Stock code: 8933

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

2022 and 2021

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Representation Letter on Consolidated Financial Statements of Affiliates

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2022 (from January1, 2022 to December 31, 2022), and the related information to be disclosed in the consolidated financial statements of affiliates were already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

In witness thereof, the Declaration is hereby presented.

Company Name: IDEAL BIKE CORPORATION

Responsible person: Hermas Chang

March 13, 2023

Independent Auditors' Report

ToIDEAL BIKE CORPORATION:

Audit opinion

We have audited the consolidated balance sheet of Ideal Bike Corporation and its subsidiaries (collectively referred to as the "Group" hereinafter) as of December 31, 2022 and 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the period from January 1 to December 31, 2022 and 2021, and the notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and released by the Financial Supervisory Commission, and thus presented fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and the consolidated financial performance and cash flow for the period from January 1 to December 31, 2022 and 2021.

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities under such standards are further described in the "CPA's responsibility for the audit of the consolidated financial statements" section in this report. We were independent of the Group in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to base our audit opinions.

Key audit matters

Key audit matters refer to, based on our professional judgment, the most important matters for auditing the Group's consolidated financial statements for 2022. Such matters were addressed during the overall audit of the consolidated financial statements and the process of forming the audit opinions, and thus we did not provide opinions separately on such matters.

The key audit matters for the Group's consolidated financial statements for 2022 are described as follows:

Recognization of sales revenue

The Group mainly sold bicycles and parts. The Group recognized NTD 5,591,120,000 as sales revenue. Please refer to Note 25. Considering the change to the bike market in recent years, the risk of inflated sales revenue at a significant amount from new customers might be increased and produce a significant effect on the consolidated financial statements. Thus, we found that the existence and occurrence of increase in the aforementioned sales revenue were the important matters to be audited in the current year.

Our audit procedures included (but were not limited to the following) evaluating the appropriateness of the Group's accounting policy in recognition of revenues, understanding and testing the effectiveness of internal control with respect to order handling and shipping procedures, and conducting spot check of relevant sales revenue certificates and other documents and making sure there were no abnormalities involved in any sales targets and any parties from whom payments were collected.

Other Matters:

For the parent company only financial statements prepared by Ideal Bike Corporation for 2022 and 2021, we had an independent auditors' report issued with unqualified opinions for reference.

Responsibility of the management and governance unit for the consolidated financial statements

The management was responsible for preparation of the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and released by the Financial Supervisory Commission and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements were free of material misstatements due to fraud or error.

During preparation of the consolidated financial statements, the management was also responsible for evaluating the Group's ability to continue as a going concern, disclosure of relevant matters and application of the going concern basis of accounting unless the management intended to liquidate the Group or terminate its operations, or there was no other actual and feasible solutions other than liquidation or termination of its operations.

The Group's governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

CPA's responsibility for the audit of the consolidated financial statements

We have audited the consolidated financial statements for the purpose of obtaining reasonable assurance about whether the consolidated financial statements as a whole were free of material misstatements due to fraud or error and issuing an audit report. Reasonable assurance refers to a high level of assurance; however, we could not guarantee to detect all material misstatements in the consolidated financial statements through the audit conducted based on the auditing standards. The misstatements might be due to fraud or errors. If an individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of users of the consolidated financial statements, the misstatements were deemed as material.

We used our professional judgment to be skeptical during the audit conducted based on the auditing standards. We also performed the following works:

1. We identified and evaluated the risk of any misstatements in the consolidated financial statements due to fraud or error, designed and implemented applicable response measures for the evaluated risks, and acquired sufficient and appropriate audit evidence to base our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstance; however, the purpose of such work was not to express opinions on the effectiveness of the Group's internal control.

3. We evaluated the appropriateness of the accounting policies adopted by the management and the rationality of the accounting estimates and relevant disclosures made by the management.
4. We drew a conclusion about the appropriateness of application of the going concern basis of accounting by the management and whether the event or circumstance which might cause major doubts about the Group's ability of going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the consolidated financial statements for the users to pay attention to relevant disclosure therein, or amend our audit opinions when such disclosure was inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where the Group would no longer have the ability to remain a going concern.
5. We evaluated the overall presentation, structure and contents of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence with respect to the financial information of the entities comprising the Group to provide opinions on the consolidated financial statements. We were responsible for instruction, supervision and implementation of the group audit cases, as well as the formation of the audit opinions on the Group.

The matters for which we communicated with the governance unit include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of internal control identified during the audit.)

We also provided a declaration of independence to the governance unit, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause a impact on the independence of CPAs to the governance unit.

We determined the key audit matters to be audited in the Group's consolidated financial statements for 2022 based on the matters communicated with the governance unit. Unless public disclosure of certain matters were prohibited by related laws or regulations or if, in very exceptional circumstances, we determined not to cover such matters in the audit report, as we could reasonably expect that the negative impact of the coverage was greater than the public interest brought thereby, we specified such matters in the audit report.

Deloitte & Touche Taiwan

CPA: Su-Li Fang	CPA: Tung-Hui Yeh
Approval No. from the Financial Supervisory Commission: Jin-Guan-Zheng-Liu-Zi No. 0940161384	Approval No. from the Financial Supervisory Commission: Jin-Guan-Zheng-Shen-Zi No. 0980032818

March 13, 2023

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

Unit: NTD thousand

Code	Asset	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6, and 30)	$ 686,811	11	$ 823,670	16
1110	Financial assets measured at fair value through profit or loss – current (Notes 4, 7, and 30)	13,881	-	21,597	-
1170	Accounts receivable, net (Notes 4, 5, 10, 25, and 30)	1,330,037	20	668,176	13
1200	Other receivables (Notes 10 and 30)	51,667	1	41,903	1
1220	Current income tax assets (Note 4, 5 and 27)	1,640	-	2,289	-
130X	Inventory (Notes 4 and 11)	2,781,625	42	1,934,412	37
1410	Prepayment (Note 17)	111,362	2	150,410	3
1460	Rights to products to be returned – current (Note 25)	60,622	1	-	-
1470	Other current assets	6,941	-	5,590	-
11XX	Total current assets	5,044,586	77	3,648,047	70
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income non-current (Notes 4, 8, and 30)	12,638	-	97	-
1535	Financial assets measured at amortized cost – non-current (Notes 4, 9, 30, and 32)	171,836	3	294,892	6
1550	Investment under equity method (Notes 4, 13, 32, and 33)	189,944	3	189,118	3
1600	Property, plant, and equipment (Notes 4, 14 and 32)	625,917	10	572,532	11
1755	Right-of-use assets (Note 15)	71,155	1	47,040	1
1780	Intangible assets (Notes 4 and 16)	219,437	3	198,755	4
1840	Deferred income tax assets (Notes 4, 5 and 27)	211,261	3	267,919	5
1990	Other non-current assets (Note 17)	15,483	-	16,591	-
15XX	Total non-current assets	1,517,671	23	1,586,944	30
1XXX	Total assets	$ 6,562,257	100	$ 5,234,991	100

Code	Liability and equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities				
2100	Short-term loans (Notes 18, and 30)	$ 1,441,174	22	$ 922,591	18
2120	Financial liabilities measured at fair value through profit or loss – current (Notes 4, 7, and 30)	-	-	1,459	-
2130	Contractual liabilities – current (Note 25)	270,412	4	168,723	3
2170	Notes and accounts payable (Notes 20 and 30)	871,328	13	932,607	18
2219	Other payables (Note 21)	261,440	4	192,152	4
2230	Current income tax liabilities (Note 4, 5 and 27)	905	-	11,274	-
2280	Lease liabilities – current (Note 15)	15,110	-	559	-
2322	Long-term loans and corporate bonds maturing within one year (Notes 4, 18, 19, 30, and 32)	429,645	7	575,560	11
2399	Other current liabilities (Note 21)	99,057	1	8,787	-
21XX	Total current liabilities	3,389,071	51	2,813,712	54
	Non-current liabilities				
2540	Long-term loans (Notes 18, 30, and 32)	495,016	8	162,332	3
2570	Deferred income tax liabilities (Note 4, 5 and 27)	146,695	2	115,447	2
2580	Lease liabilities – non-current (Note 15)	10,337	-	-	-
2640	Net defined benefit liabilities (Note 4 and 22)	16,031	-	18,615	-
2635	Preferred shares liabilities – non-current (Note 23)	104,414	2	127,328	3
25XX	Total non-current liabilities	772,493	12	423,722	8
2XXX	Total liabilities	4,161,564	63	3,237,434	62
	Equity attributable to the owner of parent company (Notes 4 and 24)				
	Share capital				
3110	Common stock capital	3,017,243	46	2,996,009	57
3200	Capital reserves	132,317	2	125,427	2
	Retained earnings				
3310	Legal reserves	212,090	3	212,090	4
3320	Special reserves	78,308	1	78,308	2
3350	Losses to be covered	(600,511)	(9)	(937,014)	(18)
3400	Other equities	(438,754)	(6)	(477,263)	(9)
3XXX	Total equities	2,400,693	37	1,997,557	38
	Total liabilities and equities	$ 6,562,257	100	$ 5,234,991	100

The attached notes are part of the Consolidated Financial Statements.

