of property, plan and equipment	1,354	55
Unrealized foreign exchange loss (gain)	5,624	(6,279)
Gain on repurchase of convertible bonds	(8,070)	-
Total adjustments to reconcile profit	<u>87,884</u>	<u>84,651</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	399,570	744,186
Other receivables	4,516	16,054
Inventories	77,261	55,945
Prepayments	40,772	19,960
Other current assets and right to the return goods	(1,150)	(657)
Total changes in operating assets	<u>520,969</u>	<u>835,488</u>
Notes and accounts payable	(183,657)	(199,600)
Other payables	(8,798)	(82,905)
Refund liabilities and provisions for employee benefits	(9,655)	1,490
Other current liabilities and contract liabilities	(39,761)	(33,994)
Total changes in operating liabilities	<u>(241,871)</u>	<u>(315,009)</u>
Total changes in operating assets and liabilities	<u>279,098</u>	<u>520,479</u>
Total adjustments	<u>366,982</u>	<u>605,130</u>
Cash inflow generated from operations	374,567	612,366
Interest received	1,489	1,531
Interest paid	(22,896)	(25,787)
Income taxes paid	(2,914)	(9,261)
Net cash flows from operating activities	<u>350,246</u>	<u>578,849</u>

See accompanying notes to consolidated financial statements.

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(6,088)	(15,522)
Proceeds from disposal of property, plant and equipment	1,016	230
Acquisition of intangible assets	(5,405)	(5,888)
Decrease (increase) in other financial assets and non-current assets	7,008	(1,125)
Increase in prepayments for business facilities	(3,017)	(10,149)
Increase in prepayments for land purchases	-	(13,218)
Net cash flows used in investing activities	(6,486)	(45,672)
Cash flows from (used in) financing activities:		
Increase in short-term loans	381,397	315,474
Decrease in short-term loans	(396,615)	(340,672)
(Decrease) increase in short-term notes and bills payable	(49,925)	113
Proceeds from issuing bonds	401,501	-
Repurchase of convertible bonds	(275,578)	-
Proceeds from long-term debt	779,094	222,175
Repayments of long-term debt	(529,485)	(183,401)
Payment of lease liabilities	(17,638)	(19,594)
Increase in other non-current liabilities	191	471
Change in non-controlling interests	(43)	124
Net cash flows from (used in) financing activities	292,899	(5,310)
Effect of exchange rate changes on cash and cash equivalents	6,778	5,211
Net increase in cash and cash equivalents	643,437	533,078
Cash and cash equivalents at beginning of period	1,432,714	1,178,189
Cash and cash equivalents at end of period	\$ 2,076,151	1,711,267

See accompanying notes to consolidated financial statements.

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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

(1) Company history

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

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

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

The consolidated financial statements for the three months ended March 31, 2020 and 2019 were reported to the board of directors and issued on May 8, 2020.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

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

(i) Amendments to IFRS 3 “Definition of a Business”

This amendment is a narrow-scope to improve the definition of a business and will likely result in more acquisitions being accounted for as asset acquisitions. The previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others., whereas the amended definition emphasizes that the output of a business is to provide goods and services to customers. In addition to amending the wording of the definition, the amendment has provided supplementary guidance. This amendment is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	BESTLINK NETWARE, INC. (BESTLINK)	Trading business	100 %	100 %	100 %	Note1
"	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD. (B.V.I.)	Holding company set up for investments in China and USA	100 %	100 %	100 %	
"	UNC INVESTMENT & DEVELOPMENT INC. (UNC)	Real estate investment business	100 %	100 %	100 %	Note1
"	PREMIUM-LINE KSI GMBH (KSI)	Trading business	100 %	100 %	100 %	Note1
"	MONOPRICE HOLDINGS, INC. (MONOPRICE HOLDINGS)	Holding company set up for investments in USA	100 %	100 %	100 %	
"	PREMIUM-LINE SYSTEMS GMBH (PREMIUM-LINE SYSTEMS)	Sale of network equipment and electronic appliances	100 %	100 %	100 %	Note1
"	YUE FONG COMPANY LIMITED	Trading business	100 %	- %	- %	Note1, 4
B.V.I.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD. (CAYMANS)	Holding company set up for investments in China and USA	100 %	100 %	100 %	
"	EUROPOWER INTERNATIONAL LIMITED (EUROPOWER)	Trading business	100 %	100 %	100 %	
"	UNIVERSAL NETWORK CORPORATION (UNIVERSAL)	Holding company set up for investments in China	100 %	100 %	100 %	
"	MAX SYNERGY LIMITED (MAX)	Holding company set up for investments in China	80 %	80 %	80 %	Note1

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
B.V.I.	PREMIUM LINE ASIA LTD. (PREMIUMLINE)	Trading business	100 %	100 %	100 %	Note1
	YFC-BONEAGLE INTERNATIONAL, INC. (PHILIPPINES)	Trading business	100 %	100 %	100 %	Note1
	BESZIN CORPORATION INC. (BESZIN)	Trading business	100 %	100 %	100 %	Note1
	YFC DEVELOPMENT CORPORATION	Real estate investment business	100 %	100 %	- %	Note1, 2
	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	- %	Note1, 3
MONOPRICE HOLDINGS	MONOPRICE INC. (MONOPRICE)	Trading business	100 %	100 %	100 %	
CAYMANS	DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD. (DONGGUAN YFC)	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	100 %	Note1
	PRIME WIRE & CABLE, INC. (PRIME WIRE)	Retailing of cord sets and network cabling system	100 %	100 %	100 %	
	CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD. (CHENZHOU YFC)	Processing and sale of communication products and internet cables	100 %	100 %	100 %	Note1
UNIVERSAL	WUXI UNIVERSAL NETWORK CORPORATION ((WUXI))	Manufacturing and sale of high-speed high-frequency LAN cables	100 %	100 %	100 %	
MAX	YFC INTERNATIONAL TRADING (WUXI) CO., LTD. (INTERNATIONAL TRADING (WUXI))	Sale of electronic calculator software and hardware, network equipment and electronic appliances	94.5 %	94.5 %	94.5 %	Note1

Note 1: Immaterial subsidiaries whose financial statements for the three months ended March 31, 2020 and 2019 were based on their own financial statements (not reviewed by any independent auditors).

Note 2: The Company remitted the investment amount of \$608 in October 2019 to BVI for the investment and establishment of its new subsidiary, YFC DEVELOPMENT CORPORATION.

Note 3: The Company remitted the investment amount of \$6,170 in October 2019 to BVI for the investment and establishment of its new subsidiary, YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION.

Note 4: The parent company remitted the investment amount of \$5,989 to the Company in February 2020 for the investment and establishment of its new subsidiary, YUE FONG COMPANY LIMITED.

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

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

(c) Employee benefits

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

(d) Income taxes

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

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

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note (6) of the 2019 annual consolidated financial statements for related information.

