

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2021 and 2020**

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

The independent auditors' 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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~12
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	13~43
(7) Related-party transactions	43~44
(8) Pledged assets	44
(9) Commitments and contingencies	44~45
(10) Losses Due to Major Disasters	45
(11) Subsequent Events	45
(12) Other	46
(13) Other disclosures	
(a) Information on significant transactions	47~52
(b) Information on investees	53
(c) Information on investment in mainland China	54
(d) Major shareholders	54
(14) Segment information	55~56



安侯建業聯合會計師事務所

KPMG

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

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, 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 \$1,206,441 thousand and \$982,907 thousand, constituting 11% and 11% of consolidated total assets as of September 30, 2021 and 2020, respectively, total liabilities amounting to \$530,386 thousand and \$533,836 thousand, constituting 6% and 8% of consolidated total liabilities as of September 30, 2021 and 2020, respectively, and total comprehensive income (loss) amounting to \$9,492 thousand, \$(7,663) thousand, \$384 thousand and \$(10,393) thousand, constituting 17%, (6)%, 1% and (6)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 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)
November 12, 2021

Notes to Readers

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

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

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

Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2021 and 2020

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2021, December 31 and September 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2021		December 31, 2020		September 30, 2020				September 30, 2021		December 31, 2020		September 30, 2020	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 625,433	6	838,816	10	1,154,888	13	2100	Short-term borrowings (note (6)(j))	\$ 2,736,548	25	2,356,577	26	2,518,305	27
1170	Notes and accounts receivable (note (6)(b) and (8))	2,437,962	23	2,500,763	28	2,853,691	31	2110	Short-term notes and bills payable(note(k))	229,767	2	129,886	1	129,889	1
1200	Other receivables, net (note (6)(c))	43,268	-	21,758	-	14,505	-	2130	Current contract liabilities (note (6)(u))	55,029	1	141,558	2	47,702	1
1220	Current tax assets	74,731	1	41,688	-	33,336	-	2170	Notes and accounts payable	1,467,155	14	946,956	10	952,400	10
130X	Inventories (note (6)(d))	4,651,125	43	2,835,079	31	2,289,651	25	2200	Other payables (note (6)(n))	712,358	7	636,130	7	558,401	6
1410	Prepayments	461,899	4	319,162	4	260,214	3	2230	Current tax liabilities	41,554	-	67,138	1	66,198	1
1470	Other current assets (note (6)(i))	7,913	-	21,002	-	18,369	-	2251	Current provisions for employee benefits	28,657	-	25,736	-	24,022	-
1481	Right to the return goods-current	5,407	-	5,797	-	5,607	-	2280	Current lease liabilities (note (6)(o))	107,213	1	84,844	1	82,923	1
Total current assets		<u>8,307,738</u>	<u>77</u>	<u>6,584,065</u>	<u>73</u>	<u>6,630,261</u>	<u>72</u>	2365	Refund liabilities-current (note (6)(n))	73,631	1	91,697	1	64,963	1
Non-current assets:								2320	Long-term liabilities, current portion (note (6)(l) and (8))	234,633	2	280,766	3	432,353	5
1600	Property, plant and equipment (note (6)(f) and (8))	1,342,153	12	1,352,349	15	1,356,464	15	2300	Other current liabilities (note (6)(p))	5,697	-	6,418	-	6,593	-
1755	Right-of-use assets (note (6)(g))	384,459	4	421,624	5	442,246	5	Total current liabilities		<u>5,692,242</u>	<u>53</u>	<u>4,767,706</u>	<u>52</u>	<u>4,883,749</u>	<u>53</u>
1780	Intangible assets (note (6)(h))	434,678	4	446,345	5	464,043	5	Non-Current liabilities:							
1840	Deferred tax assets	197,347	2	182,366	2	174,184	2	2530	Bonds payable (note (6)(m))	128,391	1	138,370	2	149,036	2
1915	Prepayments for business facilities	20,650	-	21,197	-	48,672	1	2540	Long-term borrowings (note (6)(l) and (8))	1,994,106	19	1,070,035	12	1,033,708	11
1900	Other non-current assets (note (6)(i) and (8))	64,215	1	27,161	-	37,662	-	2570	Deferred tax liabilities	54,517	-	55,364	1	70,834	1
Total non-current assets		<u>2,443,502</u>	<u>23</u>	<u>2,451,042</u>	<u>27</u>	<u>2,523,271</u>	<u>28</u>	2580	Non-current lease liabilities (note (6)(n))	296,753	3	351,385	4	372,290	4
								2600	Other non-current liabilities (note (6)(p))	19,877	-	20,526	-	6,562	-
								Total non-current liabilities		<u>2,493,644</u>	<u>23</u>	<u>1,635,680</u>	<u>19</u>	<u>1,632,430</u>	<u>18</u>
								Total liabilities		<u>8,185,886</u>	<u>76</u>	<u>6,403,386</u>	<u>71</u>	<u>6,516,179</u>	<u>71</u>
								Equity attributable to owners of parent (note (6)(m)(s)):							
								3110	Ordinary share	1,319,723	12	1,310,466	15	1,245,545	13
								3130	Bond conversion entitlement certificates	-	-	4,570	-	64,921	1
									Subtotal	<u>1,319,723</u>	<u>12</u>	<u>1,315,036</u>	<u>15</u>	<u>1,310,466</u>	<u>14</u>
								3200	Capital surplus	807,149	8	800,209	9	793,494	9
								3300	Retained earnings	841,671	8	848,924	9	818,142	9

See accompanying notes to consolidated financial statements.

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2021 and 2020

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

	For the three months ended September 30				For the nine months ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
4110 Operating revenue (note (6)(u))	\$ 3,338,423	100	3,445,122	100	8,968,251	100	8,521,880	100
5110 Operating costs (note (6)(d)(o)(q)(v) and (12)):	<u>2,682,825</u>	<u>80</u>	<u>2,567,960</u>	<u>75</u>	<u>7,026,332</u>	<u>78</u>	<u>6,393,126</u>	<u>75</u>
5900 Gross profit from operations	<u>655,598</u>	<u>20</u>	<u>877,162</u>	<u>25</u>	<u>1,941,919</u>	<u>22</u>	<u>2,128,754</u>	<u>25</u>
Operating expenses (note (6)(b)(o)(q)(v), (7) and (12)):								
6100 Selling expenses	426,032	13	388,264	11	1,221,384	14	1,129,575	13
6200 Administrative expenses	165,193	5	183,415	6	484,919	6	484,228	6
6300 Research and development expenses	12,030	1	11,100	-	36,101	-	28,726	-
6450 Expected credit loss (gain)	<u>4,873</u>	<u>-</u>	<u>10,884</u>	<u>-</u>	<u>(14,587)</u>	<u>-</u>	<u>10,560</u>	<u>-</u>
6000 Total operating expenses	<u>608,128</u>	<u>19</u>	<u>593,663</u>	<u>17</u>	<u>1,727,817</u>	<u>20</u>	<u>1,653,089</u>	<u>19</u>
6900 Operating income	<u>47,470</u>	<u>1</u>	<u>283,499</u>	<u>8</u>	<u>214,102</u>	<u>2</u>	<u>475,665</u>	<u>6</u>
Non-operating income and expenses (note (6)(e)(m)(o)(w)):								
7010 Other income	43,227	1	3,125	-	51,655	1	18,284	-
7020 Other gains and losses, net	(323)	-	(28,831)	(1)	(24,620)	-	(27,791)	-
7100 Interest income	135	-	1,118	-	689	-	5,662	-
7050 Finance costs, net	<u>(27,887)</u>	<u>-</u>	<u>(22,795)</u>	<u>-</u>	<u>(73,185)</u>	<u>(1)</u>	<u>(78,512)</u>	<u>(1)</u>
7000 Total non-operating income and expenses	<u>15,152</u>	<u>1</u>	<u>(47,383)</u>	<u>(1)</u>	<u>(45,461)</u>	<u>-</u>	<u>(82,357)</u>	<u>(1)</u>
7900 Profit from continuing operations before tax	<u>62,622</u>	<u>2</u>	<u>236,116</u>	<u>7</u>	<u>168,641</u>	<u>2</u>	<u>393,308</u>	<u>5</u>
7950 Less: Income tax expenses (note (6)(r))	<u>5,371</u>	<u>-</u>	<u>71,320</u>	<u>2</u>	<u>45,028</u>	<u>1</u>	<u>120,940</u>	<u>2</u>
Profit	<u>57,251</u>	<u>2</u>	<u>164,796</u>	<u>5</u>	<u>123,613</u>	<u>1</u>	<u>272,368</u>	<u>3</u>
8300 Other comprehensive income:								
8360 Items that may be reclassified subsequently to profit or loss (note (6)(r)(s))								
8361 Exchange differences on translation of foreign operation	(474)	-	(52,280)	(1)	(85,736)	-	(118,670)	(1)
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(95)</u>	<u>-</u>	<u>(10,456)</u>	<u>-</u>	<u>(17,147)</u>	<u>-</u>	<u>(23,734)</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(379)</u>	<u>-</u>	<u>(41,824)</u>	<u>(1)</u>	<u>(68,589)</u>	<u>-</u>	<u>(94,936)</u>	<u>(1)</u>
8300 Other comprehensive income (loss)	<u>(379)</u>	<u>-</u>	<u>(41,824)</u>	<u>(1)</u>	<u>(68,589)</u>	<u>-</u>	<u>(94,936)</u>	<u>(1)</u>
8500 Total comprehensive income (loss)	<u>\$ 56,872</u>	<u>2</u>	<u>122,972</u>	<u>4</u>	<u>55,024</u>	<u>1</u>	<u>177,432</u>	<u>2</u>
Profit, attributable to:								
8610 Profit, attributable to owners of parent	\$ 57,847	2	164,735	5	124,747	1	272,809	3
8620 Profit, attributable to non-controlling interests	<u>(596)</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>(1,134)</u>	<u>-</u>	<u>(441)</u>	<u>-</u>
8600 Net profit	<u>\$ 57,251</u>	<u>2</u>	<u>164,796</u>	<u>5</u>	<u>123,613</u>	<u>1</u>	<u>272,368</u>	<u>3</u>
Comprehensive income attributable to:								
8710 Comprehensive income, attributable to owners of parent	\$ 57,468	2	122,911	4	56,158	1	177,873	2
8720 Comprehensive income, attributable to non-controlling interests	<u>(596)</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>(1,134)</u>	<u>-</u>	<u>(441)</u>	<u>-</u>
8700 Comprehensive income	<u>\$ 56,872</u>	<u>2</u>	<u>122,972</u>	<u>4</u>	<u>55,024</u>	<u>1</u>	<u>177,432</u>	<u>2</u>
Earnings per share (in NT dollars) (note (6)(t))								
9750 Basic earnings per share	<u>\$ 0.44</u>		<u>1.30</u>		<u>0.95</u>		<u>2.18</u>	
9850 Diluted earnings per share	<u>\$ 0.44</u>		<u>1.27</u>		<u>0.92</u>		<u>1.96</u>	