Chairman: Hermas Chang　　CEO: Ching-Wang Chen　　CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 through December 31, 2022 and 2021

Unit: NTD thousand, except EPS, which is expressed in NTD 1)

		2022		2021	
Code		Amount	%	Amount	%
4000	Net operating revenue (Notes 4 and 25)	$ 5,591,120	100	$ 4,613,524	100
5000	Operating cost (Note 4, 11, and 26)	4,764,217	85	4,069,482	88
5900	Operating gross profit	826,903	15	544,042	12
	Operating expense (Note 26)				
6100	Marketing expense	256,566	5	229,624	5
6200	Administrative expense	213,040	4	186,560	4
6450	Expected (profit) loss from credit impairment	(310)	-	89	-
6000	Total operating expenses	469,296	9	416,273	9
6900	Operating profit	357,607	6	127,769	3
	Non-operating revenue and expense				
7100	Interest income (Note 26)	5,369	-	1,261	-
7010	Other incomes (Note 26)	43,590	1	19,677	1
7020	Other profits and losses (Note 26)	88,620	2	(8,595)	-
7050	Financial cost (Note 26)	(56,728)	(1)	(35,827)	(1)
7060	Share of profit/loss of associates under equity method (Note 4 and 13)	826	-	15,755	-
7000	Net non-operating revenue and expense	81,677	2	(7,729)	-
7900	Pre-tax profit	439,284	8	120,040	3
7950	Income tax profit (expenses) (Note 4 and 27)	(104,926)	(2)	(37,449)	(1)
8200	Net profit for the year	334,358	6	82,591	2

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income				
8310	Titles not reclassified as profit or loss:				
8311	Re-measurement of defined benefit plan	$ 2,145	-	$ 1,997	-
8316	Unrealized valuation profit/loss from investment in equity instruments measured at fair value through other comprehensive income	(5,697)	-	-	-
	Titles potentially reclassified as profit or loss subsequently:				
8361	Exchange differences from translation of foreign financial statements (Note 4 and 24)	37,333	1	(40,158)	(1)
8399	Income tax related to titles potentially being reclassified	6,873	-	(8,031)	-
8300	Other comprehensive income for the year	40,654	1	(46,192)	(1)
8500	Total comprehensive income for the year	$ 375,012	7	$ 36,399	1
	Net profit attributable to:				
8610	The owners of the Company	$ 334,358	6	$ 82,591	2
8620	Non-controlling interests	-	-	-	-
8600		$ 334,358	6	$ 82,591	2
	Total comprehensive income attributable to:				
8710	The owners of the Company	$ 375,012	7	$ 36,399	1
8720	Non-controlling interests	-	-	-	-
8700		$ 375,012	7	$ 36,399	1
	Earnings per share (Note 28)				
9710	Basic EPS	$ 1.11		$ 0.29	
9810	Diluted EPS	$ 1.11		$ 0.29	

The attached notes are part of the Consolidated Financial Statements.

Chairman: Hermas Chang CEO: Ching-Wang Chen CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 through December 31, 2022 and 2021

Unit:
NTD thousand, unless otherwise specified

		Share capital			Retained earnings			Other equities		
Code		Number of shares (thousand shares)	Common stock capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings (Losses to be covered)	Exchange differences from translation of foreign financial statements	Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	Total equities
A1	Balance as of December 31, 2021	243,279	$2,432,787	$ 92,940	$ 212,090	$ 78,308	($1,021,602)	($ 134,788)	($ 294,286)	$1,365,449
	Changes in other capital surplus:									
C5	Components of equity recognized upon issuance of convertible corporate bonds	-	-	(4,842)	-	-	-	-	-	(4,842)
C17	Changes in other capital surplus	-	-	129	-	-	-	-	-	129
D1	Net profit for 2021	-	-	-	-	-	82,591	-	-	82,591
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	1,997	(48,189)	-	(46,192)
D5	Total comprehensive income for 2021	-	-	-	-	-	84,588	(48,189)	-	36,399
E1	Capital increase in cash	50,000	500,000	10,000	-	-	-	-	-	510,000
I1	Corporate bonds converted to common stock	6,322	63,222	27,200	-	-	-	-	-	90,422
Z1	Balance as of December 31, 2021	299,601	2,996,009	125,427	212,090	78,308	(937,014)	(182,977)	(294,286)	1,997,557
D1	Net profit for 2022	-	-	-	-	-	334,358	-	-	334,358
D3	Other comprehensive income after tax for 2022	-	-	-	-	-	2,145	44,206	(5,697)	40,654
D5	Total comprehensive income for 2022	-	-	-	-	-	336,503	44,206	(5,697)	375,012
I1	Corporate bonds converted to common stock	2,123	21,234	6,890	-	-	-	-	-	28,124
Z1	Balance as of December 31, 2022	301,724	$3,017,243	$ 132,317	$ 212,090	$ 78,308	($ 600,511)	($ 138,771)	($ 299,983)	$2,400,693

The attached notes are part of the Consolidated Financial Statements.

Chairman: Hermas Chang CEO: Ching-Wang Chen CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Statements of Cash Flow

January 1 through December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021
	Cash flow from operating activities		
A10000	Net profit before tax for the year	$ 439,284	$ 120,040
A20010	Income and expenses:		
A20100	Depreciation expense	63,857	53,357
A20200	Amortization expense	2,329	2,176
A20300	Expected impairment loss (reversal profit)	(310)	89
A20400	Net losses (gains) from financial assets and liabilities measured at fair value through profit or loss	9,464	(9,466)
A20900	Financial cost	56,728	35,827
A21200	Interest income	(5,369)	(1,261)
A21300	Dividend income	(8,828)	(1,388)
A22300	Share of profit or loss of associates and joint ventures under equity method	(826)	(15,755)
A22500	Profit from disposal of property, plant, and equipment	695	2,282
A23700	Inventory devaluation and obsolescence loss (gain from price recovery)	19,557	(5,002)
A24100	Unrealized profit from translation of foreign currencies	(26,541)	(14,009)
A29900	Loss from redemption of corporate bonds	4,209	4,575
A30000	Net changes in operating assets and liabilities		
A31150	Notes and accounts receivable	(654,243)	89,383
A31180	Other receivables	(9,360)	412
A31200	Inventory	(868,405)	(811,672)
A31240	Other current assets	(21,291)	(50,026)
A32125	Contractual liabilities	101,689	6,929
A32150	Notes and accounts payable	(61,279)	39,182
A32180	Other payables	70,300	82,903
A32230	Other current liabilities	88,862	(7,887)
A32240	Net defined benefit liabilities	(439)	(4,263)
A33000	Cash generated from operations	(799,917)	(483,574)
A33100	Interest received	5,369	1,261
A33200	Dividend received	2,083	1,388
A33300	Interest paid	(50,941)	(28,987)
A33500	Income tax paid	(18,341)	(11,159)
AAAA	Net cash outflow from operating activities	(861,747)	(521,071)

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Code		2022	2021
	Cash flow from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	($ 18,238)	$ -
B00020	Disposal of financial assets measured at fair value through other comprehensive income	-	1,659
B00050	Disposal of financial assets measured at amortized cost	124,201	41,660
B00100	Acquisition of financial assets measured at fair value through profit or loss	(9)	-
B00200	Disposal of financial assets measured at fair value through profit or loss	-	441
B02700	Acquisition of property, plant, and equipment	(100,629)	(44,517)
B02800	Disposal of property, plant, and equipment	2,194	2,080
B03800	Increase in guarantee deposits paid	(2,193)	(1,288)
B04500	Acquisition of intangible assets	(1,689)	(2,349)
B07100	Decrease (Increase) in prepayments for equipment	2,470	(5,991)
B06700	Other non-current assets	831	976
B07600	Dividend received	6,745	-
BBBB	Net cash inflow (outflow) from investing activities	13,683	(7,329)
	Cash flow from financing activities		
C00100	Increase in short-term loans	4,005,069	2,667,563
C00200	Decrease in short-term loans	(3,488,827)	(2,563,347)
C01300	Redemption of corporate bonds	(357,255)	(78,740)
C01600	Borrowing of long-term loan	813,476	299,626
C01700	Repayment of long-term loans	(250,069)	(166,669)
C02900	Repayment of preferred stock liabilities	(36,852)	(41,520)
C04600	Capital increase in cash	-	510,000
C04020	Repayment of lease liabilities	(11,551)	(1,647)
C09900	Other financing activities	-	129
CCCC	Net cash inflow from financing activities	673,991	625,395
DDDD	Effect of changes in exchange rate on cash and cash equivalents	37,214	(39,648)
EEEE	Increase (decrease) in cash and cash equivalents – net	(136,859)	57,347
E00100	Balance of cash and cash equivalents - beginning of year	823,670	766,323
E00200	Balance of cash and cash equivalents - ending of year	$ 686,811	$ 823,670

The attached notes are part of the Consolidated Financial Statements.

Chairman: Hermas Chang CEO: Ching-Wang Chen CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries
Notes to the Consolidated Financial Statements
January 1 through December 31, 2022 and 2021
(All amounts are in NTD thousand unless otherwise specified)

I. Company History

Ideal Bike Corporation (hereinafter referred to as the "Group") was organized with approved establishment registration pursuant to the Company Act of the Republic of China in 1980. The Company is mainly dedicated to the manufacture, machining, assembly, and domestic sale and exportation of bicycles, indoor and outdoor training bicycles, kids' bikes, mini scooters and their parts and accessories.

The Group's share began trading on Taipei Exchange as of March 28, 2001.

The consolidated financial statements are stated with the functional currency (NTD) of the Group.

II. Financial Report Approval Date and Procedures

The Consolidated Financial Statements were approved by the Board of Directors meeting dated March 13, 2023.

III. Application Of New Standards, Amendments And Interpretations

(I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and the statements of interpretation (SIC) (hereinafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (hereinafter referred to as "FSC") are applied for the first time.

No material changes to the accounting policies of the Group are expected after adopting the amended IFRSs approved and released by the FSC.

(II) FSC-endorsed IFRSs effective from 2023

New / Amended / Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single	January 1, 2023 (Note 3)

Transaction”

Note 1: Effective for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to any changes in accounting estimates or accounting policy on or after January 1, 2023.

Note 3: The amendments require recognition of a deferred tax for all temporary differences related to leases and decommissioning obligations, and are applicable to all transactions occurring on or after January 1, 2022.

As of the publication date of these Consolidated Financial Statements, the Group did not expect the amendments to other standards and interpretation to materially impact its financial position or financial performance.

(III) IFRSs issued by the IASB but not yet approved and released by the FSC

New / Amended / Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undetermined
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17, “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1, “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless otherwise specified, the above-mentioned new/ amended/ revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date for such standards or interpretations.

Note 2: A seller-lessee applies the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the publication date of these Consolidated Financial Statements, the Group was still assessing the impact of the amendments to other standards and interpretation, and will disclose the impact after the conclusion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

The Consolidated Financial Statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

(II) Basis of Preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the planned assets, the Consolidated Financial Statements were prepared on the basis of historical cost.