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

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 1,003	1,040	1,013
Demand deposits	1,277,330	1,195,081	899,363
Check deposits	241,692	174,921	98,313
Time deposits	556,126	61,672	712,578
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 2,076,151</u>	<u>1,432,714</u>	<u>1,711,267</u>

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

(b) Notes and accounts receivables

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable from operating activities	\$ 58,309	32,411	8,956
Accounts receivable - measured as amortized cost	1,568,079	1,989,935	1,553,820
Less: Loss allowance	(30,780)	(28,252)	(13,345)
Net	<u>\$ 1,595,608</u>	<u>1,994,094</u>	<u>1,549,431</u>

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

	March 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,246,937	0%	-
Past due 1 to 30 days	178,173	0%	-
Past due 31 to 120 days	138,577	3.8%	5,262
Past due 121 to 180 days	23,119	23.3%	5,379
Past due 181 to 360 days	37,051	47.5%	17,608
Past due more than 360 days	2,531	100%	2,531
Total	<u>\$ 1,626,388</u>		<u>30,780</u>

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

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,701,895	0%	-
Past due 1 to 30 days	90,124	0%	-
Past due 31 to 120 days	183,687	5.1%	9,329
Past due 121 to 180 days	18,409	22.6%	4,161
Past due 181 to 360 days	23,808	43.4%	10,339
Past due more than 360 days	4,423	100%	4,423
Total	\$ 2,022,346		28,252

	March 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	1,219,459	0%	-
Past due 1 to 30 days	199,298	0%	-
Past due 31 to 120 days	127,625	5%	6,381
Past due 121 to 180 days	6,763	10%	676
Past due 181 to 360 days	4,776	30%	1,433
Past due more than 360 days	4,855	100%	4,855
Total	\$ 1,562,776		13,345

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

	For the three months ended		
	March 31	2020	2019
Balance at January 1, 2020 and 2019	\$ 28,252	16,037	
Expect credit loss (gain)	2,715	(2,619)	
Amounts written off	(322)	(127)	
Foreign exchange losses (gains)	135	54	
Balance at March 31, 2020 and 2019	\$ 30,780	13,345	

The aforementioned notes and account receivable of the Group had been pledged as collateral for long-term borrowings; please refer to note (8).

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

(c) Other receivables

	March 31, 2020	December 31, 2019	March 31, 2019
Other receivables	\$ 13,987	17,595	3,883
Less: Loss allowance	-	-	-
Net	\$ 13,987	17,595	3,883

As of March 31, 2020 and 2019, loss allowance for other receivables were measured at an amount equal to life time expected credit loss, and no provisions were required.

(d) Inventory

	March 31, 2020	December 31, 2019	March 31, 2019
Merchandise inventory	\$ 1,718,671	1,945,234	1,911,101
Finished goods	98,958	82,235	100,247
Work in progress	305,821	180,812	193,820
Raw materials	85,346	67,550	54,106
Supplies	8,722	6,818	5,874
Total	\$ 2,217,518	2,282,649	2,265,148

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

	For the three months ended March 31	
	2020	2019
Inventory valuation and obsolescence losses	\$ 9,266	(6,791)
Revenue from sale of scraps	(3,697)	(6,666)
Total	\$ 5,569	(13,457)

For the three months ended March 31, 2019, the reversal of write-downs was recognized as gain due to the recovery of inventory of net realizable value.

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

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

(e) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the three months ended March 31, 2020 and 2019 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Costs or deemed cost:					
Balance at January 1, 2020	\$ 215,057	998,082	1,063,389	315,632	2,592,160
Additions	-	-	2,489	3,938	6,427
Reclassification	-	-	-	6,031	6,031
Disposals	-	(134)	(6,080)	(305)	(6,519)
Effect of changes in foreign exchange rate	-	1,444	(3,051)	880	(727)
Balance at March 31, 2020	<u>\$ 215,057</u>	<u>999,392</u>	<u>1,056,747</u>	<u>326,176</u>	<u>2,597,372</u>
Balance at January 1, 2019	\$ 81,608	1,029,800	1,155,277	304,041	2,570,726
Additions	-	263	7,426	2,331	10,020
Disposals	-	-	(2,720)	(90)	(2,810)
Effect of changes in foreign exchange rate	-	10,605	16,538	3,015	30,158
Balance at March 31, 2019	<u>\$ 81,608</u>	<u>1,040,668</u>	<u>1,176,521</u>	<u>309,297</u>	<u>2,608,094</u>
Depreciation and impairment loss:					
Balance at January 1, 2020	\$ -	295,067	797,943	214,707	1,307,717
Depreciation for the period	-	4,525	12,416	8,623	25,564
Reclassification	-	-	-	199	199
Disposals	-	(134)	(3,690)	(325)	(4,149)
Effect of changes in foreign exchange rate	-	(906)	(2,232)	(413)	(3,551)
Balance at March 31, 2020	<u>\$ -</u>	<u>298,552</u>	<u>804,437</u>	<u>222,791</u>	<u>1,325,780</u>
Balance at January 1, 2019	\$ -	288,067	834,233	196,926	1,319,226
Depreciation for the period	-	5,844	14,574	7,051	27,469
Disposals	-	-	(2,444)	(81)	(2,525)
Effect of changes in foreign exchange rate	-	4,015	11,306	2,105	17,426
Balance at March 31, 2019	<u>\$ -</u>	<u>297,926</u>	<u>857,669</u>	<u>206,001</u>	<u>1,361,596</u>
Carrying value:					
Balance at January 1, 2020	\$ 215,057	703,015	265,446	100,925	1,284,443
Balance at March 31, 2020	<u>\$ 215,057</u>	<u>700,840</u>	<u>252,310</u>	<u>103,385</u>	<u>1,271,592</u>
Balance at January 1, 2019	\$ 81,608	741,733	321,044	107,115	1,251,500
Balance at March 31, 2019	<u>\$ 81,608</u>	<u>742,742</u>	<u>318,852</u>	<u>103,296</u>	<u>1,246,498</u>

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

(Continued)

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

(f) Right-of-use assets

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

	Land	Buildings	Vehicles	Total
Cost:				
Balance at January 1, 2020	\$ 15,075	557,485	3,388	575,948
Additions	-	-	-	-
Effect of changes in foreign exchange rate	(110)	2,362	8	2,260
Balance at March 31, 2020	<u><u>\$ 14,965</u></u>	<u><u>559,847</u></u>	<u><u>3,396</u></u>	<u><u>578,208</u></u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	15,699	433,653	4,645	453,997
Effect of changes in foreign exchange rate	357	955	1	1,313
Balance at March 31, 2019	<u><u>\$ 16,056</u></u>	<u><u>434,608</u></u>	<u><u>4,646</u></u>	<u><u>455,310</u></u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 3,422	79,191	1,879	84,492
Depreciation for the period	76	22,958	419	23,453
Effect of changes in foreign exchange rate	(26)	380	4	358
Balance at March 31, 2020	<u><u>\$ 3,472</u></u>	<u><u>102,529</u></u>	<u><u>2,302</u></u>	<u><u>108,303</u></u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	3,250	-	-	3,250
Depreciation for the period	80	22,636	597	23,313
Effect of changes in foreign exchange rate	74	(3)	-	71
Balance at March 31, 2019	<u><u>\$ 3,404</u></u>	<u><u>22,633</u></u>	<u><u>597</u></u>	<u><u>26,634</u></u>
Carrying value:				
Balance at January 1, 2020	<u><u>\$ 11,653</u></u>	<u><u>478,294</u></u>	<u><u>1,509</u></u>	<u><u>491,456</u></u>
Balance at March 31, 2020	<u><u>\$ 11,493</u></u>	<u><u>457,318</u></u>	<u><u>1,094</u></u>	<u><u>469,905</u></u>
Balance at January 1, 2019	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Balance at March 31, 2019	<u><u>\$ 12,652</u></u>	<u><u>411,975</u></u>	<u><u>4,049</u></u>	<u><u>428,676</u></u>

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

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(g) Intangible assets

The costs and amortization of intangible assets of the Group for the three months ended March 31, 2020 and 2019 were as follows:

	<u>Goodwill</u>	<u>Trademark</u>	<u>Patent and customer relationships</u>	<u>Computer software and development cost</u>	<u>Total</u>
Costs or deemed cost:					
Balance at January 1, 2020	\$ 308,850	96,997	82,701	210,210	698,758
External acquisition	-	-	-	5,405	5,405
Effect of changes in foreign exchange rate	2,525	794	639	1,604	5,562
Balance at March 31, 2020	<u>\$ 311,375</u>	<u>97,791</u>	<u>83,340</u>	<u>217,219</u>	<u>709,725</u>
Balance at January 1, 2019	\$ 316,437	99,379	84,691	196,493	697,000
External acquisition	-	-	-	3,418	3,418
Acquisition-internally developed	-	-	-	2,470	2,470
Effect of changes in foreign exchange rate	1,080	340	280	866	2,566
Balance at March 31, 2019	<u>\$ 317,517</u>	<u>99,719</u>	<u>84,971</u>	<u>203,247</u>	<u>705,454</u>
Amortization:					
Balance at January 1, 2020	\$ -	6,163	62,365	128,063	196,591
Amortization for the period	-	117	2,152	8,711	10,980
Effect of changes in foreign exchange rate	-	50	484	1,374	1,908
Balance at March 31, 2020	<u>\$ -</u>	<u>6,330</u>	<u>65,001</u>	<u>138,148</u>	<u>209,479</u>
Balance at January 1, 2019	\$ -	5,838	55,034	91,128	152,000
Amortization for the period	-	119	2,172	11,216	13,507
Effect of changes in foreign exchange rate	-	20	182	538	740
Balance at March 31, 2019	<u>\$ -</u>	<u>5,977</u>	<u>57,388</u>	<u>102,882</u>	<u>166,247</u>
Carrying value:					
Balance at January 1, 2020	<u>\$ 308,850</u>	<u>90,834</u>	<u>20,336</u>	<u>82,147</u>	<u>502,167</u>
Balance at March 31, 2020	<u>\$ 311,375</u>	<u>91,461</u>	<u>18,339</u>	<u>79,071</u>	<u>500,246</u>
Balance at January 1, 2019	<u>\$ 316,437</u>	<u>93,541</u>	<u>29,657</u>	<u>105,365</u>	<u>545,000</u>
Balance at March 31, 2019	<u>\$ 317,517</u>	<u>93,742</u>	<u>27,583</u>	<u>100,365</u>	<u>539,207</u>

The amortizations of intangible assets please refer to note (12). For other information, please refer to note (6)(h) of the consolidated financial statements for the year ended December 31, 2019.

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Other current assets:			
Other current financial assets	\$ -	9,661	10,133
Temporary payments	<u>8,104</u>	<u>6,908</u>	<u>5,734</u>
Subtotal	<u>8,104</u>	<u>16,569</u>	<u>15,867</u>
Other non-current assets:			
Other non-current financial assets	5,801	5,709	5,803
Guarantee deposits paid	30,826	29,483	32,770
Net defined benefit assets	1,324	1,324	1,852
Prepaid for land purchases	88,381	88,381	30,471
Other	<u>2,489</u>	<u>6,808</u>	<u>534</u>
Subtotal	<u>128,821</u>	<u>131,705</u>	<u>71,430</u>
Total	<u><u>\$ 136,925</u></u>	<u><u>148,274</u></u>	<u><u>87,297</u></u>

(i) Other current financial assets

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

(ii) Temporary payments

Temporary payments are mainly payments made on behalf of others.

(iii) Other non-current financial assets

Other non-current financial assets are time deposits with more than one year or time deposits pledged as collaterals for long-term borrowings.

(iv) Guarantee deposits paid

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

(v) Prepaid for land purchases

In order to meet customer's demand and to seek the most effective solution in dealing with the current trading situation between China and the United States, the Board of Directors approved a resolution in November 2018 to set up a new factory in Philippines; hence, purchased a piece of land from a third party, with an area of 36,271 square meters, amounting to \$88,381 (PHP148,711 thousand). Based on the agreement, the Group has paid a reservation fee amounting to \$17,253 (PHP29,742 thousand) in December 2018, and completed the registration procedure of its new subsidiary, YFC DEVELOPMENT CORPORATION, in October 2019, to acquire the new piece of land mentioned above; as well as paid the remaining purchase amount of \$71,128 (PHP118,969 thousand). However, the execution of the

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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ownership transfer on the piece of land had been postponed due to the COVID-19 outbreak in the Philippines, but is expected to be completed in 2020.

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

(i) Short-term borrowings

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

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loans	\$ 1,870,391	1,881,475	1,683,087
Secured bank loans	-	-	-
Total	\$ 1,870,391	1,881,475	1,683,087
Unused short-term and long-term credit lines	\$ 1,958,293	2,268,083	1,934,561
Interest rates	<u>0.91~3.50%</u>	<u>0.91~3.55%</u>	<u>0.91~5.25%</u>

For the three months ended March 31, 2020 and 2019, the Group increased its short-term borrowings by \$381,397 and \$315,474, respectively, wherein the amounts of \$396,615 and \$340,672, respectively, had been repaid.

(j) Short-term notes and bills payable

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

	March 31, 2020	December 31, 2019	March 31, 2019
Commercial paper payable	\$ 180,000	230,000	250,000
Less: discount on commercial paper payable	(102)	(177)	(122)
Total	\$ 179,898	229,823	249,878
Interest rates	<u>1.14~1.18%</u>	<u>1.14~1.17%</u>	<u>1.14~1.17%</u>

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

(Continued)

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

(k) Long-term borrowings

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

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loans	\$ 1,053,507	934,298	839,285
Secured bank loans	<u>771,303</u>	<u>634,952</u>	<u>648,570</u>
Subtotal	1,824,810	1,569,250	1,487,855
Less: current portion	<u>(827,220)</u>	<u>(517,749)</u>	<u>(219,086)</u>
Non-current portion	<u>\$ 997,590</u>	<u>1,051,501</u>	<u>1,268,769</u>
Interest rates	<u>1.17~4.25%</u>	<u>0.10~4.40%</u>	<u>1.23~5.25%</u>

(i) Issues and repayments of long-term borrowings

For the three months ended March 31, 2020 and 2019, the Group increased its long-term borrowings by \$779,094 and \$222,175, respectively, wherein the amounts of \$529,485 and \$183,401, respectively, had been repaid.

(ii) Collateral for long-term borrowings

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

(l) Bonds payable

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

	March 31, 2020	December 31, 2019	March 31, 2019
Convertible bonds issued	\$ 811,600	704,200	704,200
Less: Unamortized discount on convertible bonds	<u>(17,313)</u>	<u>(10,878)</u>	<u>(21,478)</u>
	794,287	693,322	682,722
Less: Current portion	<u>(488,123)</u>	<u>(693,322)</u>	-
Non-current portion	<u>\$ 306,164</u>	<u>-</u>	<u>682,722</u>
Equity component – conversion options (included in "Capital surplus – stock options")	<u>\$ 62,128</u>	<u>41,035</u>	<u>41,035</u>
For the three months ended March 31			
	2020	2019	
Interest expense (effective rate of 1.67%~2.06%)	<u>\$ 4,205</u>	<u>3,497</u>	

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

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

Period	Type	Issuance Period	Total Amount (in thousands dollars)	Coupon Rate	Effective Rate	Conversion Price (in dollar)
Period 8	Unsecured convertible bonds payable	2017.06~2020.06	700,000	0 %	2.06 %	55.50
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0 %	1.67 %	26.80

In June 2017, the Group issued the 8th unsecured convertible bonds for a total of 7,000 bonds, with a face value of \$100 each. The bonds were issued at a premium rate of 100.6% and the total issuance amounted to \$704,200.

In February 2020, the Group issued the 9th unsecured convertible bonds for a total of 4,000 bonds, with a face value of \$100 each. The bonds were issued at a premium rate of 101% and the total issuance amounted to \$404,000.

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

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

The conversion price of the 8th unsecured convertible bonds at the issuance date was \$66 per share. In the event of any ex-rights or ex-dividend, the conversion price shall be adjusted using the conversion pricing formula. From July 22, 2017 to July 23, 2018, the adjusted conversion price was \$63.6 per share, resulting from the events of ex-rights or ex-dividend. As of the period between July 24, 2018 and August 18, 2019, the adjusted conversion price was \$59.5 per share, resulting from the events of ex-rights or ex-dividend. Beginning August 19, 2019, the adjusted conversion price had decreased to \$55.5 per share, resulting from the events of ex-rights or ex-dividend.