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Equity attributable to owners of parent								Total other equity interest			
	Share capital			Retained earnings					Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Bond conversion entitlement certificates	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings				
Balance at January 1, 2020	\$ 1,245,545	-	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)	-	-	-	-	-	-	272,809	272,809	-	272,809	(441)	272,368
Other comprehensive income	-	-	-	-	-	-	-	-	(94,936)	(94,936)	-	(94,936)
Total comprehensive income	-	-	-	-	-	-	272,809	272,809	(94,936)	177,873	(441)	177,432
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	17,165	-	(17,165)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	26,067	(26,067)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(105,871)	(105,871)	-	(105,871)	-	(105,871)
Due to recognition of equity component of convertible bonds issued	-	-	-	21,093	-	-	-	-	-	21,093	-	21,093
Conversion of convertible bonds	-	64,921	64,921	94,780	-	-	-	-	-	159,701	-	159,701
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(40)	(40)
Balance at September 30, 2020	\$ 1,245,545	64,921	1,310,466	793,494	192,959	196,131	429,052	818,142	(291,067)	2,631,035	6,318	2,637,353
Balance at January 1, 2021	\$ 1,310,466	4,570	1,315,036	800,209	192,959	196,131	459,834	848,924	(339,218)	2,624,951	6,770	2,631,721
Profit (loss)	-	-	-	-	-	-	124,747	124,747	-	124,747	(1,134)	123,613
Other comprehensive income	-	-	-	-	-	-	-	-	(68,589)	(68,589)	-	(68,589)
Total comprehensive income	-	-	-	-	-	-	124,747	124,747	(68,589)	56,158	(1,134)	55,024
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	30,359	-	(30,359)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	143,087	(143,087)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(132,000)	(132,000)	-	(132,000)	-	(132,000)
Conversion of convertible bonds	-	4,687	4,687	6,940	-	-	-	-	-	11,627	-	11,627
Conversion of certificates of bonds conversion entitlement	9,257	(9,257)	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,018)	(1,018)
Balance at September 30, 2021	\$ 1,319,723	-	1,319,723	807,149	223,318	339,218	279,135	841,671	(407,807)	2,560,736	4,618	2,565,354

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 nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 168,641	393,308
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	158,010	142,549
Amortization expense	30,450	32,954
Expected credit (gain) loss	(14,587)	10,560
Interest expense	73,185	78,512
Interest income	(689)	(5,662)
Loss on disposal of property, plan and equipment	1,405	3,193
Loss on disposal of investments	88	-
Unrealized foreign exchange loss (gain)	12,060	(10,892)
Gain on repurchase of convertible bonds	-	(8,018)
Government loan forgiveness reclassified as other income	(41,214)	-
Total adjustments to reconcile profit	<u>218,708</u>	<u>243,196</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	45,940	(962,858)
Other receivables	(21,925)	16,521
Inventories	(1,897,316)	(59,047)
Prepayments	(152,904)	(1,281)
Other current assets and right to the return goods	3,151	(1,988)
Total changes in operating assets	<u>(2,023,054)</u>	<u>(1,008,653)</u>
Notes and accounts payable	568,535	331,179
Other payables	91,932	109,550
Refund liabilities and provisions for employee benefits	(12,553)	12,736
Other current liabilities and contract liabilities	(84,610)	(40,377)
Other non-current liabilities	623	3,808
Total changes in operating liabilities	<u>563,927</u>	<u>416,896</u>
Total changes in operating assets and liabilities	<u>(1,459,127)</u>	<u>(591,757)</u>
Total adjustments	<u>(1,240,419)</u>	<u>(348,561)</u>
Cash (outflow) inflow generated from operations	(1,071,778)	44,747
Interest received	690	5,639
Interest paid	(71,099)	(70,212)
Income taxes paid	(103,936)	(68,142)
Net cash flows used in operating activities	<u>(1,246,123)</u>	<u>(87,968)</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 nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2021	2020
Cash flows from (used in) investing activities:		
Proceeds from disposal of subsidiaries	8,438	-
Acquisition of property, plant and equipment	(86,827)	(63,754)
Proceeds from disposal of property, plant and equipment	4,064	3,936
Acquisition of intangible assets	(28,688)	(9,256)
Increase in other financial assets and non-current assets	(28,166)	418
Increase in prepayments for business facilities	(21,201)	(37,123)
Net cash flows used in investing activities	(152,380)	(105,779)
Cash flows from (used in) financing activities:		
Increase in short-term loans	2,038,181	2,751,185
Decrease in short-term loans	(1,635,019)	(2,094,965)
Increase (decrease) in short-term notes and bills payable	99,881	(99,934)
Proceeds from issuing bonds	-	401,501
Repayments of bonds	-	(434,100)
Repurchase of convertible bonds	-	(331,676)
Proceeds from long-term debt	1,621,789	1,255,007
Repayments of long-term debt	(724,790)	(1,337,154)
Payment of lease liabilities	(67,785)	(58,956)
Decrease in other non-current liabilities	(916)	(1,632)
Cash dividends paid	(132,000)	(105,871)
Change in non-controlling interests	330	(40)
Net cash flows from (used in) financing activities	1,199,671	(56,635)
Effect of exchange rate changes on cash and cash equivalents	(14,551)	(27,444)
Net decrease in cash and cash equivalents	(213,383)	(277,826)
Cash and cash equivalents at beginning of period	838,816	1,432,714
Cash and cash equivalents at end of period	\$ 625,433	1,154,888

See accompanying notes to consolidated financial statements.

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

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months and nine months ended September 30, 2021 and 2020

**(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 nine months ended September 30, 2021 and 2020 were reported to the board of directors and issued on November 12, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

(Continued)

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

- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
 - Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
 - Annual Improvements to IFRS Standards 2018–2020
 - Amendments to IFRS 3 “Reference to the Conceptual Framework”
- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. 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, 2020. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

(i) Loss of control over a subsidiary

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

(ii) 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
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	BESTLINK NETWARE, INC. (BESTLINK)	Trading business	100 %	100 %	100 %	Note 1
"	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD. (B.V.I.)	Holding company set up for investments in Philippines, China and USA	100 %	100 %	100 %	
"	UNC INVESTMENT & DEVELOPMENT INC. (UNC)	Real estate investment business	100 %	100 %	100 %	Note 1
"	PREMIUM-LINE KSI GMBH (KSI)	Trading business	100 %	100 %	100 %	Note 1
"	MONOPRICE HOLDINGS, INC. (MONOPRICE HOLDINGS)	Holding company set up for investments in USA	100 %	100 %	100 %	
"	PREMIUM-LINE SYSTEMS GMBH (PREMIUM-LINE SYSTEMS)	Sale of network equipment and electronic appliances	100 %	100 %	100 %	Note 1

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	YUE FONG COMPANY LIMITED	Trading business	100 %	100 %	100 %	Note 1, 2
"	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Trading business	100 %	- %	- %	Note 3
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 %	Note 1
"	PREMIUM LINE ASIA LTD. (PREMIUMLINE)	Trading business	100 %	100 %	100 %	Note 1
"	YFC-BONEAGLE INTERNATIONAL, INC. (PHILIPPINES)	Trading business	100 %	100 %	100 %	Note 1
"	BESZIN CORPORATION INC. (BESZIN)	Trading business	100 %	100 %	100 %	Note 1
"	YFC DEVELOPMENT CORPORATION	Real estate investment business	100 %	100 %	100 %	Note 1
"	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	100 %	Note 1
MONOPRICE HOLDINGS	MONOPRICE INC. (MONOPRICE)	Trading business	100 %	100 %	100 %	
CAYMANS	DONGGUAN YFC-BONEAGLE ELECTRONIC TECHNOLOGY CO., LTD. (DONGGUAN YFC)	Manufacturing and sale of power cables, wires, and outlets	100 %	100 %	100 %	Note 1
"	PRIME WIRE & CABLE, INC. (PRIME WIRE)	Retailing of cord sets and network cabling system	100 %	100 %	100 %	
"	CHENZHOU YFC-BONEAGLE ELECTRONIC CO., LTD. (CHENZHOU YFC)	Processing and sale of communication products and internet cables	100 %	100 %	100 %	Note 1
UNIVERSAL	WUXI UNIVERSAL NETWORK CORPORATION (WUXI)	Manufacturing and sale of high-speed high-frequency LAN cables	100 %	100 %	100 %	
MAX	YFC INTERNATIONAL TRADING (WUXI) CO., LTD. (INTERNATIONAL TRADING (WUXI))	Sale of electronic calculator software and hardware, network equipment and electronic appliances	- %	94.5 %	94.5 %	Note 4

Note 1: Classified as immaterial subsidiaries, wherein their financial statements for the nine months ended September 30, 2021 and 2020 were not reviewed by a certified public accountant.

Note 2: 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.

Note 3: The parent company remitted the investment amount of \$500 to the Company in April 2021 for the investment and establishment of its new subsidiary, YFC-EUROPOWER INTERNATIONAL CO., LTD.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4: Classified as an immaterial subsidiary, wherein its financial statements for the eight months ended August 31, 2021 and the nine months ended September 30, 2020 were not reviewed by a certificated public accountant. The Group sold 94.5% of the equity of YFC INRENATIONAL TRADING (WUXI) CO., LTD. at the price of \$23,069 thousand to a non-controlling interest on August 31, 2021, resulting in a loss of the control over it.

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

(c) Income taxes

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

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

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

(d) Employee benefits

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

(e) Financial liabilities

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

(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, 2020. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

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

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note (6) of the 2020 annual consolidated financial statements for related information.

(a) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 1,381	1,030	1,143
Demand deposits	359,021	619,670	517,872
Check deposits	258,430	136,681	453,418
Time deposits	<u>6,601</u>	<u>81,435</u>	<u>182,455</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 625,433</u>	<u>838,816</u>	<u>1,154,888</u>

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

(b) Notes and accounts receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable from operating activities	\$ 31,033	15,592	11,228
Accounts receivable - measured as amortized cost	2,439,951	2,534,243	2,880,313
Less: Loss allowance	<u>(33,022)</u>	<u>(49,072)</u>	<u>(37,850)</u>
Net	<u>\$ 2,437,962</u>	<u>2,500,763</u>	<u>2,853,691</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:

(Continued)

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

September 30, 2021			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,038,393	0.1%	1,068
Past due 1 to 30 days	320,317	0.3%	844
Past due 31 to 120 days	78,230	13.4%	10,447
Past due 121 to 180 days	10,503	31.4%	3,294
Past due 181 to 360 days	17,460	64.7%	11,288
Past due more than 360 days	6,081	100%	6,081
Total	<u><u>\$ 2,470,984</u></u>		<u><u>33,022</u></u>

December 31, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,081,845	0%	-
Past due 1 to 30 days	120,936	0%	-
Past due 31 to 120 days	231,397	2.9%	6,709
Past due 121 to 180 days	17,389	25.4%	4,414
Past due 181 to 360 days	90,284	33.2%	29,965
Past due more than 360 days	7,984	100%	7,984
Total	<u><u>\$ 2,549,835</u></u>		<u><u>49,072</u></u>

September 30, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	2,436,096	0%	-
Past due 1 to 30 days	190,632	0%	-
Past due 31 to 120 days	192,108	7.9%	15,172
Past due 121 to 180 days	36,533	23.0%	8,388
Past due 181 to 360 days	30,594	28.5%	8,712
Past due more than 360 days	5,578	100%	5,578
Total	<u><u>\$ 2,891,541</u></u>		<u><u>37,850</u></u>

(Continued)

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

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

	For the nine months ended September 30	
	2021	2020
Balance at January 1, 2021 and 2020	\$ 49,072	28,252
Expect credit (gain) loss	(14,587)	10,560
Amounts written off	(258)	(776)
Derecognition from disposal of subsidiaries	(62)	-
Foreign exchange gains (losses)	(1,143)	(186)
Balance at June 30, 2021 and 2020	<u>\$ 33,022</u>	<u>37,850</u>

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

(c) Other receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Value-added tax returned by export trade	\$ 16,205	10,906	4,910
Other	27,063	10,852	9,595
Less: Loss allowance	-	-	-
Net	<u>\$ 43,268</u>	<u>21,758</u>	<u>14,505</u>

As of September 30, 2021 and 2020, loss allowance for other receivables were measured at an amount equal to life time expected credit loss, and no provisions were required.