Fair value measurements are classified into Level 1, 2 and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: The quoted price in an active market for identical assets or liabilities that are accessible on the measurement date (before adjustment).
2. Level 2 inputs: Other than quoted prices included in Level 1, the inputs that are observable for assets or liabilities directly (i.e. the price) or indirectly (i.e. presumed from the price).
3. Level 3 inputs: The inputs that are not observable for assets or liabilities.

(III) Criteria for classification of current and non-current assets and liabilities

Current assets include:

1. assets held mainly for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held mainly for the purpose of trading;
2. liabilities to be settled within 12 months after the balance sheet date, (irrelevant with whether any long-term re-financing or payment re-arrangement agreement has been completed after the balance sheet date but before the date of release of financial statements; such liabilities are still current liabilities); and
3. liabilities whose due date cannot be unconditionally extended to more than 12 months after the balance sheet date. However, the terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuance of equity instruments do not affect the classification of liabilities.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis for consolidation

The consolidated financial statements are financial statements including the Company and the entities controlled (subsidiaries). The operating profits and losses of acquired or disposed subsidiaries from the acquisition date to the disposal date in the current period are included in the consolidated statement of comprehensive income. The financial statements of the subsidiaries are adjusted to have their accounting policies be consistent with those of the Group. All the transactions, account balances, profits, and expenses/losses between entities are eliminated during preparation of the consolidated financial statements. The total comprehensive income of the subsidiaries is attributable to the owner of the Company and the non-controlling equity even though this results in the non-controlling equity having a deficit balance.

When the Group losses the control of a subsidiary, the profit or loss on disposal is the difference of the following two items: (1) the total of the fair value of any received consideration and the residual investment in the former subsidiary measured at the fair value on the loss of control date, and (2) the total of the assets (including goodwill) and liabilities of the former subsidiary and the non-controlling equity measured at the book amount on the loss of control date. The total amounts related to the subsidiaries and recognized in other comprehensive income are dealt with in the accounting system on the basis which the Group's direct disposal of relevant assets or liabilities shall be subject to.

(V) Foreign currency

In preparing the consolidated financial statements, transactions using currencies other than the consolidated company's functional currency (foreign currencies) are stated in the functional currency at the exchange rate on the date of transaction.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized in the profit or loss of the period.

Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate on the date of determining the fair value, and the exchange differences resulting therefrom are recognized in profit or loss of the period. However, when changes in the fair value are recognized in other comprehensive income, the exchange differences arising therefrom are recognized in the same.

Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the consolidated financial statements, the assets and liabilities of the foreign operations (including the subsidiaries and associates with countries in which they operate or currencies they use different from those of the Group) are translated into NTD at the exchange rate on each balance sheet date. The income and expense items are translated at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized in other comprehensive income (and attributable to the owner of the Group and non-controlling interests).

(VI) Inventories

Inventory includes raw materials, inventories in transit, semi-finished products, work in process, finished goods, and commodities. The inventory is measured based on the lower of the cost or net realizable value. The cost and the net realizable value are compared on the basis of the individual items except for the inventories of the same type. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VII) Investment in associates

An associate refers to a company over which the Group has a significant influence, but it is not a subsidiary or joint venture.

The Group adopts the equity method for investment in associates

Under the equity method, the investment in associates is initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depends on the Group’s shares of profit/loss and other comprehensive income in the associates and joint ventures and the distributed profits. In addition, changes to the consolidated company’s equity in the associates are recognized based on our shareholding ratio.

When the acquisition cost exceeds the Group’s shares of the net fair value of the associates’ identifiable assets and liabilities on the date of acquisition, such excess is recognized in goodwill which is included in the book value of such investment and may not be amortized; when the Group’s shares of the net fair value of the associates’ identifiable assets and liabilities on the date of acquisition exceed the acquisition cost, such excess is recognized in profit/loss of the period.

When the Group does not subscribe to new shares issued by the associates based on our shareholding ratio, resulting in changes to the shareholding ratio and consequently to the net equity value of investment, these changes are used for adjustment of the capital reserve – changes in the net equity of associates recognized under the equity method and investments under equity method. However, if subscription or acquisition of the shares is not based on the shareholding ratio, leading to a decrease in the Group’s ownership equity in the associates, the amounts related to the associate in other comprehensive income are reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates' direct disposal of relevant assets or liabilities shall be in accordance with. If the said adjustment shall be debited to capital reserves, and the balance of capital reserves arising from investment under equity method is insufficient to be offset, the difference is debited to retained earnings.

When the Group’s shares of losses in the associates are equal to or exceeded our equity in the associates (including the carrying amount of investment in the associate under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the Group in the associate concerned), we do not recognize further losses. The Group recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the Company made payment on behalf of the associates.

For impairment evaluation, the Group tests the entire investment book value (including goodwill) for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss is also part of the investment book value. Any reversal of the impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

Once the investment is not classified as investment in associates, the Group stops using the equity method and measures the retained earnings of the former associates at fair value. The differences between the fair value of the retaining earnings, proceeds from disposal and the investment book value on the date when the equity method is discontinued are recognized in profit or loss of the period. Besides, for total amounts related to the associate in other comprehensive income, the basis of accounting treatment thereof is the same as the basis which the associate’s direct disposal of relevant assets or liabilities shall be in accordance with.

The profit or loss generated from the upstream, downstream and side stream transactions between the Group and the associates is recognized in the consolidated financial statements only when such profit or loss is irrelevant to the Group’s equity in the associates.

(VIII) Property, plant and equipment

The property, plant, and equipment are recognized in accordance with the cost and subsequently measured based on the cost net of accumulated depreciation and impairment losses.

Each significant part of the property, plants, and equipment is separately depreciated on the straight-line basis over its useful life. The Group reviews the estimated useful life, residual value and method of depreciation at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates.

For derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss

(IX) Intangible assets

1. Acquired separately

Intangible assets with definite useful life acquired separately are initially measured in accordance with the cost and subsequently based on the cost net of accumulated amortization and impairment losses. Intangible assets are amortized on the straight-line basis over its useful life. The Group reviews the estimated useful life, residual value and method of amortization at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates. Intangible assets with indefinite useful life are recognized based on the cost net of accumulated impairment losses.

2. Derecognition

For derecognition of the intangible assets, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss of the period.

(X) Impairments of property, plant and equipment, right-of-use assets, intangible assets (excluding goodwill), and contract cost related assets

In addition to referring to Note 33, the Group assess whether there are any signs indicating that any property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) may be impaired on each balance sheet date. If there is any of such signs, the recoverable amount of the assets is estimated. When the recoverable amount of individual assets cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Corporate assets are amortized on a reasonable and consistent basis to the smallest group of cash-generating units

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually or when there is any sign of impairment.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is reversed subsequently, the book value of the asset or cash-generating unit is adjusted up to the revised recoverable amount. However, the increased book value does not exceed the book value (less the amortization or depreciation) determined under the circumstance that the impairment loss of the assets or cash-generating units is not recognized in the previous year. The reversal of the impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Group became a party to the financial instrument contract.

For initial recognition of the financial assets and financial liabilities, when the financial assets or financial liabilities are not measured at fair value through profit or loss, the assets or liabilities are measured at the fair value plus any transaction cost directly attributable to acquisition or issuance of the financial assets or financial liabilities. Any transaction cost measured at fair value through profit or loss directly attributable to the acquisition or issuance of the financial assets or financial liabilities is immediately recognized in profit or loss.

1. Financial assets

The regular transactions of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Type of measurements

The financial assets held by the Group are those measured at fair value through profit or loss and at amortized cost as well as investment in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss indicate those mandatorily and designated to be measured at fair value through profit and loss. The financial assets mandatorily and designated to be measured at fair value through profit and loss include the investment in equity instruments that the Group does not designate to be measured at fair value through other comprehensive income, and the investment in liability instruments that are not qualified to be classified as those measured at amortized cost or measured at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss are measured at fair value, and any profit or loss (including any dividends or interests generated from the financial assets) from re-measurement of the financial assets is recognized in profit or loss. For determination of the fair value, please refer to Note 30.

B. Financial assets measured at amortized cost

When the Group's invested financial assets met both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets held under a business model with the purpose of holding these assets to collect contractual cash flows; and
b. The contractual terms generates cash flows on a specific date that are solely payments of principal and interest.

After the initial recognition, the financial assets measured at amortized cost are measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any profit or loss from foreign currency translation is recognized in profit or loss.

Except for the following two circumstances, the interest income is calculated as the effective interest rate times the total book value of financial assets:

a. For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.

b. For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment

Credit-impaired financial assets represent significant financial difficulties confronting the issuer or debtor, default, the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of financial assets disappears due to financial difficulties.

C. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Group may make an irrevocable election to measure the investment in equity instruments held not for trading and not recognized by the acquirer in a business merger or with consideration at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. For disposal of the investment, any cumulative profits or losses are directly transferred to retained earnings and not reclassified as profit or loss.

After the Group’s right to receive dividends is determined, the dividends of investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss except that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial and contractual assets

In addition to referring to Note 33, the Group assesses impairment losses on the financial assets (including accounts receivable) measured at amortized cost based on the expected credit losses on each balance sheet date.

Loss allowance for accounts receivable is recognized based on the lifetime expected credit losses We first assess whether the credit risk on other financial assets significantly increased after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized based on the 12-month expected credit losses; when the increase is significant, it is recognized based on the lifetime expected credit losses.

The expected credit losses are the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted when the following circumstance occurred, without consideration of the collateral held:

A. Any internal or external information indicate that a debtor is impossible to pay off the debts.

B. Any payment that is overdue for more than 180 days, unless any reasonable and supportable information demonstrates that a more lagging default criterion is more appropriate.

The impairment loss on all financial assets is deducted from the book value of the financial assets through allowance accounts.

However, the loss allowance of the investment in liability instruments measured at fair value through other comprehensive income is recognized in other comprehensive income and the book value is not reduced.

(3) Derecognition of financial assets

The Group removes financial assets only when the contractual rights to the cash flows from the assets become invalid, or the financial assets and almost all the risks and returns over the ownership of the financial assets are transferred to other companies.