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

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

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(iii) Issuance of bonds

There was no issue of bond payable for the three months ended March 31, 2019.

(iv) Conversion of bonds

The issuance of the 9th unsecured convertible bonds, please refer to note (6)(l)(ii).

There was no conversion of bond payable for the three months ended March 31, 2020 and 2019.

(v) Repurchase of bonds

During the first quarter of 2020, The Company bought back 2,097 and 787 shares of the 8th and 9th convertible bonds at the amounts of \$209,428 thousand and \$66,150 thousand and the carrying values of \$208,769 and \$74,879, respectively, resulting in a loss of \$659 thousand and a gain of \$8,729 thousand, which were recognized under profit or loss; please refer to note (6)(u).

There was no repurchase of bond payable for the three months ended March 31, 2019.

(vi) Collateral

There was no collateral for bond payable.

(m) Other payables and refund liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Salaries and bonuses payable	\$ 58,465	79,560	47,627
Compensation and bonus due to employees	12,817	12,484	24,294
Compensation due to directors and supervisors	7,745	8,323	16,133
Interest payable	6,551	4,918	6,093
Processing fee payable	9,776	18,284	23,579
Payable on machinery and equipment	2,240	1,901	1,051
Service fee payable	3,382	4,176	625
Freight payable	104,170	106,084	45,033
Rent payable	3,907	3,232	5,343
Utilities expense payable	1,778	1,355	2,281
VAT and sales tax payable	89,993	92,158	41,139
Other accrued expenses	<u>135,297</u>	<u>126,923</u>	<u>114,556</u>
Other payables	<u>\$ 436,121</u>	<u>459,398</u>	<u>327,754</u>
Refund liabilities	<u>\$ 55,433</u>	<u>63,940</u>	<u>40,924</u>

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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Other payables and refund liabilities are expected to be settled within one year. Refund liabilities refer to expected payments to customers in relation to volume discounts of sales and right to the return goods.

(n) Lease liabilities

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

	March 31, 2020	December 31, 2019	March 31, 2019
Current	<u><u>\$ 83,837</u></u>	<u><u>\$ 82,800</u></u>	<u><u>\$ 69,476</u></u>
Non-current	<u><u>\$ 394,649</u></u>	<u><u>\$ 414,033</u></u>	<u><u>\$ 350,193</u></u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2020	2019
Interest on lease liabilities	<u><u>\$ 5,445</u></u>	<u><u>\$ 5,189</u></u>
Variable lease payments not included in the measurement of lease liabilities	<u><u>\$ 577</u></u>	<u><u>\$ 306</u></u>
Expenses relating to short-term leases	<u><u>\$ 648</u></u>	<u><u>\$ 17</u></u>
Expenses relating to leases of low-value assets (excluding low-value assets of short-term leases)	<u><u>\$ 53</u></u>	<u><u>\$ 135</u></u>

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

	For the three months ended March 31	
	2020	2019
Total cash outflow for leases	<u><u>\$ 24,361</u></u>	<u><u>\$ 25,241</u></u>

(i) Real estate leases

The Group leases land and buildings for the use of its factories, warehouses, and offices. The leases of land typically run for a period of 50 years, and the buildings for 2 to 7 years. Some leases contain extension and cancellation options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by the local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. Some leases provide for additional rent payments that are calculated based on the area being used. Such leases are considered as variable lease payments, thus, are not included within lease liabilities.

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(ii) Other leases

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

(o) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

	For the three months ended March 31	
	2020	2019
Operating costs	-	-
Selling expenses	-	-
Administrative expenses	17	12
Research and development expenses	-	-
Total	17	12

(ii) Defined contribution plans

The Company's pension expenses under the defined contribution method amounted to \$945 and \$734 for the three months ended March 31, 2020 and 2019, respectively. Payments were made to the Bureau of Labor Insurance.

Pension expenses made in accordance with local regulations for all subsidiaries amounted to \$7,096 and \$9,744 for the three months ended March 31, 2020 and 2019, respectively.

Pension expenses recognized by the Group were as follows:

	For the three months ended March 31	
	2020	2019
Operating costs	\$ 1,874	3,280
Selling expenses	5,376	5,711
Administrative expenses	569	882
Research and development expenses	222	605
Total	\$ 8,041	10,478

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(p) Income tax

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

(i) Income tax expense

The components of income tax expense (income) for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31	
	2020	2019
Current tax expense		
Current period	\$ 5,415	511
Adjustments for prior periods	15	(123)
Subtotal	<u>5,430</u>	<u>388</u>
Deferred tax expense		
Origination and reversal of temporary differences	715	157
Subtotal	<u>715</u>	<u>157</u>
Income tax expense	<u><u>\$ 6,145</u></u>	<u><u>545</u></u>

The amounts of income tax expense (income) recognized in other comprehensive income for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31	
	2020	2019
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u><u>\$ 4,668</u></u>	<u><u>6,652</u></u>

(ii) Examination and approval

The Company's income tax returns for all years through 2018, have been examined by the R.O.C. income tax authorities.

The Group's overseas subsidiaries' income tax returns for all years through 2018 have been declared to, but have yet to be examined by, the local tax authorities.

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(q) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2020 and 2019. For related information, please refer to note (6)(t) of the consolidated financial statements for the year ended December 31, 2019.

(i) Issuance of common stock

For the three months ended March 31, 2020 and 2019 there were no issuances of shares from conversions of convertible debt.

For the three months ended March 31, 2020 and 2019, the outstanding shares were \$124,554 thousand for both years.

(ii) Capital surplus

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

	March 31, 2020	December 31, 2019	March 31, 2019
Premium issuance of common shares for cash	\$ 432,122	432,122	432,122
Premium issuance of convertible bond	198,890	198,890	198,890
Difference between consideration and carrying amount of shares	334	334	334
Conversion of convertible bonds	62,128	41,035	41,035
Expired employee stock options	5,240	5,240	5,240
Total	\$ 698,714	677,621	677,621

(iii) Earnings distribution

In the Board of Directors' meeting held on May 8, 2020, the resolution for the distribution of earnings from the year 2019 has been approved. Based on the resolution, distributable earnings is calculated as net income after tax of \$172,272 for the year 2019, plus, actuarial loss of \$(620) and the beginning balance of unappropriated earnings of \$133,694, less, the required legal reserve of \$17,165 and special reserve of \$26,066, which amounted to \$262,125. The cash dividends, yet to be approved by the shareholders, amounted to \$105,871, with a par value of \$0.85 per share.

In the Board of Directors' meeting held on March 28, 2019, the resolution for the distribution of earnings from the year 2018 has been approved. Based on the resolution, distributable earnings is calculated as net income after tax of \$353,241 for the year 2018, plus, actuarial gain of \$1,347 and the beginning balance of unappropriated earnings of \$63,539, less, the required legal reserve of \$35,324, which amounted to \$382,803. The cash dividends that were approved by the shareholders amounted to \$249,109, with a par value of \$2.00 per share.

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

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(iv) Other equity interest (net taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2020	\$ (196,131)
Exchange differences on foreign operation	<u>18,672</u>
Balance at March 31, 2020	<u><u>\$ (177,459)</u></u>
Balance at January 1, 2019	\$ (95,454)
Exchange differences on foreign operation	<u>26,606</u>
Balance at March 31, 2019	<u><u>\$ (68,848)</u></u>

(r) Earnings per share

For the three months ended March 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

	For the three months ended March 31	
	2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 1,999	5,952
Weighted-average number of ordinary shares	<u>124,554</u>	<u>124,554</u>
Basic earnings per share (in dollars)	<u><u>\$ 0.02</u></u>	<u><u>0.05</u></u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 1,999	5,952
Weighted-average number of ordinary shares (in thousands of shares)	124,554	124,554
Effects of dilutive potential ordinary shares:		
Effects of employee stock bonus (in thousands of share)	832	745
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>125,386</u>	<u>125,299</u>
Diluted earnings per share (in dollars)	<u><u>\$ 0.02</u></u>	<u><u>0.05</u></u>

For the three months ended March 31, 2020 and 2019, the Group calculated its diluted earnings per share. Conversion of convertible bond was not disclosed due to its anti-dilutive effect.