(d) Inventory

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise inventory	\$ 3,642,520	2,199,437	1,777,186
Finished goods	533,256	219,184	272,532
Work in progress	266,681	308,682	120,892
Raw materials	197,227	99,411	109,617
Supplies	11,441	8,365	9,424
Total	<u>\$ 4,651,125</u>	<u>2,835,079</u>	<u>2,289,651</u>

(Continued)

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

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Inventory valuation and obsolescence losses (gains)	\$ (13,785)	(15,730)	\$ 2,890	(14,679)
Revenue from sale of scraps	(13,944)	(10,858)	(40,732)	(21,535)
Total	<u>\$ (27,729)</u>	<u>(26,588)</u>	<u>\$ (37,842)</u>	<u>(36,214)</u>

For the three months and nine months ended September 30, 2021 and 2020, the reversals of write-downs were 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.

(e) Loss of control over a subsidiary

The Group had sold 94.5% of its shares in YFC INTERNATIONAL TRADING (WUXI) CO., LTD. to non-controlling interest, wherein the proceeds of \$23,069 thousand, including the uncollected amount of \$16,163 thousand, were recognized as other receivables, on August 31, 2021, resulting in a loss of control over it. Therefore, the losses on disposal of \$88 thousand and \$2,189 thousand had been recognized as loss on disposal of investments and net foreign exchange loss under other gains and losses from consolidated statements of comprehensive income, respectively.

The carrying amounts of assets and liabilities of YFC INTERNATIONAL TRADING (WUXI) CO., LTD. on the date, which is August 31, 2021, of disposal were as follow:

	August 31, 2021
Cash and cash equivalents	\$ 14,631
Accounts receivable and other receivables	15,758
Inventories	6,133
Other current assets	189
Property, plant and equipment	269
Accounts payable	(11,705)
Other current liabilities	(770)
Carrying amount of net assets	<u>\$ 24,505</u>
Carrying amount of net assets by share holdings proportion	<u>\$ 23,157</u>
Loss on disposal of investments	\$ 88
Realized exchange difference on translation of foreign financial statements (recognized as net foreign exchange loss)	2,189
Total	<u>\$ 2,277</u>

(Continued)

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

Net cash inflow from disposal of the subsidiary:

	For the nine months ended September 30 2021
	YFC INTERNATIONAL TRADING (WUXI) CO., LTD.
Proceeds from disposal of subsidiaries (including uncollected amount of \$16,163)	\$ 23,069
Less: Decrease in cash and cash equivalents from disposal of subsidiaries	(14,631)
Net cash inflow	<u><u>\$ 8,438</u></u>

(f) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Costs or deemed cost:					
Balance at January 1, 2021	\$ 292,327	972,349	1,114,700	334,920	2,714,296
Additions	-	480	43,323	63,141	106,944
Disposals	-	(3,597)	(25,010)	(9,721)	(38,328)
Disposal of subsidiaries	-	-	-	(2,571)	(2,571)
Effect of changes in foreign exchange rate	(7,004)	(16,769)	(14,147)	(7,288)	(45,208)
Balance at September 30, 2021	<u><u>\$ 285,323</u></u>	<u><u>952,463</u></u>	<u><u>1,118,866</u></u>	<u><u>378,481</u></u>	<u><u>2,735,133</u></u>
Balance at January 1, 2020	\$ 215,057	998,082	1,063,389	315,632	2,592,160
Additions	85,052	788	63,578	19,357	168,775
Reclassification	-	-	-	6,031	6,031
Disposals	-	(2,892)	(31,610)	(3,665)	(38,167)
Effect of changes in foreign exchange rate	(1,978)	(17,006)	(8,171)	(6,708)	(33,863)
Balance at September 30, 2020	<u><u>\$ 298,131</u></u>	<u><u>978,972</u></u>	<u><u>1,087,186</u></u>	<u><u>330,647</u></u>	<u><u>2,694,936</u></u>

(Continued)

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Depreciation and impairment loss:					
Balance at January 1, 2021	\$ -	305,556	818,129	238,262	1,361,947
Depreciation for the period	-	16,185	42,655	26,037	84,877
Disposals	-	(3,597)	(21,211)	(8,051)	(32,859)
Disposal of subsidiaries	-	-	-	(2,302)	(2,302)
Effect of changes in foreign exchange rate	-	(4,314)	(9,522)	(4,847)	(18,683)
Balance at September 30, 2021	<u>\$ -</u>	<u>313,830</u>	<u>830,051</u>	<u>249,099</u>	<u>1,392,980</u>
Balance at January 1, 2020	\$ -	295,067	797,943	214,707	1,307,717
Depreciation for the period	-	11,988	37,551	23,343	72,882
Reclassification	-	-	-	1,789	1,789
Disposals	-	(2,892)	(24,712)	(3,434)	(31,038)
Effect of changes in foreign exchange rate	-	(2,483)	(5,889)	(4,506)	(12,878)
Balance at September 30, 2020	<u>\$ -</u>	<u>301,680</u>	<u>804,893</u>	<u>231,899</u>	<u>1,338,472</u>
Carrying value:					
Balance at January 1, 2021	<u>\$ 292,327</u>	<u>666,793</u>	<u>296,571</u>	<u>96,658</u>	<u>1,352,349</u>
Balance at September 30, 2021	<u>\$ 285,323</u>	<u>638,633</u>	<u>288,815</u>	<u>129,382</u>	<u>1,342,153</u>
Balance at January 1, 2020	<u>\$ 215,057</u>	<u>703,015</u>	<u>265,446</u>	<u>100,925</u>	<u>1,284,443</u>
Balance at September 30, 2020	<u>\$ 298,131</u>	<u>677,292</u>	<u>282,293</u>	<u>98,748</u>	<u>1,356,464</u>

For the nine months ended September 30, 2021 and 2020, the Group replaced their obsolete and worn equipment amounting to \$38,328 and \$38,167, acquired new equipment at a total cost of \$106,944 and \$83,723, and the accumulated depreciation derecognized were \$32,859 and \$31,038.

Information on land additions in September 2020, please refer to note (6)(e) and (h) of the consolidated financial statements for the year ended December 31, 2020.

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

(g) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 15,310	568,044	2,336	585,690
Additions	-	35,300	12,315	47,615
Write-off	-	-	(2,034)	(2,034)
Effect of changes in foreign exchange rate	(248)	(16,073)	(20)	(16,341)
Balance at September 30, 2021	<u>\$ 15,062</u>	<u>587,271</u>	<u>12,597</u>	<u>614,930</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Balance at January 1, 2020	\$ 15,075	557,485	3,388	575,948
Additions	-	43,714	304	44,018
Write-off	-	(17,961)	(1,099)	(19,060)
Effect of changes in foreign exchange rate	(87)	(12,391)	(235)	(12,713)
Balance at September 30, 2020	<u>\$ 14,988</u>	<u>570,847</u>	<u>2,358</u>	<u>588,193</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 3,782	158,511	1,773	164,066
Depreciation for the period	228	70,101	2,804	73,133
Write-off	-	-	(2,034)	(2,034)
Effect of changes in foreign exchange rate	(64)	(4,615)	(15)	(4,694)
Balance at September 30, 2021	<u>\$ 3,946</u>	<u>223,997</u>	<u>2,528</u>	<u>230,471</u>
Balance at January 1, 2020	\$ 3,422	79,191	1,879	84,492
Depreciation for the period	224	68,477	966	69,667
Write-off	-	(4,145)	(1,099)	(5,244)
Effect of changes in foreign exchange rate	(19)	(2,726)	(223)	(2,968)
Balance at September 30, 2020	<u>\$ 3,627</u>	<u>140,797</u>	<u>1,523</u>	<u>145,947</u>
Carrying value:				
Balance at January 1, 2021	<u>\$ 11,528</u>	<u>409,533</u>	<u>563</u>	<u>421,624</u>
Balance at September 30, 2021	<u>\$ 11,116</u>	<u>363,274</u>	<u>10,069</u>	<u>384,459</u>
Balance at January 1, 2020	<u>\$ 11,653</u>	<u>478,294</u>	<u>1,509</u>	<u>491,456</u>
Balance at September 30, 2020	<u>\$ 11,361</u>	<u>430,050</u>	<u>835</u>	<u>442,246</u>

In order to seek the most effective solution in dealing with the current trading situation between China and the United States and to comply with the adjustments made to the Group's business strategies, the Group acquired its right-of-use assets at a building cost of \$35,300 and \$43,714, located in Philippines and United States, respectively, for the nine months ended September 30, 2021 and 2020.

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.