If the Group does not transfer or hold almost all the risks and returns over the ownership of the financial assets, but held the control of these assets, the Group continuously recognizes such financial assets within the scope of remaining participation in these assets and recognizes the liabilities related to the amount that may have to be paid. If holding almost all the risks and returns over the ownership of the financial assets, the Group continuously recognizes such financial assets and recognizes the collected amount as secured loans.

For derecognition of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration are recognized in profit or loss. For derecognition of the entire investment in debt instruments measured at fair value through other comprehensive income, the difference between its book value and the total amount of the consideration received plus any cumulative gain or loss recognized in other comprehensive profit or loss is recognized in profit or loss. For derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the definition of real and financial liabilities as well as equity instruments under the terms and conditions of the contracts.

The equity instruments issued by the Group are recognized at the payment net of the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Group, the re-acquisition is recognized as a deduction to equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the Group are not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

Except for the following circumstances, all financial liabilities are measured at amortized cost under the effective interest method.

A. Financial liabilities measured at fair values through profit or loss

Financial liabilities measured at fair value through profit or loss include those held for transaction and designated to be measured at fair value through profit and loss.

The financial liabilities held for sale are measured at fair value, related profit or loss is recognized in other profits and losses, and the profit or loss (including any dividends or interests paid for the financial liabilities) from re-measurement of the financial liabilities is recognized in profit or loss.

(2) Derecognition of financial liabilities

For removal of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) are recognized in profit or loss.

4. Convertible corporate bond

The components of the compound financial instrument (convertible corporate bond) issued by the Group are classified as financial liabilities or equity when they are recognized initially based on the definition of real and financial liabilities as well as equity instruments under the terms and conditions of the contracts.

When recognized initially, the fair value of the debt components is estimated based on the market interest rate of similar nonconvertible instruments at that time and measured at amortized cost calculated under the effective interest method prior to the conversion or maturity date. The debt components classified into embedded non-equity derivatives is measures at fair value.

The conversion option classified as equality is equal to the remaining amount of the entire fair value of the compound instruments less the fair value of the debt components determined individually. It is recognized as equity after deduction of the income tax effect and no re-measurement is conducted subsequently. When the conversion option is executed, related debt components and the amount related to the equity are transferred to share capital and capital reserve – issuance in excess of par value. If the conversion option of the convertible corporate bond is not executed on the maturity date, the amount recognized in the equity is transferred to capital reserve – issuance in excess of par value

The transaction cost related to issuance of convertible corporate bonds is amortized to the components of the debt (recognized in the book value of liabilities) and equity (recognized in equity) of the instrument concerned based on the amortization proportion of the total amount.

5. Derivatives

The derivatives in the contract of the Group include forward exchange rate in order to manage the interest rate and exchange rate risk of the Group.

Derivatives are recognized initially at fair value when the contract of derivatives is entered into and subsequently remeasured at fair value on the balance sheet date. Any profit or loss from the re-measurement is recognized in profit or loss directly. However, for derivatives that are designated as effective hedging instruments, the timing at which they are recognized in profit or loss depends on the underlying hedge arrangement. When the fair value of the derivatives is positive, they are classified as financial assets; when the fair value is negative, they are classified as financial liabilities.

If derivatives are embedded in the main contract of assets within the scope of IFRS 9 “Financial Instruments,” the classification of financial assets is determined depending on the contract as a whole. If derivatives are embedded in the main contract of assets not within the scope of IFRS 9 (e.g. embedded in a main contract of financial liabilities) and the embedded derivatives conformed to the definition of derivatives, their risk and feature are not in close relation with the risk and feature of the main contract, and the hybrid contract is not measures at fair value through profit and loss, the embedded derivatives are deemed stand-alone derivatives.

(XII) Recognition of revenue

After our recognition of performance obligations under a contract with clients, we allocate the transaction price to each performance obligation and recognize the allocated amount in revenue after each performance obligation is met.

If more than one contract is entered into with the same customer (or customer’s related party) at almost the same time and the commodities or services we are committed to are a single performance obligation, the Group will treat the contracts as a single unit.

For the contract in which transfer of commodities or services and collection of considerations are conducted at an interval within 1 year, the transaction price is not adjusted for significant financing components.

1. Revenue from sale of goods

The revenue from the sale of goods came from sale of various bicycles, indoor and outdoor training bicycles, kids’ bikes, mini scooters and their parts and accessories. Once bicycles, indoor and outdoor training bicycles, kid’s bikes, mini scooters, and their parts and accessories are delivered to the customer-designated location or shipping point (depending on the contractual terms), the customer is entitled to the products’ price determination and right of use, takes the main responsibility for resale of the products, and took the risk that the products may become out-of-fashion. Therefore, the revenue and accounts receivable are recognized at that point in time.

When export of raw materials for processing, the control over the ownership of processed products is not transferred, and thus the revenue for the export of raw materials is not recognized.

(XIII) Lease

We assess whether an agreement is (or contained) a lease on the date of entering into the agreement.

For the contract containing lease and non-lease components, the merging company shares the consideration specified in the contract based on the relative individual price and dealt with these components separately.

<u>The Group is the lessee</u>

The lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized in expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured based on the cost (including the initial recognized amount of lease liabilities, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost and the cost estimated to restore the underlying asset) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses, and then the remeasurement of the lease liabilities is adjusted. The right-of-use assets are separately presented in the consolidated balance sheet.

The right-of-use assets are depreciated on the straight-line basis over the period from the lease commencement date to the expiration of the useful life or the lease term, whichever is sooner.

The lease liabilities are initially measured based on the present value of lease payments (including fixed payments, substantial payments, variable lease payments depending on certain indexes or rates, the amount to be paid by the lessee under residual value guarantee, the exercise price for purchase options if the consolidated company can be reasonably assured that the right will be exercised, and the fine for termination of the lease if reflects during the lease period less received incentives). If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. When such interest rate can not be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When any changes in the lease term, the amount to be paid under residual value guarantee, the assessment relating the purchase options of underlying assets, or The changes in the index or rate determining the lease payments cause the changes in the future lease payments, we re-measure the lease liabilities and adjust the right-of-use assets accordingly. However, the residual remeasurement is recognized in profit or loss when the book value of right-of-use assets is reduced to zero. The lease liabilities are separately presented in the consolidated balance sheet.

(XIV) Cost of borrowing

The cost of borrowing that can be directly attributable to the assets for which acquisition, building or production meet the requirements is part of the cost of such assets until almost all the required activities for them to reach the intended status of use or sale are completed.

Otherwise, all the costs of borrowing are recognized in profit or loss in the year in which the borrowing occurred.

(XIII) Government subsidies

The government subsidies shall only be recognized when it is reasonable to ensure that the Group will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively.

Government subsidies related to any gains are recognized in other revenue on a systematic basis within the period when the costs to be subsidized by the government are recognized in expenses by the Group.

If the government subsidies are used to make up the expenses or losses that have occurred, or immediately support the finance of the Group and there is no future cost, Such subsidies are recognized in profit or loss during the period when they can be received.

If the government subsidies are provided by transferring non-monetary assets to the Group for use, these subsidies are recognized and measured at fair value of the non-monetary assets.

For the government loans that the Group acquires at an interest rate lower than the market rate, the difference between the fair values of the received loan amount and the loan calculated at the market rate then is recognized in government subsidies.

(XVI) Employee benefits

1. Short-term employee benefits

   Liabilities related to employee benefits are measured at non-discounted amount expected to be paid against the services to be provided by the employees.

2. Retirement benefits

   Every pension fund contributed under the defined pension appropriation plan is recognized in expenses during the period when employees provide services.

   Defined retirement benefit costs (including servicing costs, net interest, and remeasurement) under the defined retirement benefit plan are calculated actuarially using the projected unit credit method. Service costs (including current service costs) and net interest on net defined benefit liabilities are recognized in employee benefit expenses when they are incurred. Remeasurement (including actuarial profits or losses, changes in the effect of asset limits, and return on plan assets net of interest) is recognized in other comprehensive income and presented in accumulated losses when it occurred. It is not reclassified as profit or loss in the subsequent periods.

   Net defined benefit liabilities represent the contribution deficit of the defined retirement benefit plan. Net defined benefit assets shall not exceed the present value of contribution refunded from the defined retirement benefit plan or future deductible contribution.

3. Other long-term employee benefits

   The accounting treatment for other long-term employee benefits is the same as the one for the defined retirement benefit plan; however, any relevant remeasurement is recognized in profit or loss.

4. Resignation benefits

The Group does not recognize the benefits as resignation benefit liabilities until the offer of benefits cannot be withdrawn or the related reorganization cost is recognized, whichever is earlier.

(XVII) Income tax

The tax expenses are the total of current income and deferred income taxes.

1. Current income tax

The Group determines the current revenue (loss) in accordance with the laws and regulations of the jurisdiction and with this as a basis, calculates the income tax payable (receivable).

The additional income tax on undistributed earnings calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

The deferred income tax are calculated based on the temporary difference between the book value of assets and liabilities in the book and the tax base for calculation of taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when we are likely to have taxable income available to offset the deductible temporary differences and loss carryforwards.

Taxable temporary differences generated from investment in subsidiaries and associates are recognized in deferred income tax liabilities except that the Group can control the timing of reversal of the taxable temporary differences, and that such differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investment are recognized, to the extent that they are expected to be reversed in the foreseeable future, in deferred income tax assets only when we are likely to have taxable income adequate to realize the temporary differences.

The book value of deferred income tax assets are reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have taxable income adequate to return all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized in deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income adequate to return all or part of the assets in the future, the book value thereof is increased.

The deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax law legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax on the balance sheet date arising from the method that we except to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

The current and deferred income taxes are recognized in profit or loss other than those related to the titles stated as other comprehensive income or as equity directly, which are recognized in other comprehensive income separately or in equity directly.

V. <u>Main sources of Uncertainties of Significant Account Judgments, Estimates, and Assumptions</u>

For adoption of the accounting policies, our management must make judgments, estimates and assumptions related to the information that cannot be readily acquired from other sources based on historical experience and other relevant factors. The actual results may differ from those estimates.