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(s) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31	
	2020	2019
Goods sold	\$ 2,219,957	2,413,207
Rental income	2,558	1,643
Total	\$ 2,222,515	2,414,850

(ii) Disaggregation of revenue

	For the three months ended March 31, 2020			
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Total</u>
Primary geographical markets				
United States	\$ 289,074	334,822	1,241,032	1,864,928
China	119,507	17,095	-	136,602
Taiwan	52,836	-	-	52,836
Canada	11,725	16,305	-	28,030
United Kingdom	12,214	-	-	12,214
Others	94,745	30,602	-	125,347
Total	\$ 580,101	398,824	1,241,032	2,219,957
Main products/services lines				
CABLE	\$ 356,661	45,058	451,636	853,355
POWER CORD	179,279	338,567	-	517,846
Consumer electronics	-	-	789,396	789,396
Others	44,161	15,199	-	59,360
Total	\$ 580,101	398,824	1,241,032	2,219,957
Timing of revenue recognition:				
Product transferred at a point in time	\$ 580,101	398,824	1,241,032	2,219,957
Sales channels				
Directly to customers	\$ 580,101	398,824	1,241,032	2,219,957

(Continued)

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	<u>For the three months ended March 31, 2019</u>			
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Total</u>
Primary geographical markets				
United States	\$ 86,824	582,091	1,249,331	1,918,246
China	131,502	36,292	-	167,794
Taiwan	55,570	-	-	55,570
Canada	14,884	67,377	-	82,261
United Kingdom	31,455	-	-	31,455
Others	<u>112,279</u>	<u>45,602</u>	<u>-</u>	<u>157,881</u>
Total	<u><u>\$ 432,514</u></u>	<u><u>731,362</u></u>	<u><u>1,249,331</u></u>	<u><u>2,413,207</u></u>
Main products/services lines				
CABLE	\$ 343,682	29,629	567,975	941,286
POWER CORD	26,046	696,899	-	722,945
Consumer electronics	-	-	681,356	681,356
Others	<u>62,786</u>	<u>4,834</u>	<u>-</u>	<u>67,620</u>
Total	<u><u>\$ 432,514</u></u>	<u><u>731,362</u></u>	<u><u>1,249,331</u></u>	<u><u>2,413,207</u></u>
Timing of revenue recognition:				
Product transferred at a point in time	<u><u>\$ 432,514</u></u>	<u><u>731,362</u></u>	<u><u>1,249,331</u></u>	<u><u>2,413,207</u></u>
Sales channels				
Directly to customers	<u><u>\$ 432,514</u></u>	<u><u>731,362</u></u>	<u><u>1,249,331</u></u>	<u><u>2,413,207</u></u>

(iii) Contract balances

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Contract liabilities – advance sales receipts	<u><u>\$ 51,520</u></u>	<u><u>93,679</u></u>	<u><u>55,473</u></u>

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

The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$77,146 and \$65,179, respectively.

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

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(t) Remuneration to employees, directors, and supervisor

In accordance with the articles of incorporation amended in June 18, 2019, earnings shall first be offset against any deficit, then, a minimum of 6% will be distributed as employee remuneration and a maximum of 6% will be allocated as directors' remuneration. Earnings refer to pre-tax net profit for the period before deducting remunerations.

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

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

For the three months ended March 31, 2020, the Company accrued remuneration to employees of \$333 and remuneration to directors amounted to \$222. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the amended Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

For the three months ended March 31, 2019, the Company accrued remuneration to employees of \$481 and remuneration to directors and supervisors amounted to \$321. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees, directors and supervisors, multiplied by the distribution ratio of remuneration to employees, directors and supervisors based on the previous Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year.

The cash remunerations to employees and directors for the year 2019 amounting to \$12,483 and \$8,322, respectively, were based on the resolution decided during the Board meeting held on May 8, 2020, and have yet to be reported in the shareholders' meeting.

The cash remunerations to employees, as well as directors and supervisors, for the year 2018 amounting to \$23,813 and \$15,800, respectively, were based on the resolution decided during the Board meeting held on March 28, 2019, and had already been reported in the shareholders' meeting.

As mentioned above, the differences between the actual amounts and the estimated amounts of the remuneration to employees, directors and supervisors for the years ended 2019 and 2018 had been adjusted accordingly.

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

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(u) Other non-operating income and expenses

(i) Other income

The details of other income of the Group for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31	
	2020	2019
Interest income	\$ 2,470	1,522
Other income	9,483	4,337
Total	\$ 11,953	5,859

(ii) Other gains and losses

The details of other gains and losses of the Group for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31	
	2020	2019
Gain (loss) on disposal of property, plant, and equipment	\$ (1,354)	(55)
Foreign exchange gain (loss)	3,508	(4,025)
Gain on repurchase of convertible bonds	8,070	-
Other non-operating expenses	(153)	(868)
Other gains and losses, net	\$ 10,071	(4,948)

(iii) Financial costs

The details of financial costs of the Group for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31	
	2020	2019
Interest expense		
Bank loans	\$ (18,655)	(21,596)
Interest on lease liabilities	(5,445)	(5,189)
Short-term notes and bills payable	(429)	(445)
Bonds payable	(4,205)	(3,497)
Total	\$ (28,734)	(30,727)

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(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6)(y) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of March 31, 2020, December 31 and March 31, 2019, the Group reviewed the concentrations of credit risk arising from the major Customer A, and it was below 19%, 30%, and 23% of the total notes and accounts receivable, respectively. The other top four clients contributed no more than 17%, 23% and 21%, respectively, of the gross notes and accounts receivable.

3) Receivables

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

(ii) Liquidity risk

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

	Carrying value	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
March 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,870,391	1,876,954	1,876,954	-	-	-
Short-term notes and bills payable	179,898	180,000	180,000	-	-	-
Notes and accounts payable	487,115	487,115	487,115	-	-	-
Other payables	436,121	436,121	436,121	-	-	-
Bonds payable (includes current portion)	794,287	811,600	490,300	-	321,300	-
Lease liabilities - current and noncurrent	478,486	543,313	103,437	103,405	267,945	68,526
Long-term borrowings (includes current portion)	1,824,810	1,953,463	996,447	209,478	248,693	498,845
Total	\$ 6,071,108	6,288,566	4,570,374	312,883	837,938	567,371

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	Carrying value	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,881,475	1,890,152	1,890,152	-	-	-
Short-term notes and bills payable	229,823	230,000	230,000	-	-	-
Notes and accounts payable	668,982	668,982	668,982	-	-	-
Other payables	459,398	459,398	459,398	-	-	-
Bonds payable (includes current portion)	693,322	700,000	700,000	-	-	-
Lease liabilities - current and noncurrent	496,833	565,641	102,737	103,143	280,103	79,658
Long-term borrowings (includes current portion)	<u>1,569,250</u>	<u>1,685,221</u>	<u>835,276</u>	<u>207,041</u>	<u>244,324</u>	<u>398,580</u>
Total	\$ 5,999,083	6,199,394	4,886,545	310,184	524,427	478,238
March 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,683,087	1,689,258	1,689,258	-	-	-
Short-term notes and bills payable	249,878	250,000	250,000	-	-	-
Notes and accounts payable	540,334	540,334	540,334	-	-	-
Other payables	327,754	327,754	327,754	-	-	-
Bonds payable (includes current portion)	682,722	700,000	-	700,000	-	-
Lease liabilities - current and noncurrent	419,669	488,483	88,167	79,875	218,781	101,660
Long-term borrowings (includes current portion)	<u>1,487,855</u>	<u>1,634,594</u>	<u>824,754</u>	<u>262,662</u>	<u>129,556</u>	<u>417,622</u>
Total	\$ 5,391,299	5,630,423	3,720,267	1,042,537	348,337	519,282