(Continued)

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

(h) Intangible assets

The costs and amortization of intangible assets of the Group for the nine months ended September 30, 2021 and 2020 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, 2021	\$ 293,368	92,136	78,780	210,061	674,345
External acquisition	-	-	-	28,688	28,688
Effect of changes in foreign exchange rate	(6,503)	(2,042)	(1,747)	(5,952)	(16,244)
Balance at September 30, 2021	<u>\$ 286,865</u>	<u>90,094</u>	<u>77,033</u>	<u>232,797</u>	<u>686,789</u>
Balance at January 1, 2020	\$ 308,850	96,997	82,701	210,210	698,758
External acquisition	-	-	-	9,256	9,256
Effect of changes in foreign exchange rate	(9,084)	(2,852)	(2,308)	(7,926)	(22,170)
Balance at September 30, 2020	<u>\$ 299,766</u>	<u>94,145</u>	<u>80,393</u>	<u>211,540</u>	<u>685,844</u>
Amortization:					
Balance at January 1, 2021	\$ -	6,296	67,584	154,120	228,000
Amortization for the period	-	326	5,757	24,367	30,450
Effect of changes in foreign exchange rate	-	(141)	(1,453)	(4,745)	(6,339)
Balance at September 30, 2021	<u>\$ -</u>	<u>6,481</u>	<u>71,888</u>	<u>173,742</u>	<u>252,111</u>
Balance at January 1, 2020	\$ -	6,163	62,365	128,063	196,591
Amortization for the period	-	347	6,395	26,212	32,954
Effect of changes in foreign exchange rate	-	(189)	(1,881)	(5,674)	(7,744)
Balance at September 30, 2020	<u>\$ -</u>	<u>6,321</u>	<u>66,879</u>	<u>148,601</u>	<u>221,801</u>
Carrying value:					
Balance at January 1, 2021	<u>\$ 293,368</u>	<u>85,840</u>	<u>11,196</u>	<u>55,941</u>	<u>446,345</u>
Balance at September 30, 2021	<u>\$ 286,865</u>	<u>83,613</u>	<u>5,145</u>	<u>59,055</u>	<u>434,678</u>
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 September 30, 2020	<u>\$ 299,766</u>	<u>87,824</u>	<u>13,514</u>	<u>62,939</u>	<u>464,043</u>

The amortizations of intangible assets please refer to note (12). For other information, please refer to note (6)(g) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

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

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other current assets:			
Other current financial assets	\$ -	9,964	9,680
Temporary payments	<u>7,913</u>	<u>11,038</u>	<u>8,689</u>
Subtotal	<u>7,913</u>	<u>21,002</u>	<u>18,369</u>
Other non-current assets:			
Other non-current financial assets	5,428	5,533	5,637
Guarantee deposits paid	56,236	19,264	28,614
Net defined benefit assets	204	204	1,322
Other	<u>2,347</u>	<u>2,160</u>	<u>2,089</u>
Subtotal	<u>64,215</u>	<u>27,161</u>	<u>37,662</u>
Total	<u><u>\$ 72,128</u></u>	<u><u>48,163</u></u>	<u><u>56,031</u></u>

(i) Other current financial assets

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

(ii) Temporary payments

Temporary payments are mainly payments made on behalf of others.

(iii) Other non-current financial assets

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

(iv) Guarantee deposits paid

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

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

(Continued)

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

(j) Short-term borrowings

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

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	<u>\$ 2,736,548</u>	<u>2,356,577</u>	<u>2,518,305</u>
Unused short-term and long-term credit lines	<u>\$ 1,157,709</u>	<u>1,516,895</u>	<u>1,669,621</u>
Interest rates	<u>0.72~2.21%</u>	<u>0.72~2.73%</u>	<u>0.72~2.86%</u>

For the nine months ended September 30, 2021 and 2020, the Group increased its short-term borrowings by \$2,038,181 and \$2,751,185, respectively, wherein the amounts of \$1,635,019 and \$2,094,965, respectively, had been repaid.

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

(k) Short-term notes and bills payable

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

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial paper payable	\$ 230,000	130,000	130,000
Less: discount on commercial paper payable	(233)	(114)	(111)
Total	<u>\$ 229,767</u>	<u>129,886</u>	<u>129,889</u>
Interest rates	<u>1.14~1.16%</u>	<u>1.14~1.16%</u>	<u>1.14~1.16%</u>

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

(l) Long-term borrowings

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

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	\$ 1,556,608	784,730	799,569
Secured bank loans	543,990	566,071	666,492
Secured non-financial institution loans	128,141	-	-
Subtotal	2,228,739	1,350,801	1,466,061
Less: current portion	(234,633)	(280,766)	(432,353)
Non-current portion	<u>\$ 1,994,106</u>	<u>1,070,035</u>	<u>1,033,708</u>
Interest rates	<u>1.18~4.40%</u>	<u>1.18~4.40%</u>	<u>1.18~4.40%</u>

(Continued)

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

(i) Issues and repayments of long-term borrowings

For the nine months ended September 30, 2021 and 2020, the Group increased its long-term borrowings by \$1,621,789 and \$1,255,007, respectively, wherein the amounts of \$724,790 and \$1,337,154, respectively, had been repaid.

(ii) Collateral for long-term borrowings

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

(iii) Low-interest loan from government

According to “Guidelines of Project Loans for Returning Overseas Taiwanese Businesses”, the Group has been awarded a low-interest loan from Bank of Taiwan at the beginning of 2020 with the maximum credit amounting to \$484,000, including the amounts of \$284,000 and \$200,000 for the purpose of its business operation, as well as acquisition of its machinery and equipment, respectively. The project will continue for 7 years with an actual preferential interest rate of 0.1%. For the nine months ended September 30, 2021, the actual used credit facilities amounted to \$131,960, while the fair value imputed by the market interest rate of 1.4% amounted to \$124,405, with the difference of \$7,555, deemed as government grant and recognized in deferred income. Please refer to note (6)(p).

(m) Bonds payable

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

	September 30, 2021	December 31, 2020	September 30, 2020
Convertible bonds issued	\$ 400,000	400,000	400,000
Less: Unamortized discount on convertible bonds	(3,009)	(5,030)	(6,064)
Accumulated converted and redeemed amount	<u>(268,600)</u>	<u>(256,600)</u>	<u>(244,900)</u>
	128,391	138,370	149,036
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
Non-current portion	<u>\$ 128,391</u>	<u>138,370</u>	<u>149,036</u>
Equity component – conversion options (included in “Capital surplus – stock options”) \$	<u>6,928</u>	<u>7,561</u>	<u>8,178</u>

(Continued)

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest expense (effective rate of 1.67%~2.06%)	\$ <u>535</u>	<u>1,289</u>	<u>1,649</u>	<u>8,802</u>

(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 %	55.5
Period 9	Unsecured convertible bonds payable	2020.02~2023.02	400,000	0 %	1.67 %	24.6

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. The Group recorded the capital surplus of stock options amounting to \$41,035.

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

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

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

The conversion price of the 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.

(Continued)

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

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

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

(iii) Issuance of bonds

There were no issuance of bond payable for the nine months ended September 30, 2021.

As mentioned above, there were issuance of bonds for the nine months ended September 30, 2020.

(iv) Conversion of bonds

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

In September 2020, the bondholders opted to convert the 9th unsecured convertible bonds for a total of 1,662 bonds, with the carrying amount of \$159,701, resulting in the capital surplus to increase by \$94,780, and the ordinary shares to be converted at the amount of \$64,921. Please refer to note (6)(s) for details.

(v) Repurchase of bonds

During the nine months ended September 30, 2020, the Company bought back 2,659 and 787 shares of the 8th and the 9th convertible bonds at the amounts of \$265,526 thousand and \$66,150 thousand and the carrying values of \$264,815 and \$74,879, respectively, resulting in net gain of \$8,018 thousand, which was recognized as other gains and losses; please refer to note (6)(w). The capital surplus of stock options, which was initially recognized when issued, was transferred to capital surplus of treasury stock transaction, per related regulations, amounting to \$19,741, please refer to note (6)(s).

There was no repurchase of bond payable for the nine months ended September 30, 2021.

(vi) Redeem of due bonds

The Company's eighth domestic unsecured convertible bonds had matured on June 19, 2020, with maturity repayment amounting to \$434,100 thousand. On July 6, 2020, the Company repaid its creditors due to the maturity of their bonds and termination of its trading on the Taiwan Over-The-Counter Securities Exchange.

(Continued)

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

(vii) Collateral

There were no bonds payable pledged as collateral by the Company for the nine months ended September 30, 2021, and 2020.

(n) Other payables and refund liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Salaries and bonuses payable	\$ 77,185	109,646	78,639
Compensation and bonus due to employees	33,174	24,208	34,843
Compensation due to directors	21,214	16,139	22,429
Interest payable	3,995	3,558	4,416
Processing fee payable	32,118	27,357	29,690
Payable on machinery and equipment	2,416	3,629	1,654
Service and professional fee payable	30,042	6,915	5,731
Freight payable	206,290	207,022	154,472
VAT and sales tax payable	145,791	129,232	113,952
Other accrued expenses	<u>160,133</u>	<u>108,424</u>	<u>112,575</u>
Other payables	<u>\$ 712,358</u>	<u>636,130</u>	<u>558,401</u>
Refund liabilities	<u>\$ 73,631</u>	<u>91,697</u>	<u>64,963</u>

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

(o) Lease liabilities

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

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ <u>107,213</u>	<u>84,844</u>	<u>82,923</u>
Non-current	\$ <u>296,753</u>	<u>351,385</u>	<u>372,290</u>

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

For the nine months ended September 30, 2021 and 2020, the Group recognized its lease liabilities amounting to \$47,615 and \$44,018, with an interest rate of 1.15%~2.38% and 5.00%, respectively.

(Continued)

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest on lease liabilities	<u>\$ 4,250</u>	<u>5,266</u>	<u>13,308</u>	<u>15,863</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 644</u>	<u>561</u>	<u>2,009</u>	<u>1,573</u>
Expenses relating to short-term leases	<u>\$ 5,520</u>	<u>529</u>	<u>9,095</u>	<u>1,738</u>
Expenses relating to leases of low- value assets (excluding low- value assets of short-term leases)	<u>\$ 41</u>	<u>44</u>	<u>126</u>	<u>142</u>

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

	For the nine months ended September 30	
	2021	2020
Total cash outflow for leases	<u>\$ 92,323</u>	<u>78,272</u>

(i) Real estate leases

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

(ii) Other leases

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

(Continued)

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

(p) Deferred income

	September 30, 2021	December 31, 2020	September 30, 2020
Deferred income-government grants	\$ <u>5,923</u>	<u>4,654</u>	<u>4,934</u>
Current (recognized under other current liabilities)	\$ 1,776	1,130	1,126
Non-current (recognized under other non-current liabilities)	4,147	3,524	3,808
Total	\$ <u>5,923</u>	<u>4,654</u>	<u>4,934</u>

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

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

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

For the nine months ended September 30, 2021 and 2020, the other income reclassified from deferred income amounted to \$846 and \$506, respectively, please refer to note(6)(w).

(q) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Operating costs	\$ -	-	\$ -	-
Selling expenses	-	-	-	-
Administrative expenses	21	92	148	127
Research and development expenses	-	-	-	-
Total	\$ <u>21</u>	<u>92</u>	\$ <u>148</u>	<u>127</u>

(Continued)

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

(ii) Defined contribution plans

The Company's pension expenses under the defined contribution method amounted to \$3,379 and \$2,943 for the nine months ended September 30, 2021 and 2020, respectively. Payments were made to the Bureau of Labor Insurance.

Pension expenses made in accordance with local regulations for all subsidiaries amounted to \$24,371 and \$15,540 for the nine months ended September 30, 2021 and 2020, respectively.