The Group takes into account the development of the COVID-19 pandemic in Taiwan and its effect on the Taiwanese economy when making significant accounting estimates for cash flows, growth rate, discount rate, and profitability. The management will continue to review the estimates and basic assumptions. When the amendments to the estimates only affect the current period, they are recognized in the period in which they are made; when the amendments to the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and the future period.

Main sources of uncertainties of estimates, and assumptions

(I) Deferred income tax

The realizability of the deferred income tax assets depends on adequate profitability and taxable temporary difference. If the actually produced profit is less than the expected value, the major deferred income tax assets may be reversed as a result, and the reverse is recognized in profit or loss for the period in which it occurs.

VI. Cash

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 963	$ 739
Bank check and demand deposit	685,848	794,561
Cash equivalents		
Bank time deposit	-	28,370
	$686,811	$823,670

Market interest rate range of bank deposits on the balance sheet date

	December 31, 2022	December 31, 2021
Bank deposit	0.001%~1.05%	0.001%~0.35%
Bank time deposit	-	1.4%

VII. Financial instruments measured at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets - current		
Non-derivative financial assets		
—Domestic listed (OTC) stocks	$ 13,881	$ 21,597
Financial liabilities - current		
Held-for-sale		
Derivatives:		
– Conversion option (Note 19)	$ -	$ 1,459

VIII. Financial assets measured at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Noncurrent		
Domestic investment		
Non-listed (Non-OTC) stock		
Huan Hua Securities Finance Corporation	$ 97	$ 97
Foreign investment		
Non-listed (Non-OTC) stock		
PCI International Investment Inc.	12,541	-
	$ 12,638	$ 97

The Group invested in the common shares of Huan Hua Securities Finance Corporation and PCI International Investment Inc. according to its medium- and long-term strategies, and expected to gain profits through such long-term investment.

Since the Group's management deemed that the recognition of short-term changes in the investment's fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment to be measured at fair value through other comprehensive income.

IX. Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Noncurrent		
Domestic investment		
Time deposit with an initial maturity date due in more than 3 months (I)	$171,836	$294,892

(I) As of December 31, 2022 and 2021, the interval of interest rate on time deposits with an initial maturity date due in more than 3 months was 0.46%–1.05% and 0.05%–1.40%, respectively.

(II) For more information on the pledge of the financial assets measured at amortized cost, refer to Note 32.

X. Notes receivable, accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Accounts receivable		
Measured at amortized cost		
Total book value	$1,332,647	$ 830,083
Less: Loss allowance	(8,634)	(167,293)
	1,324,013	662,790
Measurement at fair value through profit or loss	6,024	5,386
	$1,330,037	$ 668,176

	December 31, 2022	December 31, 2021
Other receivables		
Measured at amortized cost		
Total book value	$ 48,846	$ 47,159
Less: Loss allowance	(7)	(5,605)
Income tax refund receivable	2,828	349
	$ 51,667	$ 41,903

Accounts receivable

We provide an average credit period of 14–150 days for sale of goods and the credit standard is determined based on the characters of the industry in which the trading counterpart operates as well as its business scale and profitability. Interest does not accrue on notes and accounts receivable.

We recognize the loss allowance for accounts receivable based on the lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix with consideration of the customer' historical default record and current financial position, industrial and economic environment, and industrial prospects. Since our historical experience of credit losses show no significant difference in the type of loss between different clients, the customers are not further classified in the provision matrix. We only set the expected credit loss rate based on the days overdue of accounts receivable.

When there is any evidence showing that the trading counterpart is facing serious financial difficulties and we cannot estimate a reasonable recoverable amount (for example, the trading counterpart is undergoing liquidation or any debt has been overdue for more than two years), the Group directly write off related accounts receivable, continue to claim for payment, and recognize the recovered amount therefrom in profit or loss.

Our loss allowance for accounts receivable measured using the provision matrix are as follows:

December 31, 2022

	Not overdue	1~4 months overdue	5~6 months overdue	7~12 months overdue	1~2 years overdue	2~3 years overdue	More than 3 years overdue	Total
Total book value	$1,172,199	$ 138,140	$ 13,687	$ 147	$ -	$ -	$ 8,474	$1,332,647
Loss allowance (lifetime expected credit losses)	-	-	(107)	(53)	-	-	(8,474)	(8,634)
Amortized cost	$1,172,199	$ 138,140	$ 13,580	$ 94	$ -	$ -	$ -	$1.324,013

December 31, 2021

	Not overdue	1~4 months overdue	5~6 months overdue	7~12 months overdue	1~2 years overdue	2~3 years overdue	More than 3 years overdue	Total
Total book value	$ 649,153	$ 12,039	$ 27	$ 20	$ 1,777	$ 17,613	$ 149,454	$ 830,083
Loss allowance (lifetime expected credit losses)	-	-	-	-	(226)	(17,613)	(149,454)	(167,293)
Amortized cost	$ 649,153	$ 12,039	$ 27	$ 20	$ 1,551	$ -	$ -	$ 662,790

Changes in loss allowance for accounts receivable are as follows:

	2022	2021
Balance at Beginning of Year	$167,293	$183,666
Plus: Impairment loss appropriated in the year	-	15,269
Less: Impairment loss reversed in the year	(315)	(15,119)
Less: Actual amount written off in the year	(165,211)	(13,683)
Differences from conversion of foreign currencies	6,867	(2,840)
Balance at Ending of Year	$ 8,634	$167,293

Changes in loss allowance for other accounts receivable are as follows:

	2022	2021
Balance at Beginning of Year	$ 5,605	$ 5,666
Plus: Impairment loss appropriated in the year	5	-
Less: Impairment loss reversed in the year	-	(61)
Less: Actual amount written off in the year	(5,603)	-
Balance at Ending of Year	$ 7	$ 5,605

XI. Inventory

	December 31, 2022	December 31, 2021
Raw material	$1,767,103	$1,240,695
Finished good	554,832	294,703
Work in process	204,802	135,625
In-transit inventory	139,633	173,739
Semi-finished goods	113,429	64,758
Merchandise	1,826	24,892
	$2,781,625	$1,934,412

The cost of sales related to inventories in 2022 and 2021 was NTD 4,764,217,000 and NTD 4,069,482,000, respectively. The cost of sales included inventory devaluation loss (gain from price recovery of inventory) of NTD 19,557,000 and (NTD 5,002,000).

XII. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Nature of business	Shareholding ratio December 31, 2022	Shareholding ratio December 31, 2021	Description
IDEAL BIKE CORPORATION	Ideal (Dong Guan) Bike Co., Ltd.	Manufacture and trading of bicycle parts	33.45%	33.45%	—
	TOP SPORT INTERNATIONAL LTD.	Trading of bicycle parts	100%	100%	Note 4
IDEAL BIKE CORPORATION	Ideal Europe SP ZO.O	Manufacture and trading of bicycle parts	100%	100%	Note 5
	Ideal Bike (SGP) Co. Pte., Ltd.	Holding company	100%	100%	—
	Crown Alliance International Co., LTD.,	Holding company	100%	100%	—
	Advanced Sports International-Asia Ltd.	Trading of bicycles and accessories	-	80%	Note 2
	Pacific Glory Worldwide Ltd.	Trading of bicycles	100%	100%	Note 1
Ideal Bike (SGP) Co. Pte., Ltd.	Ideal (Dong Guan) Bike Co., Ltd.	Manufacture and trading of bicycle parts	66.55%	66.55%	—
Pacific Glory Worldwide Ltd.	Advanced Sports International-Asia Ltd.	Trading of bicycles and accessories	-	20%	Note 2
Advanced Sports International-Asia Ltd.	Advanced Sports International - Asia Ltd., Taiwan Branch	Trading of bicycles and accessories	-	-	Note 6
TOP SPORT INTERNATIONAL LTD.	ECONOTRADE LIMITED	Trading	100%	100%	—
Crown Alliance International Co., LTD.,	Ling Xian Sports Equipment (Dong Guan) Limited	Trading of bicycles and accessories	100%	100%	—
ECONOTRADE LIMITED	Econotrade Limited Taiwan Branch (B.V.I)	Trading of bicycles and accessories	100%	100%	Note 3

Note 1: Pacific Glory Worldwide Ltd. was established in January 2019. (Refer to Note 33.)

Note 2: Since the consolidated company acquired the trademark rights of Fuji, the Board of Directors resolved the liquidation of Advanced Sports International-Asia Ltd. on June 21, 2019 to simplify the organizational structure and save the cost. The liquidation proceedings were completed on July 28, 2022.

Note 3: Econotrade Limited Taiwan Branch (B.V.I) was established in August 2019.

Note 4: On June 29, 2021, the Group's Board of Directors resolved to inject USD 3,500,000 of cash capital into TOP SPORT INTERNATIONAL LTD.

Note 5: On May 10, 2021, the consolidated company's Board of Directors resolved to inject USD 590,000 with cash capital and PLN33,500,000 with debt capital into Ideal Europe SP ZO.O.

Note 6: On June 21, 2019, the consolidated company's Board of Directors resolved to liquidate Advanced Sports International – Asia Ltd., Taiwan Branch; the liquidation was completed in July 2021.

XIII. Investment under equity method

Investment in associates

	December 31, 2022	December 31, 2021
Associate		
Fulltech Fiber Glass Corp.	$189,944	$189,118

(I) Material associates

			Proportion of Shareholding and Voting Right	
Company name	Nature of business	Business premises	December 31, 2022	December 31, 2021
Fulltech Fiber Glass Corp.	Electronic-grade fiber glass	Taiwan	2.62%	2.62%

The associates having Level 1 fair value in open market quotes are as follows:

Company name	December 31, 2022	December 31, 2021
Fulltech Fiber Glass Corp.	$130,983	$195,069

The Group adopts the equity method for the above-mentioned associates.

The following financial information summary is prepared based on the associates' IFRS-based consolidated financial statements. It also reflects the adjustments made after using the equity method.

Fulltech Fiber Glass Corp.