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

(iii) Market risk

1) Exposure to foreign currency risk

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

	March 31, 2020			December 31, 2019			March 31, 2019		
	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD
Financial assets:									
Monetary items									
USD	\$ 36,928	30.18	1,114,302	34,549	29.93	1,034,052	19,113	30.77	588,107
HKD	5,735	3.89	22,321	5,978	3.84	22,976	5,763	3.92	22,591
CNY	3,327	4.26	14,169	4,009	4.29	17,200	5,387	4.57	24,617
EUR	958	33.04	31,652	1,836	33.39	61,304	661	34.41	22,745
CAD	1,167	21.31	24,869	1,069	23.35	24,963	800	24.01	19,208
Financial liabilities:									
Monetary items									
USD	15,483	30.18	467,200	15,747	29.93	471,308	13,651	30.77	420,041

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gain and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, and loans and borrowings, which are denominated in foreign currency. The overall effects to the net profit before tax for the three months ended March 31, 2020 and 2019, assuming the TWD appreciated by 1%, were decreases of \$7,401 and \$2,572, respectively. The analysis is performed on the same basis for the prior year.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2020 and 2019, the foreign exchange gains (loss) (including both realized and unrealized) amounted to \$3,508 and \$(4,025), respectively.

3) Interest rate analysis

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

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

If the interest rate had increased by 0.25% at the reporting date, all things held constant, the net profit before tax would have decreased by \$2,310 and \$1,982 for the three months ended March 31, 2020 and 2019, respectively, which mainly results from bank loans with variable interest rates.

(iv) Fair value of financial instruments

1) Types of financial instruments and fair value

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include the fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(w) Financial risk management

There were no significant changes in the Group's financial risk management and polices as disclosed in note (6)(z) of the consolidated financial statements for the year ended December 31, 2019.

(x) Capital management

The management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. In addition, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to note (6)(aa) of the consolidated financial statements for the year ended December 31, 2019 for further details.

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

(i) Please refer to note (6)(f) and (n) sets out information about the right-of-use asset had got from lease.

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

	January 1, 2020	Cash inflow	Cash Outflow	Non-cash changes			March 31, 2020
				Foreign exchange movement	Gain on repurchase of convertible bonds	Amortization of interest expense	
Short-term borrowings	\$ 1,881,475	381,397	(396,615)	4,134	-	-	1,870,391
Short-term notes and bills payable	229,823	-	(49,925)	-	-	-	179,898
Bonds payable (includes current portion)	693,322	380,408	(275,578)	-	(8,070)	4,205	794,287
Lease liabilities	496,833	-	(17,638)	(709)	-	-	478,486
Long-term borrowings (includes current portion)	1,569,250	779,094	(529,485)	5,951	-	-	1,824,810
Total liabilities from financing activities	<u>\$ 4,870,703</u>	<u>1,540,899</u>	<u>(1,269,241)</u>	<u>9,376</u>	<u>(8,070)</u>	<u>4,205</u>	<u>5,147,872</u>
Non-cash changes							
	January 1, 2019	Cash inflow	Cash Outflow	Foreign exchange movement	Amortization of interest expense		March 31, 2019
Short-term borrowings	\$ 1,708,979	315,474	(340,672)	(694)	-	-	1,683,087
Short-term notes and bills payable	249,765	133	-	-	-	-	249,898
Bonds payable	679,225	-	-	-	-	3,497	682,722
Lease liabilities	438,298	-	(19,594)	965	-	-	419,669
Long-term borrowings (includes current portion)	1,445,673	222,175	(183,401)	3,408	-	-	1,487,855
Total liabilities from financing activities	<u>\$ 4,521,940</u>	<u>537,782</u>	<u>(543,667)</u>	<u>3,679</u>	<u>3,497</u>	<u>-</u>	<u>4,523,231</u>

(Continued)

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

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

Name of related party	Relationship with the Group	
All directors, supervisors, directors, general managers, etc.	Key management personnel	

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31	
	2020	2019
Short-term employee benefits	\$ 5,642	5,838
Post-employment benefits	85	85
Total	\$ 5,727	5,923

For the three months ended March 31, 2020, the Group rented 4 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$427 and the amount of rent expense recognized was \$17.

For the three months ended March 31, 2019, the Group rented 4 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$439 and the amount of rent expense recognized was \$17.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	Long-term borrowings	\$ 165,963	134,685	123,080
Property, plant, and equipment	Long-term borrowings	716,209	579,748	593,364
Other financial asset — noncurrent	Long-term borrowings	5,801	5,709	5,803
Guarantee deposits paid	Customs security deposits	1,037	1,365	325
Total		\$ 889,010	721,507	722,572

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

Supplier	Contract Period	Pricing Terms	Product	Breach Clause
A	2019.01~2019.12 (contract negotiation)	Average price (in USD) listed in LME of the previous month, plus, US\$113, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,300 per ton of conversion cost	600~1,080 tons of copper wire	Late payment surcharge at 10% annual rate
B	2020.01~2020.12	Average price listed in Shanghai Futures Exchange (aka SHFE) agreed by both parties, considering any premiums or discounts, plus, an additional amount of CNY\$100 per ton of conversion cost, depending on the product specification	240~2,160 tons of copper wire	5% of the total amount
D	2020.04~2021.03	Spot price listed in LME agreed by both parties, considering any premiums or discounts, plus, an additional amount of US\$230 per ton of conversion cost	240~1,800 tons of copper rods	1. 30% of the amount overdue 2. Late payment surcharge at 1% rate per day
F	2019.01~2019.12	Average price (in USD) listed in LME of the previous month, plus, US\$113, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,300 per ton of conversion cost	600~1,200 tons of copper wire	Supplier can demand back parts of the unpaid purchased wires upon overdue
L	2020.04~2021.03	Spot price listed in LME agreed by both parties, considering any premiums or discounts, plus, an additional amount of US\$228 per ton of conversion cost	720~1,920 tons of copper rods	30% of the amount overdue

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

	March 31, 2020	December 31, 2019	March 31, 2019
Acquisition of lands	\$ -	-	179,956
Acquisition of equipments	41,888	42,551	3,962
Total	\$ 41,888	42,551	183,918

(iii) Unused letters of credit: None.

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

(b) Significant contingencies: None.

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES
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(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

- (a) In order to cope with the maturity repayment of the eighth domestic unsecured convertible bonds, the Group launched the seasoned equity offering and issued new stocks in early 2020. However, because of the COVID-19 pandemic, which has had a big impact on the global financial market, the Group has suffered a stock volatility. In order to protect its shareholders' equities, the Group withdrew the above seasoned equity offering on April 9, 2020 based on the resolution made during the Board of Directors held on March 27, 2020 and Rule No. 1090337620 issued by the Financial Supervisory Commission.
- (b) From January 1 to May 8, 2020, the Company bought back 562 shares of the eighth domestic unsecured convertible bonds in Gre Tai Securities Market, at the amount of \$56,098, in order to write off its debt.

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

(12) Other:

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

by Function by Nature	For the three months ended, March 31, 2020			For the three months ended, March 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	52,557	183,400	235,957	61,141	180,742	241,883
Labor and health insurance (Note 1)	1,842	28,866	30,708	199	28,108	28,307
Pension (Note 2)	1,874	6,184	8,058	3,280	7,210	10,490
Remuneration of directors	-	222	222	-	321	321
Other employee benefits	1,359	3,797	5,156	1,050	3,321	4,371
Depreciation	11,472	37,545	49,017	14,623	36,159	50,782
Amortization	144	10,836	10,980	104	13,403	13,507

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

Note 2: Includes local endowment insurance of China subsidiaries.