Pension expenses recognized by the Group were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Operating costs	\$ 2,940	744	\$ 8,396	3,050
Selling expenses	4,600	4,457	14,987	13,495
Administrative expenses	996	447	2,869	1,425
Research and development expenses	535	179	1,498	513
Total	<u>\$ 9,071</u>	<u>5,827</u>	<u>\$ 27,750</u>	<u>18,483</u>

(r) Income tax

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

(i) Income tax expense

The components of income tax expense for the nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 4,773	71,325	\$ 37,904	119,667
Adjustments for prior periods	1,166	-	6,741	568
Subtotal	<u>5,939</u>	<u>71,325</u>	<u>44,645</u>	<u>120,235</u>
Deferred tax expense				
Origination and reversal of temporary differences	(568)	(5)	383	705
Subtotal	<u>(568)</u>	<u>(5)</u>	<u>383</u>	<u>705</u>
Income tax expense	<u>\$ 5,371</u>	<u>71,320</u>	<u>\$ 45,028</u>	<u>120,940</u>

(Continued)

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

The amounts of income tax expense (income) recognized in other comprehensive income for the nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences of foreign operations	\$ <u>(95)</u>	<u>(10,456)</u>	<u>(17,147)</u>	<u>(23,734)</u>

(ii) Examination and approval

The Company's income tax returns for all years through 2019, have been examined by the R.O.C. income tax authorities.

The Group's overseas subsidiaries' income tax returns for all years through 2020 have been declared to, but have yet to be examined by, the local tax authorities.

(s) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 2021 and 2020. For related information, please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2020.

(i) Issuance of common stock

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

A resolution was approved during the board meeting held on October 21, 2020 for the issuance of convertible bonds amounting to \$64,921, which was converted into 6,492 thousand shares of common stocks by the Group, with the record date set on October 21, 2020. The related registration procedures were completed in November 2020.

Changes in the numbers of outstanding shares for the nine months ended September 30, 2021 and 2020, were as follows:

(Continued)

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

	Common Shares (in thousand shares)	
	For the nine months ended September 30	
	2021	2020年
Beginning balance at January 1	131,972	124,554
Conversion of convertible bonds	-	6,492
Ending balance at September 30	<u>131,972</u>	<u>131,046</u>

(ii) Capital surplus

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

	September 30, 2021	December 31, 2020	September 30, 2020
Premium issuance of common shares for cash	\$ 432,122	432,122	432,122
Premium issuance of convertible bond	317,339	309,766	302,434
Transaction of treasury stock	19,741	19,741	19,741
Difference between consideration and carrying amount of shares	334	334	334
Stock options of convertible bonds issued	6,928	7,561	8,178
Expired employee stock options	<u>30,685</u>	<u>30,685</u>	<u>30,685</u>
Total	<u>\$ 807,149</u>	<u>800,209</u>	<u>793,494</u>

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

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

(iii) Earnings distribution

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

(Continued)

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

In the shareholders meeting held on June 18, 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 \$26,067, which amounted to \$262,144. The cash dividends that were distributed to the shareholders in September, 2020 amounted to \$105,871, with a par value of \$0.85 per share.

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

(iv) Other equity interest (net taxes)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2021	\$ (339,218)
Exchange differences on foreign operation	(68,589)
Balance at September 30, 2021	<u><u>\$ (407,807)</u></u>
Balance at January 1, 2020	\$ (196,131)
Exchange differences on foreign operation	(94,936)
Balance at September 30, 2020	<u><u>\$ (291,067)</u></u>

(t) Earnings per share

For the nine months ended September 30, 2021 and 2020, the Company’s earnings per share were calculated as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>57,847</u>	<u>164,735</u>	<u>124,747</u>	<u>272,809</u>
Weighted-average number of ordinary shares	<u>131,972</u>	<u>126,671</u>	<u>131,872</u>	<u>125,268</u>
Basic earnings per share (in dollars)	<u><u>\$ 0.44</u></u>	<u><u>1.30</u></u>	<u><u>0.95</u></u>	<u><u>2.18</u></u>

(Continued)

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ 57,847	164,735	124,747	272,809
Effects of dilutive potential ordinary shares:				
Interest of convertible bond	535	1,289	1,649	8,802
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	<u>\$ 58,382</u>	<u>166,024</u>	<u>126,396</u>	<u>281,611</u>
Weighted-average number of ordinary shares (in thousands of shares)	131,972	126,671	131,872	125,268
Effects of dilutive potential ordinary shares:				
Effects of employee stock bonus (in thousands of share)	149	380	355	821
Effects of conversion of convertible bond (in thousands of share)	1,807	3,516	5,445	17,382
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>133,928</u>	<u>130,567</u>	<u>137,672</u>	<u>143,471</u>
Diluted earnings per share (in dollars) \$	<u>0.44</u>	<u>1.27</u>	<u>0.92</u>	<u>1.96</u>

(u) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Goods sold	\$ 3,336,462	3,442,637	8,961,534	8,514,314
Rental income	1,961	2,485	6,717	7,566
Total	<u>\$ 3,338,423</u>	<u>3,445,122</u>	<u>8,968,251</u>	<u>8,521,880</u>

(Continued)

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

(ii) Disaggregation of revenue

For the three months ended September 30, 2021				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 743,232	761,812	1,240,664	2,745,708
China	162,554	9,033	-	171,587
Taiwan	99,786	-	-	99,786
Canada	-	90,744	-	90,744
United Kingdom	34,415	-	-	34,415
Others	150,199	44,023	-	194,222
Total	<u>\$ 1,190,186</u>	<u>905,612</u>	<u>1,240,664</u>	<u>3,336,462</u>
Main products/services lines				
CABLE	\$ 269,098	42,863	455,405	767,366
POWER CORD	866,974	847,919	-	1,714,893
Consumer electronics	-	-	785,259	785,259
Others	54,114	14,830	-	68,944
Total	<u>\$ 1,190,186</u>	<u>905,612</u>	<u>1,240,664</u>	<u>3,336,462</u>
Timing of revenue recognition:				
Product transferred at a point in time	<u>\$ 1,190,186</u>	<u>905,612</u>	<u>1,240,664</u>	<u>3,336,462</u>
Sales channels				
Directly to customers	<u>\$ 1,190,186</u>	<u>905,612</u>	<u>1,240,664</u>	<u>3,336,462</u>
For the three months ended September 30, 2020				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 1,092,975	638,471	1,235,164	2,966,610
China	112,507	14,225	-	126,732
Taiwan	56,090	-	-	56,090
Canada	16,251	128,503	-	144,754
United Kingdom	17,769	-	-	17,769
Others	99,057	31,625	-	130,682
Total	<u>\$ 1,394,649</u>	<u>812,824</u>	<u>1,235,164</u>	<u>3,442,637</u>
Main products/services lines				
CABLE	\$ 212,237	33,974	415,151	661,362
POWER CORD	1,165,990	756,844	-	1,922,834
Consumer electronics	-	-	820,013	820,013
Others	16,422	22,006	-	38,428
Total	<u>\$ 1,394,649</u>	<u>812,824</u>	<u>1,235,164</u>	<u>3,442,637</u>

(Continued)

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

For the three months ended September 30, 2020				
	Manufactruing	Wholesaling	Online retailing	Total
Timing of revenue recognition:				
Product transferred at a point in time	<u>\$ 1,394,649</u>	<u>812,824</u>	<u>1,235,164</u>	<u>3,442,637</u>
Sales channels				
Directly to customers	<u>\$ 1,394,649</u>	<u>812,824</u>	<u>1,235,164</u>	<u>3,442,637</u>
For the nine months ended September 30, 2021				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 1,544,165	2,040,457	3,868,804	7,453,426
China	336,141	34,312	-	370,453
Taiwan	252,562	-	-	252,562
Canada	42,703	193,234	-	235,937
United Kingdom	79,415	-	-	79,415
Others	433,825	135,916	-	569,741
Total	<u>\$ 2,688,811</u>	<u>2,403,919</u>	<u>3,868,804</u>	<u>8,961,534</u>
Main products/services lines				
CABLE	\$ 891,102	118,242	1,432,356	2,441,700
POWER CORD	1,637,445	2,233,810	-	3,871,255
Consumer electronics	-	-	2,436,448	2,436,448
Others	160,264	51,867	-	212,131
Total	<u>\$ 2,688,811</u>	<u>2,403,919</u>	<u>3,868,804</u>	<u>8,961,534</u>
Timing of revenue recognition:				
Product transferred at a point in time	<u>\$ 2,688,811</u>	<u>2,403,919</u>	<u>3,868,804</u>	<u>8,961,534</u>
Sales channels				
Directly to customers	<u>\$ 2,688,811</u>	<u>2,403,919</u>	<u>3,868,804</u>	<u>8,961,534</u>
For the nine months ended September 30, 2020				
	Manufactruing	Wholesaling	Online retailing	Total
Primary geographical markets				
United States	\$ 2,228,742	1,354,876	3,730,372	7,313,990
China	291,840	42,831	-	334,671
Taiwan	195,633	-	-	195,633
Canada	31,979	166,320	-	198,299
United Kingdom	50,374	-	-	50,374
Others	330,449	90,898	-	421,347
Total	<u>\$ 3,129,017</u>	<u>1,654,925</u>	<u>3,730,372</u>	<u>8,514,314</u>

(Continued)

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

For the nine months ended September 30, 2020				
	Manufactruing	Wholesaling	Online retailing	Total
Main products/services lines				
CABLE	\$ 776,013	81,361	1,366,314	2,223,688
POWER CORD	2,227,372	1,521,195	-	3,748,567
Consumer electronics	-	-	2,364,058	2,364,058
Others	125,632	52,369	-	178,001
Total	<u><u>\$ 3,129,017</u></u>	<u><u>1,654,925</u></u>	<u><u>3,730,372</u></u>	<u><u>8,514,314</u></u>
Timing of revenue recognition:				
Product transferred at a point in time	<u><u>\$ 3,129,017</u></u>	<u><u>1,654,925</u></u>	<u><u>3,730,372</u></u>	<u><u>8,514,314</u></u>
Sales channels				
Directly to customers	<u><u>\$ 3,129,017</u></u>	<u><u>1,654,925</u></u>	<u><u>3,730,372</u></u>	<u><u>8,514,314</u></u>

(iii) Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020
Contract liabilities — advance sales receipts	<u><u>\$ 55,029</u></u>	<u><u>141,558</u></u>	<u><u>47,702</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 nine months ended September 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$132,872 and \$83,775, respectively.

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

(v) Remuneration to employees and directors

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

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

For the nine months ended September 30, 2021, the Company accrued remuneration to employees of \$8,874 and remuneration to directors amounted to \$5,214. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

(Continued)

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

For the nine months ended September 30, 2020, the Company accrued remuneration to employees of \$22,360 and remuneration to directors amounted to \$14,907. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the remunerations to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors based on the Company's articles of association. These remunerations were expensed under operating costs or expenses for the year.

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

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

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 had already been reported in the shareholders' meeting on June 18, 2020.

As mentioned above, the differences between the actual amounts and the estimated amounts of the remuneration to employees and directors for the years ended 2020 and 2019 had been adjusted accordingly.