	December 31, 2022	December 31, 2021
Current assets	$ 3,094,927	$ 3,147,737
Non-current assets	9,971,960	10,466,496
Current liabilities	(1,764,167)	(3,340,411)
Non-current liabilities	(3,908,096)	(2,825,108)
Equity	$ 7,394,624	$ 7,448,714
The Group's shareholding percentage	2.62%	2.62%
The Group's equity	$ 193,739	$ 195,156
Other adjustments	(3,795)	(6,038)
Investment book value	$ 189,944	$ 189,118

	2022	2021
Operating income	$4,109,164	$4,497,955
Net profit for the year	$ 31,523	$ 601,349
Other comprehensive income	168,606	29,115
Total comprehensive income	$ 200,129	$ 630,464
Dividend received from Fulltech	$ 6,745	$ -

The Chairman of the Group is also the Chairman of Fulltech; the De facto related party, Yuan-Fu Chang, acts as a director of the Fulltech Fiber Glass Corp. The Group holds less than 20% of the shares of voting rights in Fulltech Fiber Glass Corp. However, as the Group has significant influence on Fulltech with such shares since 2010, the equity method is used for measurement.

The equity-accounted investee, Fulltech Fiber Glass Corp., of the Group was measured using the equity method due to cross-holding. The investment gain/loss was calculated using the treasury stock method.

For the amount of investment in associates pledged as collateral for loans, please refer to Note 32.

(XIV) Property, plant, and equipment

	2022					
	Balance at Beginning of Year	Increase in the Year	Decrease in the Year	Net exchange difference	Reclassification	Balance at ending of period
Cost						
Self-owned Land	$ 113,821	$ -	$	$ 87	$ -	$ 113,908
Building	796,770	8,299	-	10,126	3,275	818,470
Machine and equipment	408,980	21,042	(11,027)	5,136	22,349	446,480
Transport equipment	31,311	430	(733)	178	(8,616)	22,570
Office equipment	23,318	435	(875)	107	-	22,985
Other equipment	123,892	6,895	(1,469)	737	93	130,148
Equipment to be tested	1,765	62,652	-	2,116	(17,101)	49,432
	1,499,857	$ 99,753	($ 14,104)	$ 18,487	$ -	1,603,993
Accumulated depreciation and impairment						
Building	441,152	$ 31,187	$ -	$ 5,520	$ 425	478,284
Machine and equipment	333,041	13,162	(8,246)	4,424	5,468	347,849
Transport equipment	23,711	1,578	(660)	199	(5,751)	19,077
Office equipment	20,882	1,012	(875)	99	-	21,118
Other equipment	108,539	4,145	(1,434)	640	(142)	111,748
	927,325	$ 51,084	($ 11,215)	$ 10,882	$ -	978,076
Net amount at ending of period	$ 572,532					$ 625,917

	2021					
	Balance at Beginning of Year	Increase in the Year	Decrease in the Year	Net exchange difference	Reclassification	Balance at ending of period
Cost						
Self-owned Land	$ 114,237	$ -	$ -	($ 416)	$ -	$ 113,821
Building	794,705	9,891	-	(10,532)	2,706	796,770
Machine and equipment	406,064	17,234	(15,123)	(3,371)	4,176	408,980
Transport equipment	37,925	-	-	(6,614)	-	31,311
Office equipment	22,045	1,882	(98)	(511)	-	23,318
Other equipment	118,224	8,605	(7,846)	3,292	1,617	123,892
Equipment to be tested	2,908	7,371	-	(15)	(8,499)	1,765
	1,496,108	$ 44,983	($ 23,067)	($ 18,167)	$ -	1,499,857
Accumulated depreciation and impairment						
Building	413,724	$ 30,339	$ -	($ 2,911)	$ -	441,152
Machine and equipment	338,048	13,788	(11,072)	(2,880)	(4,843)	333,041
Transport equipment	19,037	1,983	-	(2,152)	4,843	23,711
Office equipment	20,519	926	(98)	(465)	-	20,882
Other equipment	112,873	3,294	(7,535)	(93)	-	108,539
	904,201	$ 50,330	($ 18,705)	($ 8,501)	$ -	927,325
Net amount at ending of period	$ 591,907					$ 572,532

The depreciation expense was calculated on the straight-line basis over the following useful lives:

House and building	2 to 60 years
Machine and equipment	3 to 10 years
Transport equipment	1.5 to 6 years
Office equipment	1 to 10 years
Other equipment	3 to 35 years

For the amount of our property, plant and equipment pledged as collateral for loans, please refer to Note 32.

XV. Lease agreement

(I) Right-of-use asset

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Land	$ 45,808	$ 46,494
Building	22,681	410
Transport equipment	2,666	136
	$ 71,155	$ 47,040

	2022	2021
Increase in right-of-use assets	$ 36,152	$ -
Depreciation expense of right-of-use assets		
Land	$ 1,422	$ 1,392
Building	10,384	403
Transport equipment	967	1,232

	2022	2021
	$ 12,773	$ 3,027

Except recognition of depreciation, the Group did not see material sub-leasing of, or impairment on, its right-of-use assets in 2022 and 2021.

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 15,110	$ 559
Non-current	$ 10,337	$ -

Range of discount rate for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Building	2.19%~2.80%	2.19%~2.42%
Transport equipment	2.19%~3.00%	2.19%~2.60%

(III) Material lease activities and terms

The Group rents some buildings and transport equipment for business operation with a lease term of 1–3 years. There are no terms of renewal or purchase in the lease agreement with respect to expiration of the lease term. The Group also rents several land lots for plants and offices and has acquired the certificate of right to use the land. The land leased is in Mainland China with a lease term of 50 years due on December 31, 2054.

(IV) Other lease information

	2022	2021
Short-term lease expense	$ 2,778	$ 605
Less: Leases expense of low-value assets	$ 326	$ 351
Total cash (outflow) amount for lease	($ 14,655)	($ 2,603)

The Group opts to apply the exemption of recognition to the lease of office equipment, computer equipment, and transport equipment which meet the short-term lease, and does not recognize right-of-use assets and lease liabilities with respect to such lease.

XVI. Intangible assets

	2022				
	Balance at beginning of period	Increase in the current period	Decrease in Current Period	Net exchange difference	Balance at ending of period
Cost					
Computer software	$ 42,935	$ 1,689	$ -	$ 466	$ 45,090
Trademarks (Please refer to 33)	194,338	-	-	21,273	215,611
	237,273	$ 1,689	$ -	$ 21,739	260,701
Accumulated amortization and impairment					
Computer software	38,518	$ 2,329	$ -	$ 417	41,264
Net amount at year end	$ 198,755				$ 219,437

	2021				
	Balance at beginning of period	Increase in the current period	Decrease in Current Period	Net exchange difference	Balance at ending of period
Cost					
Computer software	$ 41,215	$ 2,349	$ -	($ 629)	$ 42,935
Trademarks (Please refer to 33)	199,955	-	-	(5,617)	194,338
	241,170	$ 2,349	$ -	($ 6,246)	237,273
Accumulated amortization and impairment					
Computer software	36,687	$ 2,176	$ -	($ 345)	38,518
Net amount at year end	$ 204,483				$ 198,755

The statutory period of trademark is 10 years. However, it can be postponed every ten years at a tiny cost. The management of the Group finds that the Group has the intention and ability to postpone the time limit. The management has conducted a life cycle survey of products and research on the market, competitiveness, environmental trend and brand extension opportunity. The results of the research shows that the trademark is expected to produce a net cash inflow during an indefinite useful life and, thus, is an intangible asset with indefinite useful life. The indefinite useful life of the trademark will not be taken into account in amortization before it becomes definite firmly. However, an impairment test is conducted every year no matter whether there is a sign of impairment or not.

The amortization expense was calculated on the straight-line basis over the following useful lives:

Computer software	1 to 5 years

XVII. Other assets

	December 31, 2022	December 31, 2021
Current		
Inventory of supplies	$ 1,191	$ 1,403
Prepayments		
Prepayment for purchase	52,678	96,945
Other prepaid expenses	33,098	8,207
Prepaid insurance	7,633	3,157
Other prepayments	-	17,814
Overpaid tax retained for offsetting the future tax payable	16,762	22,884
	$111,362	$150,410
Non-current		
Guarantee deposits paid	$ 10,094	$ 7,901
Prepayment for equipment purchase	5,336	7,806
Others	53	884
	$ 15,483	$ 16,591

XVIII. Loans

(I) Short-term loan

	December 31, 2022	December 31, 2021
Secured loan (Note 32)		
Bank loan	$ 912,234	$ 626,360
Loan for purchase of material	161,625	162,886
	1,073,859	789,246
Unsecured loan		
Credit loan	342,221	78,465
Loan for purchase of material	25,094	54,880
	$1,441,174	$ 922,591
Range of interest rates	1.03%~6.29%	1.03%~4.61%

(II) Long-term loan

	December 31, 2022	December 31, 2021
Secured loan (Note 32)		
Bank loan	$767,019	$274,305
Unsecured loan		

Bank loan	152,586	81,724
	919,605	356,029
Less: Due within one year	(424,589)	(193,697)
Long-term loans	$495,016	$162,332
Range of interest rates	2.60%~4.66%	1.04%~2.50%

	Period	December 31, 2022	December 31, 2021
Secured NTD loans	January 2022 to January 2025	$ 267,273	$ -
Secured NTD loans	November 2022 to November 2024	200,000	-
Unsecured NTD loans	October 2022 to June 2025	103,445	-
Secured NTD loans	October 2021 to June 2023	-	100,000
Secured NTD loans	October 2022 to October 2025	80,000	-
Secured NTD loans	October 2020 to October 2025	70,780	99,305
Secured NTD loans	September 2022 to September 2024	70,400	-
Unsecured NTD loans	June 2021 to June 2024	47,244	78,740
Secured NTD loans	October 2022 to October 2024	45,233	-
Secured NTD loans	November 2021 to November 2024	33,334	50,000
Secured NTD loans	10.2020 to 10.2022	-	25,000
Unsecured PLN loans	April 2020 to April 2023	1,163	1,593
Unsecured PLN loans	October 2020 to October 2025	496	680
Unsecured PLN loans	March 2020 to March 2023	237	495
Unsecured PLN loans	November 2018 to February 2022		216
Less: Due within one year		(424,589)	(193,697)
Total long-term loans		$ 495,016	$ 162,332

XIX. Corporate bond payable

	December 31, 2022	December 31, 2021
4th domestic secured convertible corporate bond (I)	$ -	$278,338
5th domestic unsecured convertible corporate bond (II)	5,056	103,525
	5,056	381,863
Less: Due within one year	(5,056)	(381,863)
	$ -	$ -

(I) 4th domestic secured convertible corporate bond

Subject to the approval of the Financial Supervisory Commission under Letter Jin-Guan-Zheng-Fa-Zi No. 1050051194 on December 22, 2016, we offered and issued the 4th domestic secured convertible corporate bonds amounting to NTD 300,000,000 with a coupon rate of 0% and a period of 5 years from January 17, 2017 to January 17, 2022.