- (b) Seasonality of operations

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions for the three months ended March 31, 2020 required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	
												Item	Value			
0	The Company	WUXI UNIVERSAL	Other receivables	Yes	85,980 (RMB20,000)	84,600 (RMB20,000)	84,600	1.15%	1	198,050	Working capital	-	-	-	783,310	968,001
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	27,824 (USD922)	23,138 (USD767)	8,051	-	2	-	Working capital	-	-	-	605,000	968,001
0	The Company	PREMIUM-LINE KSI GMBH	Other receivables	Yes	40,068 (EUR1,200)	21,476 (EUR650)	-	-	2	-	Working capital	-	-	-	605,000	968,001
0	The Company	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	86,362 (USD2,860)	86,291 (USD2,860)	-	-	2	-	Working capital	-	-	-	605,000	968,001
1	PRIME WIRE & CABLES INC	BESTLINK NETWARE INC.	Other receivables	Yes	15,100 (USD500)	15,088 (USD500)	9,053	4.25%	2	-	Working capital	-	-	-	844,565	844,565
2	EUROPOWER INTERNATIONAL LIMITED	MONOPRICE, INC	Other receivables	Yes	302,000 (USD1,000)	-	-	3%	2	-	Working capital	-	-	-	1,526,389	1,526,389
2	EUROPOWER INTERNATIONAL LIMITED	PRIME-LINE KSI GMBH	Other receivables	Yes	50,014 (USD1,511)	49,938 (USD1,511)	49,938	-	2	-	Working capital	-	-	-	1,526,389	1,526,389
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	113,489 (USD3,758)	113,395 (USD3,758)	113,395	1.15%	2	-	Working capital	-	-	-	1,526,389	1,526,389
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	724,200 (USD24,000)	724,200 (USD24,000)	452,625	-	2	-	Working capital	-	-	-	1,526,389	1,526,389

Note 1: The numbers are filled in as follows:

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

Note 2: Purposes of financing are labelled as follows:

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor (Note 1)	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	EUROPOWER INTERNATIONAL LIMITED	1, 2	2,420,003	120,800	-	-	-	- %	4,840,006	Y	N	N
0	The Company	WUXI UNIVERSAL	1, 2	2,420,003	1,176,963	1,176,963	380,200	-	48.63 %	4,840,006	Y	N	Y
1	EUROPOWER INTERNATIONAL LIMITED	MONOPRICE, INC	1, 3	1,526,389	604,000	603,500	452,625	-	24.94 %	3,052,778	N	N	N
2	PRIME WIRE & CABLE, INC.	UNC INVESTMENT & DEVELOPMENT, INC	1, 3	844,565	462,475	462,093	438,935	-	19.09 %	1,689,130	N	N	N

Note 1: The numbers are filled in as follows:

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

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YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

(iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

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

Note 1: In 2015, the Group determined that the investee was showing indications of impairments and recognized the full amount of impairment loss. In 2016, the investee ceased its business operation, and have yet to be liquidated as of March 31, 2020.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details (Note 4)				Transactions with terms different from others	Notes/Accounts receivable (payable) (Note 4)		Note
			Purchase/Sale	Amount (Note 1)	Percentage of total purchases (sales)	Payment terms		Unit price	Payment terms	
The Company	DONGGUAN YFC	Parent company to subsidiary	Purchases	101,364 (USD3,375)	16.25 %	OA 90 days	-	-	(103,107) (USD3,417)	(19.79)%
The Company	WUXI UNIVERSAL	Parent company to subsidiary	Purchases	198,950 (USD6,623)	31.85 %	OA 90 days	-	-	(295,783) (USD9,802)	(56.77)%

Note 1: For transactions in CNY, the amount shown above is the amount (in NTD) recorded on the Company's books. In addition, transactions in USD are translated into NTD using the average exchange rate of 30.17.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 30.18.

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

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	BESTLINK NETWARE INC.	Parent company to subsidiary	Accounts receivable: 139,199	1.74	-	-	6,345	-
WUXI UNIVERSAL	The Company	Parent company to subsidiary	Accounts receivable: 295,783	2.50	-	-	279,723	-
DONGGUAN YFC	The Company	Parent company to subsidiary	Accounts receivable: 103,107	4.42	-	-	79,964	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of May 7, 2020.

Note 2: For transactions in CNY, the amount shown above is the amount (in NTD) recorded on the Company's books. In addition, transactions in USD are translated into NTD using the average exchange rate of 30.17.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 30.18.

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

(ix) Trading in derivative instruments:None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended March 31, 2020 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	PRIME WIRE & CABLE, INC.	1	Sales	98,513	A percentage of gross profit	4%
0	The Company	PRIME WIRE & CABLE, INC.	1	Accounts Receivable	69,564	OA 90 days	1%
0	The Company	MONOPRICE INC.	1	Sales	24,924	A percentage of gross profit	1%
0	The Company	MONOPRICE INC.	1	Accounts Receivable	49,525	OA 60 days	1%
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	1	Accounts Receivable	26,309	OA 90 days	-%
0	The Company	BESTLINK NETWARE INC.	1	Sales	49,649	A percentage of gross profit	2%
0	The Company	BESTLINK NETWARE INC.	1	Accounts Receivable	139,199	OA 90 days	2%
0	The Company	WUXI UNIVERSAL	1	Other Receivables	84,600	Based on collection status	1%
1	EUROPOWER INTERNATIONAL LIMITED	BESTLINK NETWARE INC.	3	Accounts Receivable	11,829	OA 90 days	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	452,625	Based on collection status	5%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	24,045	collection on sales goods on behalf of the subsidiary	-%
1	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	3	Other Receivables	49,938	Based on collection status	1%
1	EUROPOWER INTERNATIONAL LIMITED	YFC-BONEAGLE INTERNATIONAL, INC.	3	Other Receivable	113,395	Based on collection status	1%

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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended March 31, 2020 (Note 3)			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	EUROPOWER INTERNATIONAL LIMITED	WUXI UNIVERSAL	3	Accounts Receivable	27,150	OA 90 days	-%
1	EUROPOWER INTERNATIONAL LIMITED	BESZIN CORPORATION INC.	3	Other Receivable	16,347	Prepayment on sales of goods on behalf of the subsidiary	-%
2	DONGGUAN YFC	The Company	2	Sales	101,364	A percentage of gross profit	5%
2	DONGGUAN YFC	The Company	2	Accounts Receivable	103,107	OA 90 days	1%
2	DONGGUAN YFC	The Company	2	Other Receivable	14,647	Prepayment on Machinery and equipment on behalf of the parent	-%
3	WUXI UNIVERSAL	The Company	2	Sales	198,950	A percentage of gross profit	9%
3	WUXI UNIVERSAL	The Company	2	Accounts Receivable	295,783	OA 90 days	3%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Sales	16,155	A percentage of gross profit	1%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Accounts Receivable	13,278	OA 90 days	-%
5	BESZIN CORPORATION INC.	YFC-BONEAGLE INTERNATIONAL INC.	3	Accounts Receivable	12,892	OA 90 days	-%