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

(w) Other non-operating income and expenses

(i) Interest income

The details of interest income of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest income from bank deposits	\$ <u>135</u>	<u>1,118</u>	<u>689</u>	<u>5,662</u>

(ii) Other income

The details of other income of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

(Continued)

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Government grants	41,889	480	\$ 42,885	9,196
Other income	1,338	2,645	8,770	9,088
Total	<u>\$ 43,227</u>	<u>3,125</u>	<u>51,655</u>	<u>18,284</u>

The Group received the Paycheck Protection Program loan from U.S. Small Business Administration amounting to \$41,124 thousand (\$1,473 thousand USD) in April 2020. The Paycheck Protection Program loan was provided by the U.S. government as an economic relief package, wherein it requires a subsidized company to pay its employee their salaries within two months after having received the loan, otherwise, the Group will have to repay the loan under the regulated interest rate according to the provision of the Paycheck Protection Program. As of September 30, 2021, the Group had met all the criteria, and thus, applied for forgiveness of the Paycheck Protection Program loan to the government. In September 2021, the related legal review procedures had been completed and the Group recognized the amount of \$41,214 thousand as grant income.

(iii) Other gains and losses

The details of other gains and losses of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Loss on disposal of property, plant, and equipment	\$ (277)	(1,685)	(1,405)	(3,193)
Loss on disposal of investments	(88)	-	(88)	-
Foreign exchange gain (loss)	2,322	(24,347)	(17,049)	(26,927)
Gain on repurchase of convertible bonds	-	-	-	8,018
Other non-operating expenses	(2,280)	(2,799)	(6,078)	(5,689)
Other gains and losses, net	<u>\$ (323)</u>	<u>(28,831)</u>	<u>(24,620)</u>	<u>(27,791)</u>

For the nine months ended September 30, 2021, the loss on settled transaction of derivative financial instruments amounting to \$18 was recognized by the Group as foreign exchange loss.

There was no transaction of derivative financial instruments for the nine months ended September 30, 2020.

(Continued)

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

(iv) Financial costs

The details of financial costs of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest expense				
Bank loans	\$ (22,627)	(15,971)	(57,139)	(52,866)
Interest on lease liabilities	(4,250)	(5,266)	(13,308)	(15,863)
Short-term notes and bills payable	(475)	(269)	(1,089)	(981)
Bonds payable	(535)	(1,289)	(1,649)	(8,802)
Total	<u><u>\$ (27,887)</u></u>	<u><u>(22,795)</u></u>	<u><u>(73,185)</u></u>	<u><u>(78,512)</u></u>

(x) Reclassification adjustments of components of other comprehensive income

The details of reclassification adjustment of component of other comprehensive income for the nine months ended September 30, 2021 and 2020 were as follows:

	For the nine months ended September 30	
	2021	2020
Exchange differences on translation of foreign financial statements:		
Losses from current period	\$ (87,925)	(118,670)
Less: reclassification of exchange loss in profit or loss	(2,189)	-
Net change in fair value recognized in other comprehensive income	<u><u>\$ (85,736)</u></u>	<u><u>(118,670)</u></u>

Information on reclassification of exchange loss, please refer to note (6)(e) for details.

(y) 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)(x) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) Credit risk exposure

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

(Continued)

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

2) Concentration of credit risk

As of September 30, 2021, December 31 and September 30, 2020, the Group reviewed the concentrations of credit risk arising from the major Customer G, and it was below 23%, 41%, and 47% of the gross notes and accounts receivable, respectively. The other top four clients contributed no more than 17%, 17% and 15%, 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
September 30, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,736,548	2,744,425	2,744,425	-	-	-
Short-term notes and bills payable	229,767	230,000	230,000	-	-	-
Notes and accounts payable	1,467,155	1,467,155	1,467,155	-	-	-
Other payables	712,358	712,358	712,358	-	-	-
Bonds payable (includes current portion)	128,391	131,400	-	131,400	-	-
Lease liabilities - current and noncurrent	403,966	444,904	121,900	112,201	167,359	43,444
Long-term borrowings (includes current portion)	2,228,739	2,340,520	1,512,123	181,753	210,497	436,147
Total	<u>\$ 7,906,924</u>	<u>8,070,762</u>	<u>6,787,961</u>	<u>425,354</u>	<u>377,856</u>	<u>479,591</u>
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,356,577	2,364,149	2,364,149	-	-	-
Short-term notes and bills payable	129,886	130,000	130,000	-	-	-
Notes and accounts payable	946,956	946,956	946,956	-	-	-
Other payables	636,130	636,130	636,130	-	-	-
Bonds payable (includes current portion)	138,370	143,400	-	-	143,400	-
Lease liabilities - current and noncurrent	436,229	490,976	102,206	101,659	219,494	67,617
Long-term borrowings (includes current portion)	1,350,801	1,487,782	483,209	257,027	261,847	485,699
Total	<u>\$ 5,994,949</u>	<u>6,199,393</u>	<u>4,662,650</u>	<u>358,686</u>	<u>624,741</u>	<u>553,316</u>

(Continued)

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

	<u>Carrying value</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
September 30, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,518,305	2,527,909	2,527,909	-	-	-
Short-term notes and bills payable	129,889	130,000	130,000	-	-	-
Notes and accounts payable	952,400	952,400	952,400	-	-	-
Other payables	558,401	558,401	558,401	-	-	-
Bonds payable (includes current portion)	149,036	155,100	-	-	155,100	-
Lease liabilities - current and noncurrent	455,213	517,918	101,679	102,678	236,669	76,892
Long-term borrowings (includes current portion)	1,466,061	1,606,913	633,498	189,604	275,963	507,848
Total	<u>\$ 6,229,305</u>	<u>6,448,641</u>	<u>4,903,887</u>	<u>292,282</u>	<u>667,732</u>	<u>584,740</u>

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:

	September 30, 2021				December 31, 2020			September 30, 2020		
	Local currency	Exchange rate	TWD		Local currency	Exchange rate	TWD	Local currency	Exchange rate	TWD
<u>Financial assets:</u>										
<u>Monetary items</u>										
USD	\$	41,199	27.80	1,145,332	56,611	28.43	1,609,451	61,186	29.05	1,777,453
HKD		6,202	3.57	22,139	5,050	3.67	18,520	5,679	3.75	21,287
CNY		5,610	4.29	24,048	3,374	4.36	14,701	11,488	4.27	49,004
EUR		1,390	32.12	44,647	441	34.82	15,356	601	33.95	20,404
CAD		938	19.63	18,413	962	22.18	21,338	962	20.51	19,731
<u>Financial liabilities:</u>										
<u>Monetary items</u>										
USD		33,121	27.80	920,764	23,924	28.43	680,159	29,047	29.05	843,815

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 nine months ended September 30, 2021 and 2020, assuming the TWD appreciated by 1%, were decreases of \$3,338 and \$10,441, respectively. The analysis is performed on the same basis for the prior year.

(Continued)

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

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and nine months ended September 30, 2021 and 2020, the foreign exchange (loss) gain (including both realized and unrealized) amounted to \$2,322, \$(24,347), \$(17,049) and \$(26,927), 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 \$9,310 and \$7,471 for the nine months ended September 30, 2021 and 2020, 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 amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include the fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

(z) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(y) of the consolidated financial statements for the year ended December 31, 2020.

(aa) 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, 2020. 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, 2020. Please refer to note (6)(z) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(Continued)

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

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

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

	January 1, 2021	Cash inflow	Cash Outflow	Non-cash changes				September 30, 2021
				Foreign exchange movement	Increase in Right-of-use assets	Government grant reclassified as other income	Conversion of convertible bonds and Others	
Short-term borrowings	\$ 2,356,577	2,038,181	(1,635,019)	18,023	-	(41,214)	-	2,736,548
Short-term notes and bills payable	129,886	99,881	-	-	-	-	-	229,767
Bonds payable (includes current portion)	138,370	-	-	-	-	-	(9,979)	128,391
Lease liabilities	436,229	-	(67,785)	(12,093)	47,615	-	-	403,966
Long-term borrowings (includes current portion)	1,350,801	1,621,789	(724,790)	(19,061)	-	-	-	2,228,739
Total liabilities from financing activities	<u>\$ 4,411,863</u>	<u>3,759,851</u>	<u>(2,427,594)</u>	<u>(13,131)</u>	<u>47,615</u>	<u>(41,214)</u>	<u>(9,979)</u>	<u>5,727,411</u>

	January 1, 2020	Cash inflow	Cash Outflow	Non-cash changes				September 30, 2020
				Current- period transferred	Gain on repurchase of convertible bonds	Increase in Right-of-use assets	Conversion of convertible bonds and Others	
Short-term borrowings	\$ 1,881,475	2,751,185	(2,094,965)	(19,390)	-	-	-	2,518,305
Short-term notes and bills payable	229,823	-	(99,934)	-	-	-	-	129,889
Bonds payable (includes current portion)	693,322	401,501	(765,776)	-	(8,018)	-	(171,993)	149,036
Lease liabilities	496,833	-	(58,956)	(12,866)	-	30,202	-	455,213
Long-term borrowings (includes current portion)	1,569,250	1,255,007	(1,337,154)	(21,042)	-	-	-	1,466,061
Total liabilities from financing activities	<u>\$ 4,870,703</u>	<u>4,407,693</u>	<u>(4,356,785)</u>	<u>(53,298)</u>	<u>(8,018)</u>	<u>30,202</u>	<u>(171,993)</u>	<u>4,718,504</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

- (b) Names and relationship with related parties

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

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 6,224	14,452	\$ 18,679	27,497
Post-employment benefits	149	95	447	285
Total	<u>\$ 6,373</u>	<u>14,547</u>	<u>\$ 19,126</u>	<u>27,782</u>

For the nine months ended September 30, 2021, the Group rented 4 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$2,630 and the amount of rent expense recognized was \$149.

For the nine months ended September 30, 2020, the Group rented 4 vehicles for its management use. The amount of right-of-use depreciation and interest recognized was \$928 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	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	Long-term borrowings	\$ -	-	87,150
Property, plant, and equipment	Long-term borrowings	673,602	687,663	697,806
Other financial asset — non-current	Long-term borrowings	5,428	5,533	5,637
Guarantee deposits paid	Long-term borrowings and Customs security deposits	15,331	328	328
Total		<u>\$ 694,361</u>	<u>693,524</u>	<u>790,921</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

(Continued)

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

<u>Supplier</u>	<u>Contract Period</u>	<u>Pricing Terms</u>	<u>Product</u>	<u>Breach Clause</u>
A	2021.01~2021.12	Average price (in USD) listed in LME of the previous month, plus, US\$115, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,100 per ton of conversion cost	1,690~3,490 tons of copper wire	Late payment surcharge at 10% annual rate
B	2021.01~2021.12	Average price listed in Shanghai Futures Exchange (aka SHFE) agreed by both parties, considering any premiums or discounts, plus, an additional amount of CNY\$980 per ton of conversion cost, depending on the product specification	240~2,160 tons of copper wire	5% of the total amount
D	2021.04~2022.03	Spot price listed in LME agreed by both parties, considering any premiums or discounts, plus, an additional amount of US\$225 per ton of conversion cost	240~1,800 tons of copper rods	1. 30% of the amount overdue 2. Late payment surcharge at 1% rate per day
F	2021.01~2021.12	Average price (in USD) listed in LME of the previous month, plus, US\$115, multiplied by the spot exchange rate released by Bank of Taiwan, plus, an additional amount of \$6,600 per ton of conversion cost	1,200~2,400 tons of copper wire	Supplier can demand back parts of the unpaid purchased wires upon overdue

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Acquisition of equipments	\$ <u><u>14,756</u></u>	<u><u>8,174</u></u>	<u><u>7,510</u></u>

(iii) Unused letters of credit: None.