The convertible corporate bonds include liabilities and equities, and the latter are stated in equity and presented as capital reserve - stock option. The initially recognized effective interest rate with respect to the liabilities is 1.2862%.

Issuance considerations (less the transaction cost of NTD 18,570,000)	$281,430
Interest based on effective rate of 1.970892%	17,395
Corporate bond payable converted to common stock	(20,487)
Liability components on December 31, 2021	278,338
Interest based on effective rate of 1.970892%	149
Redemption of corporate bonds	(278,487)
Liability components on December 31, 2022	$ -

(II) 5th domestic unsecured convertible corporate bond

With the approval of the Financial Supervisory Commission under Letter Jin-Guan-Zheng-Fa-Zi No. 1070314271 on May 15, 2018, we offered and issued the 5th domestic secured convertible corporate bonds amounting to NTD 400,000,000 with a coupon rate of 0% and a period of 5 years from June 8, 2018 to June 8, 2023.

Early redemption of the convertible bonds

From the date (September 9, 2018) following expiration of three months upon offering of the convertible corporate bonds until 40 days prior to expiration of the duration (April 29, 2023), if the closing price of the Company's common shares exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period specified in Article 9 shall not fall in the time limit) to the bond holders (those referred to in the roster of bond holders on the fifth business day prior to the service date of the Notice of Call, while the holders who acquire the corporate bonds through purchase or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days thereafter. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call all the corporate bonds at the face value in cash. The Company shall call the corporate bonds in cash within five (5) business days upon the record date.

From the date (September 9, 2018) following expiration of three months upon offering of the convertible corporate bonds until 40 days prior to expiration of the duration (April 29, 2023), if the balance of outstanding convertible bonds of the Company are lower than its original issue size by 10% or more, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company’s service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period specified in Article 9 shall not fall in the time limit) to the bond holders (those referred to in the roster of bond holders on the fifth business day prior to the service date of the Notice of Call, while the holders who acquire the corporate bonds through purchase or due to other causes subsequently, if any, shall be notified by public notice) via registered mail at any time. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call all the corporate bonds at face value in cash. The Company shall call the corporate bonds in cash within five (5) business days upon the record date.

If any creditors do not give a written reply (effective immediately upon service or upon the date on the postmark if sent by mail) to the stock affairs department of the Company prior to the record date indicated on the “Notice of Call”, the Company shall call the corporate bonds at the face value in cash within five (5) business days upon the record date.

Creditor held put option

The bondholders may exercise the put option on the record dates thereof, namely, June 8, 2021, and June 8 2022, upon expiration of three and four years, respectively, after issuance of the bonds. The Company may send the “Notice of Put Option” to the bond holders (those referred to in the roster of bond holders on the fifth business day prior to the service date of the Notice of Put Option, while the holders who acquire the convertible corporate bonds through purchase or due to other causes subsequently, if any, shall be notified by public notice) via registered mail 30 business days prior to the record date. The Company shall ask Taipei Exchange in writing to post a public announcement disclosing holders request for exercise of put options of the convertible corporate bonds. The bondholders may give a written notice to the stock affairs department of the Company within 30 days after the announcement (effective immediately upon service or upon the date on the postmark if sent by mail) and ask the Company to redeem the convertible corporate bonds they hold at the face value plus an interest compensation [104.5678% of the face value for the expiration of three years (a real yield of 1.5%) or 106.9753% of the face value for the expiration of four years (a real yield of 1.7%)]. The Company shall respond to the exercise of put option by redeeming the convertible corporate bonds in cash within five (5) business days upon the record date. If the above-mentioned date is a nonbusiness day of the stock exchange market in Taipei City, the date will be extended to the next business day.

<u>Conversion period</u>

Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) the period from 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase to the record date for allocation of rights, and (3) from the record date for capital decrease to the day immediately prior to the trading date of stocks swapped upon capital decrease, the bondholders may inform Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the “Depository Corporation”) via the securities firm to ask the Company’s stock affairs department to convert the convertible corporate bonds into the Company’s common shares pursuant to the Regulations at any time from the day following expiration of three months after the convertible corporate bonds are issued (September 9, 2018) to the expiration date (June 8, 2023), and may act in accordance with Article 10, 11 and 15 of the Regulations.

<u>Conversion price and its adjustment</u>

The conversion price of the convertible corporate bonds was determined, with May 31, 2018 as the temporary record date of conversion price. The price is NTD 11.3 per share. In case the number of the Company’s issued common stocks increases after issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula specified in the issuance terms. The conversion price was adjusted to NTD 13.70 as of December 31, 2022.

Rights and obligations after conversion

According to the conversion regulations, the rights and obligations of the bondholder with respect to the common shares after the effective conversion as requested are the same as those of the issued common stocks of the Company.

Provided as Guarantees

The convertible corporate bonds are unsecured. However, if the Company additionally issues other secured corporate bonds with warrants or convertibility after issuance of such corporate bonds, these shall be arranged with the creditor's rights of the same level or the real rights for security of the same sequence.

The convertible corporate bonds include liabilities and equities, and the latter are stated in equity and presented as capital reserve - stock option. The initially recognized effective interest rate with respect to the liabilities is 1.2862%.

Issuance considerations (less the transaction cost of NTD 37,508,000)	$362,492
Interest based on the effective rate of 1.970892%	21,057
Redemption of corporate bonds	(72,447)
Corporate bond payable converted to common stock	(207,577)
Liability components on December 31, 2021	103,525
Interest based on the effective rate of 1.970892%	1,017
Redemption of corporate bonds	(99,486)
Liability components on December 31, 2022	$ 5,056

XX. Notes and accounts payable

	December 31, 2022	December 31, 2021
Accounts payable	$871,328	$932,607

The Group establishes financial risk management policies to ensure that all payables can be paid back within the pre-agreed term of credit.

XXI. Other liabilities

	December 31, 2022	December 31, 2021
Current		
Other payables		
Salary and bonus payable	$ 95,213	$ 79,913
Commissions payable	69,555	44,040
Processing fee payable	6,340	3,689

Service fee payable	5,707	6,335
Others	84,625	58,175
	$261,440	$192,152

Other liabilities		
Refunds liabilities (Note 25)	$ 74,519	$ -
Receipts under custody.	18,240	4,761
Temporary receipts	2,985	70
Others	3,313	3,956
	$ 99,057	$ 8,787

XXII. Retirement benefit plans

(I) Defined contribution plan

The pension system specified in the “Labor Pension Act” and adopted by the Group and the subsidiaries in the Republic of China is the defined pension contribution plan managed by the government. A pension equal to 6% of employee’s monthly wage shall be contributed to the personal labor pension account at the Bureau of Labor Insurance.

The employees of the Group’s subsidiaries outside the Republic of China have participated in the defined contribution plan managed by the local government. The pension is contributed to the local government on a monthly basis.

(II) Defined benefit plan

The pension system adopted by the Company of the Group according to the “Labor Standards Act” is the defined retirement benefit plan managed by the government. The years of service rendered and the average wage of six months prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee. We appropriate 2% of the total monthly wage of an employee as the pension and remit the amount to the labor pension reserve funds account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, we will make up for the shortage in one appropriation before the end of the following March. The account is managed by the Bureau of Labor Funds, Ministry of Labor and we do not have the right to influence the investment management strategies.

The amounts of the defined benefit plan included in the consolidated balance sheet are listed as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	$ 34,810	$ 35,434
Fair value of plan assets	(18,779)	(16,819)
Net defined benefit liabilities	$ 16,031	$ 18,615

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance as of December 31, 2021	$ 38,143	($ 13,268)	$ 24,875
Cost of defined benefit			
Current service cost	212	-	212
Interest expense	229	-	229
Interest income	-	(92)	(92)
Recognized in profit or loss	441	(92)	349
Re-measurement			
Return on planned assets	$ -	($ 129)	($ 129)
Actuarial gain – experience adjustment	(1,404)	-	(1,404)
Actuarial gain – financial assumption adjustment	(464)	-	(464)
Recognition in other comprehensive income	(1,868)	(129)	(1,997)
Contribution by employer	-	(3,330)	(3,330)
Payment of benefits	(1,282)	-	(1,282)
Balance as of December 31, 2021	35,434	(16,819)	18,615
Cost of defined benefit			
Current service cost	108	-	108
Interest expense	266	-	266
Interest income	-	(139)	(139)
Recognized in profit or	374	(139)	235

loss			
Re-measurement			
Return on planned assets	-	(1,147)	(1,147)
Actuarial gain – experience adjustment	459	-	459
Actuarial gain – financial assumption adjustment	(1,457)	-	(1,457)
Recognition in other comprehensive income	(998)	(1,147)	(2,145)
Contribution by employer	-	(674)	(674)
Balance as of December 31, 2022	$ 34,810	($ 18,779)	$ 16,031

Amounts related to the defined benefit plan recognized in profit or loss are summarized by function as follows:

	2022	2021
Operating cost	$ 151	$ 217
Marketing expense	56	80
Administrative expense	28	52
	$ 235	$ 349

The Group is exposed to the following risks due to the pension system under the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Group’s plan assets shall be calculated with an interest rate not below the interest rate for a 2-year time deposit with local banks.
2. Interest rate risk: A decrease in the interest rates of government bonds and corporate bonds leads to increase the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The net defined benefit liabilities may be partially offset by both increases.