Note 1: The numbers are filled in as follows:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (losses) of investee	Investment income (loss)	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	B.V.I	Holding company set up for investments in China and USA	1,781,915 (USD54,243)	1,781,915 (USD54,103)	53,906	100.00 %	3,287,886	(50,569)	(41,903)	The difference between the subsidiary's profit and loss, and the Company's recognized profit and loss was due to the decreasing in downstream unrealized gain amounting to \$8,193 from subsidiaries in the US and the Philippines and the decreasing in sidestream unrealized gain of \$473.
"	BESTLINK NETWARE INC.	USA	Trading business	31,393 (USD1,000)	31,393 (USD1,000)	1,000	100.00 %	12,594	5,295	5,295	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50)	1,496 (USD50)	50	100.00 %	35,786	4,485	4,485	
"	PREMIUM-LINE KSI GMBH	Austria	Trading business	28,193 (EUR600)	28,193 (EUR600)	-	100.00 %	(33,867)	(2,848)	(2,848)	
"	MONOPRICE HOLDINGS, INC	USA	Holding company set up for investments in USA	1,031,853 (USD32,507)	1,031,853 (USD32,507)	100	100.00 %	1,201,325	23,592	23,592	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (losses) of investee	Investment income (loss)	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	PREMIUM-LINE SYSTEMS GMBH	Germany	Trading business	1,077 (EUR30)	1,077 (EUR30)	-	100.00 %	248	(82)	(82)	
"	YUE FONG COMPANY LIMITED	Vietnam	Trading business	5,989 (USD200)		-	100.00 %	5,989	-	-	Note 2
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Cayman Islands	Holding company set up for investments in China and USA	752,008 (USD22,807)	752,008 (USD22,807)	22,807	100.00 %	1,197,844	(29,785)	(29,785)	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I.	Trading business	161,778 (USD4,890)	161,778 (USD4,890)	4,890	100.00 %	1,526,389	(14,345)	(14,345)	
"	UNIVERSAL NETWORK CORPORATION	Samoa	Holding company set up for investments in China	646,459 (USD20,000)	646,459 (USD20,000)	20,000	100.00 %	553,764	(3,534)	(3,534)	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720)	23,392 (USD720)	720	80.00 %	19,202	(1,731)	(1,385)	
"	PREMIUM LINE ASIA LTD	Samoa	Trading business	1,472 (USD50)	1,472 (USD50)	50	100.00 %	564	4	4	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	5,840 (USD200)	5,840 (USD200)	220	100.00 %	(8,522)	(1,195)	(1,195)	
"	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20)	608 (USD20)	75	100.00 %	608	-	-	Note 1
"	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Philippines	Manufacturing and sales of power cable, wires, network equipment and cable	6,170 (USD200)	6,170 (USD3200)	200	100.00 %	6,170	-	-	Note 1
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100)	3,085 (USD100)	1,000	100.00 %	13,919	14	14	
YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	PRIME WIRE & CABLE, INC	USA	Sale of electronic calculator software and hardware, network equipment and electronic appliances	511,700 (USD15,500)	511,700 (USD15,500)	15,500	100.00 %	844,565	(17,167)	(17,167)	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507)	1,031,853 (USD32,507)	500	100.00 %	1,201,325	23,592	23,592	

Note 1: BVI received the full investment amount from Company in October 2019 and established its new subsidiary. (YFC DEVELOPMENT CORPORATION, YFC BONEAGLE ELECTRONIC THCHNOLGY PHILS. CORPORATION)

Note 2: The Company directly established its new subsidiary, YUE FONG COMPANY LIMITED, in February 2020, with the investment amount having been paid in full.

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Carrying amount as of March 31, 2020	Accumulated remittance of earnings in current period
					Outflow	Inflow						
DONGGUAN YFC	Manufacturing and sale of power cables, wires, and outlets	241,998 (USD7,387)	(2)	240,494 (USD7,007)	-	-	240,494 (USD7,007)	(11,617)	100.00%	(11,617)	321,504	-
WUXI UNIVERSAL	Manufacturing and sale of high-speed high-frequency LAN cables	646,459 (USD20,000)	(2)	646,459 (USD20,000)	-	-	646,459 (USD20,000)	(3,088)	100.00%	(3,088)	550,979	-
CHENZHOU YFC	Processing and sale of communication products and internet cables	9,593 (USD300)	(2)	9,593 (USD300)	-	-	9,593 (USD300)	(1,254)	100.00%	(1,254)	414	-
INTERNATIONAL TRADING (WUXI)	Sale of electronic calculator software and hardware, network equipment and electronic appliances	31,032 (USD1,000)	(2)	23,381 (USD753)	-	-	23,381 (USD753)	(2,289)	75.60%	(1,730)	24,002	-
T-MARK	Wholesaling business	900,877 (HKD234,228)	(2)	167,022 (HKD42,000)	-	-	167,022 (HKD42,000)	-	15.81%	-	(Note 6)	-

(Continued)

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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2020 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3 and 4)	Upper Limit on Investment (Note 5)
1,084,829 (USD33,643)	1,101,189 (USD34,022)	-

Note 1: The method of investments are as follows:

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

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

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

Note 3: The amount shown is the actual accumulated investment in Mainland China as of March 31, 2020.

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

Note 5: Limitation on investment in Mainland China is calculated as 60% of the net worth of the Company. The Group has acquired the relevant investment approval documents issued by Industrial Development Bureau, Ministry of Economic Affairs on May 12, 2017, and it is applicable from May 10, 2017 to May 9, 2020. Therefore, there is no restriction on the Company's investment in Mainland China.

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

Note 7: In preparing the consolidated financial report, the transactions listed above have been eliminated.

(iii) Significant transactions:

Please refer to "Information on significant transaction" for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China during the three months ended March 31, 2020 .

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
CHANG TSU-TZU		9,410,306	7.55 %
GOOD WIN INVESTMENT CO., LTD		6,620,361	5.31 %

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(14) Segment information:

(a) General information

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

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

The operating segment information and reconciliation were as follows:

	For the three months ended March 31, 2020			
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>
				<u>Total</u>
Revenue:				
Revenue from external customers	\$ 580,101	401,382	1,241,032	-
Inter-segment revenue	<u>479,151</u>	<u>25,557</u>	<u>1,879</u>	<u>(506,587)</u>
Total revenues	<u><u>\$ 1,059,252</u></u>	<u><u>426,939</u></u>	<u><u>1,242,911</u></u>	<u><u>(506,587)</u></u>
Reportable segment profit or loss	<u><u><u>\$ (10,546)</u></u></u>	<u><u><u>(40,727)</u></u></u>	<u><u><u>38,921</u></u></u>	<u><u><u>19,937</u></u></u>
				<u><u><u>7,585</u></u></u>
For the three months ended March 31, 2019				
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>
				<u>Total</u>
Revenue:				
Revenue from external customers	\$ 432,514	733,005	1,249,331	-
Inter-segment revenue	<u>637,246</u>	<u>188,080</u>	<u>-</u>	<u>(825,326)</u>
Total revenues	<u><u>\$ 1,069,760</u></u>	<u><u>921,085</u></u>	<u><u>1,249,331</u></u>	<u><u>(825,326)</u></u>
Reportable segment profit or loss	<u><u><u>\$ 14,707</u></u></u>	<u><u><u>(27,339)</u></u></u>	<u><u><u>22,874</u></u></u>	<u><u><u>(3,006)</u></u></u>
				<u><u><u>7,236</u></u></u>
Reportable segment assets :				
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>
				<u>Total</u>
March 31, 2020	<u>\$ 8,482,289</u>	<u>3,453,777</u>	<u>2,791,839</u>	<u>(6,008,592)</u>
December 31, 2019	<u>\$ 8,391,566</u>	<u>3,683,108</u>	<u>2,942,391</u>	<u>(6,366,445)</u>
March 31, 2019	<u>\$ 7,215,279</u>	<u>3,913,063</u>	<u>2,747,676</u>	<u>(5,671,658)</u>
Reportable segment liabilities :				
March 31, 2020	<u>\$ 5,189,389</u>	<u>1,049,296</u>	<u>1,577,924</u>	<u>(1,523,496)</u>
December 31, 2019	<u>\$ 5,118,124</u>	<u>1,265,221</u>	<u>1,766,983</u>	<u>(1,884,746)</u>
March 31, 2019	<u>\$ 3,700,314</u>	<u>1,522,732</u>	<u>1,587,233</u>	<u>(1,201,294)</u>
				<u><u><u>5,608,985</u></u></u>