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

(b) Significant contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

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

(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, September 30, 2021			For the three months ended, September 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	83,719	175,661	259,380	84,027	217,478	301,505
Labor and health insurance (Note 1)	2,384	25,512	27,896	1,702	21,541	23,243
Pension (Note 2)	2,942	6,150	9,092	744	5,175	5,919
Remuneration of directors	-	2,810	2,810	-	10,014	10,014
Other employee benefits	2,098	4,163	6,261	3,283	6,179	9,462
Depreciation	18,814	36,282	55,096	11,748	35,155	46,903
Amortization	478	8,518	8,996	444	10,426	10,870

by Function by Nature	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries (including employee remuneration)	225,638	563,800	789,438	207,631	574,474	782,105
Labor and health insurance (Note 1)	6,985	74,986	81,971	5,129	75,541	80,670
Pension (Note 2)	8,397	19,501	27,898	3,050	15,560	18,610
Remuneration of directors	-	5,075	5,075	-	15,706	15,706
Other employee benefits	5,333	10,130	15,463	6,364	12,395	18,759
Depreciation	55,108	102,902	158,010	34,826	107,723	142,549
Amortization	1,338	29,112	30,450	1,445	31,509	32,954

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 nine months ended September 30, 2021 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	WUXI UNIVERSAL	Other receivables	Yes	111,280 (RMB26,000)	111,280 (RMB26,000)	42,800	1%	1	1,874,026	Business operation	-	-	-	2,076,759	2,076,759
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	52,909 (USD1,918)	15,904 (USD572)	15,904	-	2	-	Business operation	-	-	-	640,184	1,024,294
0	The Company	YUE FONG COMPANY LIMITED	Other receivables	Yes	8,546 (USD300)	8,340 (USD300)	8,340	-	2	-	Business operation	-	-	-	640,184	1,024,294
0	The Company	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Other receivables	Yes	84,846 (USD3,040)	84,512 (USD3,040)	47,538	-	2	-	Business operation	-	-	-	640,184	1,024,294
1	PRIME WIRE & CABLES INC.	BESTLINK NETWORK INC.	Other receivables	Yes	56,970 (USD2,000)	41,700 (USD1,500)	16,680	2.30~3.25%	2	-	Business operation	-	-	-	986,836	986,836
2	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	Other receivables	Yes	54,686 (EUR1,676)	53,848 (EUR1,676)	53,848	-	2	-	Business operation	-	-	-	1,329,615	1,329,615
2	EUROPOWER INTERNATIONAL LIMITED	YFC BONEAGLE INTERNATIONAL, INC.	Other receivables	Yes	136,980 (USD4,908)	136,440 (USD4,908)	118,370	0~1.15%	2	-	Business operation	-	-	-	1,329,615	1,329,615
2	EUROPOWER INTERNATIONAL LIMITED	The Company	Other receivables	Yes	1,133,600 (USD40,000)	1,028,600 (USD37,000)	1,016,090	-	2	-	Business operation	-	-	-	1,329,615	1,329,615
2	EUROPOWER INTERNATIONAL LIMITED	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	81,458 (USD2,860)	79,499 (USD2,860)	79,499	-	2	-	Business operation	-	-	-	1,329,615	1,329,615
3	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	Other receivables	Yes	167,460 (USD6,000)	139,000 (USD5,000)	137,888	-	2	-	Business operation	-	-	-	1,365,383	1,365,383
4	YFC-BONEAGLE ELECTRIC (B.V.I) CO., LTD.	YFC DEVELOPMENT CORPORATION	Other receivables	Yes	83,400 (USD3,000)	83,400 (USD3,000)	-	-	2	-	Business operation	-	-	-	3,263,093	3,263,093

Note 1: The numbers are filled in as follows:

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

Note 2: Purposes of financing are labelled as follows:

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

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

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor (Note 1)	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	WUXI UNIVERSAL	1, 2	2,560,736	984,264	836,280	455,028	-	32.66 %	5,121,472	Y	N	Y
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1, 2	2,560,736	50,000	50,000	42,130	-	1.95 %	5,121,472	Y	N	N
0	The Company	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	1, 2	2,560,736	139,000	139,000	127,157	-	5.43 %	5,121,472	Y	N	N
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	1, 2	2,560,736	55,600	55,600	-	-	2.17 %	5,121,472	Y	N	N
1	EUROPOWER INTERNATIONAL LIMITED	MONOPRICE, INC.	1, 4	1,329,615	569,700	-	-	-	- %	2,659,230	N	N	N
2	PRIME WIRE & CABLE, INC.	UNC INVESTMENT & DEVELOPMENT, INC.	1, 4	986,836	436,212	425,722	388,520	-	16.62 %	1,973,672	N	N	N

Note 1: The numbers are filled in as follows:

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

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

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

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

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

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

(iii) Securities held as of September 30, 2021 (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 September 30, 2021.

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details (Note 4)				Transactions with terms different from others		Notes/Accounts receivable (payable) (Note 4)		Note
			Purchase/Sale	Amount (Note 1)	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance (Note 2)	Percentage of total notes/accounts receivable (payable)	
The Company	DONGGUAN YFC	Parent company to subsidiary	Purchases	636,968 (USD22,779)	17.07 %	OA 90 days	-	-	(55,650) (USD2,002)	(9.48)%	
The Company	WUXI UNIVERSAL	Parent company to subsidiary	Purchases	1,874,026 (USD67,120)	50.23 %	OA 90 days	-	-	(316,485) (USD11,384)	(53.90)%	
PRIME WIRE & CABLE, INC.	The Company	Subsidiary to parent company	Purchase	1,002,784 (USD35,819)	44.03 %	OA 90 days	-	-	(612,567) (USD22,035)	(84.14)%	
BESTLINK NETWORK INC.	The Company	Subsidiary to parent company	Purchase	104,555 (USD3,719)	86.74 %	OA 120 days	-	-	(35,698) (USD1,284)	(30.92)%	
MONOPRICE, INC.	The Company	Subsidiary to parent company	Purchase	299,094 (USD10,679)	11.86 %	OA 60 days	-	-	(200,864) (USD7,220)	(17.25)%	
MONOPRICE, INC.	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Subsidiary to subsidiary	Purchase	109,891 (USD3,966)	4.40 %	OA 60 days	-	-	(110,263) (USD3,966)	(9.48)%	

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 27.9717.

Note 2: Assets denominated in USD are translated into NTD at the exchange rate of 27.8000.

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

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	PRIME WIRE & CABLE, INC.	Parent company to subsidiary	Accounts receivable: 612,567	3.38	-	-	123,283	-
The Company	MONOPRICE INC.	Parent company to subsidiary	Accounts receivable: 200,864	2.13	-	-	820	-
The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	Parent company to subsidiary	Other receivable: 136,234	2.03	-	-	-	-
WUXI UNIVERSAL NETWORK CORPORATION	The Company	Subsidiary to parent company	Accounts receivable: 316,485	6.85	-	-	124,042	-
YFC-EUROPOWER INTERNATIONAL CO., LTD.	MONOPRICE INC.	Subsidiary to subsidiary	Accounts receivable: 110,263	2.66	-	-	-	-

Note 1: The information above shows subsequent collection of accounts receivable – related party as of October 30, 2021.

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 27.9717.

Note 3: Assets denominated in USD are translated into NTD at the exchange rate of 27.8000.

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

- (ix) Trading in derivative instruments: Please refer to notes (6)(w)

(Continued)

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

(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 September 30, 2021 (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	1,002,784	A percentage of gross profit	11%
0	The Company	PRIME WIRE & CABLE, INC.	1	Accounts Receivable	612,567	OA 90 days	6%
0	The Company	MONOPRICE INC.	1	Sales	299,094	A percentage of gross profit	3%
0	The Company	MONOPRICE INC.	1	Accounts Receivable	200,864	OA 60 days	2%
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	1	Sales	51,461	A percentage of gross profit	1%
0	The Company	YFC-BONEAGLE INTERNATIONAL INC.	1	Accounts Receivable	40,847	OA 90 days	-%
0	The Company	BESTLINK NETWORK INC.	1	Sales	104,555	A percentage of gross profit	1%
0	The Company	BESTLINK NETWORK INC.	1	Accounts Receivable	35,698	OA 120 days	-%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivables	136,234	The Company payment for goods on behalf of the subsidiary	1%
0	The Company	WUXI UNIVERSAL	1	Other Receivables	42,800	Based on collection status	-%
0	The Company	YFC-BONEAGLE INTERNATIONAL, INC.	1	Other Receivables	15,904	Based on collection status	-%
0	The Company	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	1	Other Receivables	47,538	Based on collection status	-%
0	The Company	YFC-EUROPOWER INTERNATIONAL CO., LTD.	1	Other Receivables	11,857	The subsidiary collection on sales goods on behalf of the Company	-%
0	The Company	EUROPOWER INTERNATIONAL LIMITED	1	Other Receivables	22,124	The subsidiary collection on sales goods on behalf of the Company	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	22,124	The Company collection on sales goods on behalf of the subsidiary	-%
1	EUROPOWER INTERNATIONAL LIMITED	The Company	2	Other Receivables	1,016,090	Based on collection status	9%
1	EUROPOWER INTERNATIONAL LIMITED	PREMIUM-LINE KSI GMBH	3	Other Receivables	53,848	Based on collection status	1%

(Continued)

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

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended September 30, 2021 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	EUROPOWER INTERNATIONAL LIMITED	YFC-BONEAGLE INTERNATIONAL, INC.	3	Other Receivables	118,370	Based on collection status	1%
1	EUROPOWER INTERNATIONAL LIMITED	YFC DEVELOPMENT CORPORATION	3	Other Receivables	79,499	Based on collection status	1%
2	DONGGUAN YFC	The Company	2	Sales	636,968	A percentage of gross profit	7%
2	DONGGUAN YFC	The Company	2	Accounts Receivable	55,650	OA 90 days	1%
2	DONGGUAN YFC	WUXI UNIVERSAL	3	Sales	65,833	A percentage of gross profit	1%
2	DONGGUAN YFC	WUXI UNIVERSAL	3	Accounts Receivable	59,421	OA 90 days	1%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Sales	21,157	A percentage of gross profit	-%
2	DONGGUAN YFC	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivable	20,982	OA 90 days	-%
2	DONGGUAN YFC	YFC-EUROPOWER INTERNATIONAL CO., LTD.	3	Sales	21,115	A percentage of gross profit	-%
2	DONGGUAN YFC	YFC-EUROPOWER INTERNATIONAL CO., LTD.	3	Accounts Receivable	20,995	OA 90 days	-%
3	WUXI UNIVERSAL	The Company	2	Sales	1,874,026	A percentage of gross profit	21%
3	WUXI UNIVERSAL	The Company	2	Accounts Receivable	316,485	OA 90 days	3%
3	WUXI UNIVERSAL	DONGGUAN YFC	3	Sales	37,518	A percentage of gross profit	-%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Sales	25,469	A percentage of gross profit	-%
3	WUXI UNIVERSAL	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	3	Accounts Receivable	42,411	OA 90 days	-%
3	WUXI UNIVERSAL	YFC INTERNATIONAL TRADING (WUXI) CO., LTD.	3	Sales	10,663	A percentage of gross profit	-%
3	WUXI UNIVERSAL	YFC-EUROPOWER INTERNATIONAL CO., LTD.	3	Sales	50,797	A percentage of gross profit	1%
3	WUXI UNIVERSAL	YFC-EUROPOWER INTERNATIONAL CO., LTD.	3	Accounts Receivable	50,519	OA 90 days	-%

(Continued)

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

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the years ended September 30, 2021 (Note 3)			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Sales	21,712	A percentage of gross profit	-%
4	PRIME WIRE & CABLE, INC.	MONOPRICE INC.	3	Accounts Receivable	13,886	OA 90 days	-%
4	PRIME WIRE & CABLE, INC.	BESTLINK NETWARE INC.	3	Other Receivable	16,680	Based on collection status	-%
5	UNC INVESTMENT & DEVELOPMENT INC.	PRIME WIRE & CABLE, INC.	3	Rental income	17,836	Monthly payment	-%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Processing income	37,169	A percentage of gross profit	-%
6	YFC-BONEAGLE ELECTRONIC TECHNOLOGY PHILS. Corp.	The Company	2	Accounts Receivable	30,673	OA 90 days	-%
7	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	The Company	2	Other Receivable	137,888	Based on collection status	1%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	MONOPRICE INC.	3	Sales	109,891	A percentage of gross profit	1%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	MONOPRICE INC.	3	Accounts Receivable	110,263	OA 60 days	1%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWARE INC.	3	Sales	73,208	A percentage of gross profit	1%
8	YFC-EUROPOWER INTERNATIONAL CO., LTD.	BESTLINK NETWARE INC.	3	Accounts Receivable	65,740	OA 90 days	1%

Note 1: The numbers are filled in as follows:

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

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

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

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (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 September 30, 2021			Net income (losses) of investee	Investment income (loss)	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	B.V.I.	Holding company set up for investments in Philippines, China and USA	1,781,915 (USD54,423)	1,781,915 (USD54,423)	53,906	100.00 %	3,224,261	90,457	97,041	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 \$12,825 from subsidiaries in the US and the Philippines and the increasing in sidestream unrealized gain of \$6,241.
"	BESTLINK NETWORK INC.	USA	Trading business	31,393 (USD1,000)	31,393 (USD1,000)	1,000	100.00 %	37,513	18,612	18,612	
"	UNC INVESTMENT & DEVELOPMENT, INC.	USA	Real estate investment business	1,496 (USD50)	1,496 (USD50)	50	100.00 %	51,452	9,557	9,557	
"	PREMIUM-LINE KSI GMBH	Austria	Trading business	28,193 (EUR600)	28,193 (EUR600)	-	100.00 %	(47,498)	(7,117)	(7,117)	
"	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 %	1,142,888	(31,153)	(31,153)	
"	PREMIUM-LINE SYSTEMS GMBH	Germany	Trading business	1,077 (EUR30)	1,077 (EUR30)	-	100.00 %	-	-	-	
"	YUE FONG COMPANY LIMITED	Vietnam	Trading business	5,989 (USD200)	5,989 (USD200)	-	100.00 %	(204)	(2,423)	(2,423)	Note 1
"	YFC-EUROPOWER INTERNATIONAL CO., LTD.	Taiwan	Trading business	500	-	50	100.00 %	11,030	10,530	10,530	Note 2
YFC-BONEAGLE ELECTRIC (B.V.I.) CO., LTD.	YFC-BONEAGLE HOLDINGS (CAYMANS) CO., LTD.	Caymans	Holding company set up for investments in China and USA	752,008 (USD22,807)	752,008 (USD22,807)	22,807	100.00 %	1,365,383	148,765	148,765	
"	EUROPOWER INTERNATIONAL LIMITED	B.V.I.	Trading business	161,778 (USD4,890)	161,778 (USD4,890)	4,890	100.00 %	1,329,615	(35,532)	(35,532)	
"	UNIVERSAL NETWORK CORPORATION	Samoa	Holding company set up for investments in China	646,459 (USD20,000)	646,459 (USD20,000)	20,000	100.00 %	567,588	(1,158)	(1,158)	
"	MAX SYNERGY LIMITED	Samoa	Holding company set up for investments in China	23,392 (USD720)	23,392 (USD720)	720	80.00 %	18,472	(4,898)	(3,918)	
"	PREMIUM LINE ASIA LTD.	Samoa	Trading business	1,472 (USD50)	1,472 (USD50)	50	100.00 %	513	(18)	(18)	
"	YFC-BONEAGLE INTERNATIONAL, INC	Philippines	Trading business	5,840 (USD200)	5,840 (USD200)	220	100.00 %	(22,361)	4,495	4,495	
"	YFC DEVELOPMENT CORPORATION	Philippines	Real estate investment business	608 (USD20)	608 (USD20)	75	100.00 %	473	3,871	3,871	
"	YFC BONEAGLE ELECTRONIC TECHNOLOGY PHILS. CORPORATION	Philippines	Manufacturing and sales of power cable, wires, network equipment and cable	6,170 (USD200)	6,170 (USD200)	200	100.00 %	(19,577)	(26,045)	(26,045)	
"	BESZIN COPORATION INC.	Samoa	Trading business	3,085 (USD100)	3,085 (USD100)	1,000	100.00 %	12,828	1	1	
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 %	986,836	106,398	106,398	
MONOPRICE HOLDINGS, INC	MONOPRICE, INC.	USA	Trading business	1,031,853 (USD32,507)	1,031,853 (USD32,507)	500	100.00 %	1,142,888	(31,153)	(31,153)	

Note 1: The Company directly established its new subsidiary, YUE FONG COMPANY LIMITED, in February 2020, with the investment amount having been paid in full.

Note 2: The Company directly established its new subsidiary, YFC-EUROPOWER INTERNATIONAL CO., LTD., in April 2021, with the investment amount having been paid in full.

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

(Continued)

YFC-BONEAGLE ELECTRIC CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Carrying amount as of September 30, 2021	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)	49,508	100.00%	49,508 (1)	356,809	-
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)	(26)	100.00%	(26) (1)	562,978	-
CHENZHOUE YFC	Processing and sale of communication products and internet cables	9,593 (USD300)	(2)	9,593 (USD300)	-	-	9,593 (USD300)	(2,668)	100.00%	(2,668) (1)	(3,388)	-
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)	(2,796)	(Note 7)	(2,642) (1)	(Note 7)	-
T-MARK	Wholesaling business	900,877 (HKD234,228)	(2)	167,022 (HKD42,000)	-	-	167,022 (HKD42,000)	-	15.81%	- (2)	(Note 6)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021 (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 September 30, 2021. The Group will apply for adjustment in the amount of investment in Mainland China to the Investment Commission, MOEA, after the proceeds from disposal of YFC INTERNATIONAL TRADING (WUXI) CO., LTD. have been transferred back to Taiwan.

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

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

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

Note 7: The Group disposed its subsidiary at the end of August 2021, please refer to note (6)(c) for further details.

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

(iii) Significant transactions:

Please refer to "Information on significant transaction" for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China during the nine months ended September 30, 2021 .

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
GOOD WIN INVESTMENT CO., LTD		6,635,361	5.02 %

(Continued)

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

(14) Segment information:

(a) General information

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

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

The operating segment information and reconciliation were as follows:

For the three months ended September 30, 2021					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 1,190,186	907,573	1,240,664	-	3,338,423
Inter-segment revenue	1,607,084	198,322	1,464	(1,806,870)	-
Total revenues	<u>\$ 2,797,270</u>	<u>1,105,895</u>	<u>1,242,128</u>	<u>(1,806,870)</u>	<u>3,338,423</u>
Reportable segment profit or loss	<u>\$ 67,498</u>	<u>77,704</u>	<u>(36,186)</u>	<u>(46,394)</u>	<u>62,622</u>
For the three months ended September 30, 2020					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 1,394,649	815,309	1,235,164	-	3,445,122
Inter-segment revenue	1,401,202	32,344	1,358	(1,434,904)	-
Total revenues	<u>\$ 2,795,851</u>	<u>847,653</u>	<u>1,236,522</u>	<u>(1,434,904)</u>	<u>3,445,122</u>
Reportable segment profit or loss	<u>\$ 152,531</u>	<u>88,293</u>	<u>56,575</u>	<u>(61,283)</u>	<u>236,116</u>
For the nine months ended September 30, 2021					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 2,688,811	2,410,636	3,868,804	-	8,968,251
Inter-segment revenue	4,233,567	232,895	4,397	(4,470,859)	-
Total revenues	<u>\$ 6,922,378</u>	<u>2,643,531</u>	<u>3,873,201</u>	<u>(4,470,859)</u>	<u>8,968,251</u>
Reportable segment profit or loss	<u>\$ 133,251</u>	<u>149,593</u>	<u>(17,876)</u>	<u>(96,327)</u>	<u>168,641</u>

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

For the nine months ended September 30, 2020					
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 3,129,017	1,662,491	3,730,372	-	8,521,880
Inter-segment revenue	2,852,879	80,140	6,413	(2,939,432)	-
Total revenues	<u>\$ 5,981,896</u>	<u>1,742,631</u>	<u>3,736,785</u>	<u>(2,939,432)</u>	<u>8,521,880</u>
Reportable segment profit or loss	<u>\$ 290,604</u>	<u>60,719</u>	<u>125,200</u>	<u>(83,215)</u>	<u>393,308</u>
	<u>Manufacturing</u>	<u>Wholesaling</u>	<u>Online retailing</u>	<u>Adjustments and elimination</u>	<u>Total</u>
Reportable segment assets :					
September 30, 2021	<u>\$ 11,264,604</u>	<u>2,937,045</u>	<u>3,922,241</u>	<u>(7,372,650)</u>	<u>10,751,240</u>
December 31, 2020	<u>\$ 9,239,870</u>	<u>3,498,290</u>	<u>3,078,374</u>	<u>(6,781,427)</u>	<u>9,035,107</u>
September 30, 2020	<u>\$ 10,879,080</u>	<u>2,189,523</u>	<u>2,959,568</u>	<u>(6,874,639)</u>	<u>9,153,532</u>
Reportable segment liabilities :					
September 30, 2021	<u>\$ 6,476,957</u>	<u>1,944,451</u>	<u>2,741,840</u>	<u>(2,977,362)</u>	<u>8,185,886</u>
December 31, 2020	<u>\$ 5,728,522</u>	<u>1,188,803</u>	<u>1,858,479</u>	<u>(2,372,418)</u>	<u>6,403,386</u>
September 30, 2020	<u>\$ 5,916,432</u>	<u>1,289,234</u>	<u>1,732,922</u>	<u>(2,422,409)</u>	<u>6,516,179</u>