3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation would be increased by an increase in the plan participants' salary.

The Group's present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.35%	0.75%
Rate of expected salary increase	1.00%	1.00%

If there was any reasonably possible changes to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 575)	($ 750)
Decrease by 0.25%	$ 593	$ 780
Rate of expected salary increase		
Increase by 0.25%	$ 2,478	$ 3,269
Decrease by 0.25%	($ 2,221)	($ 2,856)

Since the actuarial assumptions might be correlated to each other and it was unlikely that the changes were only in a singe assumption, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 674	$ 3,329
Average maturity of defined benefit obligations	11.3 years	13.2 years

XXIII. Preferred stock liabilities

	December 31, 2022	December 31, 2021
Preferred stock liabilities	$104,414	$127,328

Refer to disclosure of contingent events in Note 33. To participate in the bidding procedure for the brand and trademark owned by the America-based Advanced Sports Enterprises, Group and Fulltech Fiber Glass Corp. (hereinafter referred to as Fulltech) established Pacific Glory Worldwide Ltd. in the Republic of Seychelles in January 2019 for management of brands and trademarks. Fulltech contributed USD 7,500,000 to acquire preference equity. Important conditions for issuance of the preference shares are described below:

Pacific Glory Worldwide Ltd. shall redeem the preference shares held by Fulltech at a price equal to the total investment amount of USD 7,500,000 plus 10% on the last day of five years after the registration date of establishment or may redeem such preference shares once for all or in phases during this period.

XXIV. Equity

(I) Capital stock

1. Common stock

	December 31, 2022	December 31, 2021
Number of authorized shares (thousand shares)	350,000	350,000
Authorized capital	$3,500,000	$3,500,000
Number of issued shares with adequate capital received (thousand shares)	301,724	299,601
Issued capital	$3,017,243	$2,996,009

A share of issued common stock had a par value of NTD10 and was entitled to one voting right and dividends.

In 2022 and 2021, the Group's convertible corporate bonds that had been converted into common stocks amounted to 2,123,000 shares and 6,322,000 shares, respectively.

To enhance the overall operating plan and competitiveness, the Group held a Board of Directors meeting on March 16, 2018 and adopted the private placement specified in Article 43-6 of the Securities and Exchange Act by issuing 40,000,000 common stocks at the price of NTD 7.6 per stock. The total amount of the private placement was NTD 304,000,000 and the record date of capital increase was October 17, 2018.

The Group's board of directors approved a private placement on December 24, 2019 by issuing 80,000,000 common stocks at the price of NTD 5 per stock. The total amount of the private placement was NTD 400,000,000 and the record date of capital increase was December 26, 2019.

The rights and obligations of the aforesaid common stocks issued for private placement were the same as the issued common stocks of the Group. They should not be transferred freely within 3 years after the delivery, except as otherwise specified in laws and regulations for special circumstances. The board of directors was authorized to finish the public offering procedure ex post facto with the competent authority and apply for tracing on the exchange or OTC market.

In addition, as of April 26, 2021, the share subscription proceeds of NTD 510,000,000 were fully collected by the Group, with the capital increase record date set on April 26, 2021.

(II) Capital reserves

	December 31, 2022	December 31, 2021
Available for makeup of loss, distribution of cash dividends or transfer into capital (1)		
Corporate bond conversion premium	$114,519	$ 92,414
Common stock premium	10,000	10,000
Donated assets received	69	69
Employee stock options	4,483	4,483
	129,071	106,966
Only available for makeup of loss		
Changes in net worth of equity of affiliates recognized under equity method (2)	2,562	2,562
Others (return of unclaimed	129	129

dividends)		
	2,691	2,691
Not available for any purposes		
Stock option	555	15,770
	$132,317	$125,427

1. These capital reserves may be used to make up losses or to distribute cash dividends or be transferred into the capital if the Company does not incur a loss. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.
2. These capital reserves are the adjustments for the Group to recognize subsidiaries' capital reserves under the equity method.

(III) Retained earnings and dividend policy

According to the Company's earnings distribution policy specified on its Articles of Incorporation, if the Company has a profit at the year's final accounting, it shall first pay taxes and make up for any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserves, and also make provision/reversal of special reserves pursuant to the laws. The residual balance shall be added to the accumulated undistributed earnings, and the board of directors shall prepare an earnings distribution proposal and submit it to the shareholders' meeting for approval of allocation of shareholder dividends and bonus. For the distribution policy of employee and director/supervisor remuneration specified in the Company's Articles of Incorporation, please refer to (7) Remuneration to employees, directors and supervisors in Note 26.

According to the Articles of Incorporation of the Company, the dividend policy is adopted by the Company in consideration of the current and future development plans, investment environment, financing needs and domestic and international competition as well as the shareholders' interests and other factors. The Company's shareholders' dividends are allocated in the form of cash or stock dividends. The cash dividend shall be more than 20% of the total shareholders' dividends.

Legal reserves shall be prepared to the amount at which the balance of the legal reserves reaches to the total paid-in capital. Legal reserves may be used to make up loss. Where the Company does not sustain loss, the part of the legal reserves that exceeds 25% of total paid-in capital may be appropriated as capital or distributed by cash.

(IV) Special reserves

	2022	2021
Balance at Ending of Year	$78,308	$78,308

(V) Other equities

1. Exchange differences from the translation of foreign operations' financial statements

	2022	2021
Balance at Beginning of Year	($182,977)	($134,788)
Amounts incurred in the year		
Exchange differences from translation of foreign operations' net assets	44,206	(48,189)
Balance at Ending of Year	($138,771)	($182,977)

2. Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income

	2022	2021
Balance at Beginning of Year	($294,286)	($294,286)
Amounts incurred in the year		
Unrealized gains and losses Equity instrument	(5,697)	-
Balance at Ending of Year	($299,983)	($294,286)

XXV. Income

(I) Customer contract income

	2022	2021
(I) Customer contract income		
Revenue from sale of goods	$5,371,186	$4,407,209

	2022	2021
Revenue from commission	116,263	104,934
Revenue from royalty	103,671	101,381
	$5,591,120	$4,613,524

The Group estimated the goods returns rate at the most possible amount, so as to recognize refunds liabilities and rights to products to be returned.

(II) Balance of contract amount

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (Note 10)	$1,330,037	$ 668,176	$ 744,734
Contractual liabilities			
Sale of products	$ 270,412	$ 168,723	$ 161,002

(III) Customer contract income breakdown

	2022	2021
Major market by region		
Europe	$3,195,081	$2,716,671
Americas	1,310,115	1,299,853
Asia	1,006,990	504,917
Others	78,934	92,083
	$5,591,120	$4,613,524
Main product		
Bicycle and parts	$4,403,010	$3,781,387
Others	1,188,110	832,137
	$5,591,120	$4,613,524

XXVI. Net profit (loss) of continuing operations

(I) Interest income

	2022	2021
Interest income	$ 5,369	$ 1,261

(II) Other revenue

	2022	2021
Dividend income	$ 8,828	$ 1,388
Rent income	778	252
Others	33,984	18,037
	$ 43,590	$ 19,677

(III) Other gains (losses)

	2022	2021
Total gain (loss) from conversion of foreign	$110,561	($ 20,668)

currencies		
Gain (loss) from financial instruments measured at fair value through profit or loss	(9,464)	9,466
Profit from disposal of property, plant, and equipment	(695)	(2,282)
Other gains (losses)	(11,782)	4,889
	$ 88,620	($ 8,595)

(IV) Financial cost

	2022	2021
Bank loan interest	$ 11,241	$ 24,799
Amortization of convertible corporate bonds	1,165	6,791
Interest on lease liabilities	39,851	36
Preferred dividends – liabilities	4,471	4,201
	$ 56,728	$ 35,827

(V) Depreciation and amortization

	2022	2021
Summary of depreciation expenses by function		
Operating cost	$ 44,182	$ 35,918
Operating expense	19,675	17,439
	$ 63,857	$ 53,357
Summary of amortization expenses for intangible assets by function		
Operating cost	$ 562	$ 644
Operating expense	1,767	1,532
	$ 2,329	$ 2,176

(VI) Employee benefit expense

	2022	2021
Retirement benefits (Note 22)		
Defined contribution plan	$ 8,079	$ 6,459
Defined benefit plan	235	349
	8,314	6,808
Other employee benefits	437,910	354,319
Total employee benefit expenses	$446,224	$361,127

Summarized by function		
Operating cost	$268,155	$209,137
Operating expense	178,069	151,990
	$446,224	$361,127

(VII) Remuneration to employees, directors and supervisors

According to the Articles of Incorporation, the Company shall appropriate 2% to 10% of the profit on the annual final account, if any, as the remuneration to the employees and up to 5% of the profit as the remuneration to the directors and supervisors. Since there are losses in 2022 and 2021, no estimates were made for the remuneration to the employees or directors and supervisors.

The information about remuneration to the employees and directors/supervisors in 2022 and 2021 approved by the Board of Directors may be viewed at the "MOPS" of TWSE.

(VIII) Foreign exchange gain (loss)

	2022	2021
Total profit from translation of foreign currencies	$203,720	$ 80,535
Total loss from translation of foreign currencies	(93,159)	(101,203)
Net gain (loss)	$110,561	($ 20,668)

XXVII. Income tax of continuing operations

(I) Income tax recognized in profit or loss

Major components of the income tax expenses recognized:

	2022	2021
Current income tax		
Tax incurred in the year	$ 10,146	$ 9,764
Deferred income tax		
Tax incurred in the year	94,780	27,685
Income tax expense recognized in profit or loss	$104,926	$ 37,449

Reconciliation of accounting income and income tax (profit) is as follows:

	2022	2021
Net profit before tax of continuing operations	$439,284	$120,040
Income tax derived by applying net profit before	$ 87,857	$ 24,008

tax to the statutory tax rate		
Expense and loss not deductible from tax	(1,744)	227
Unrecognized deductible temporary difference	(3,195)	18,653
Effect of different tax rates applicable to the consolidated company's individual entities	22,008	(5,439)
Income tax expense recognized in profit or loss	$104,926	$ 37,449

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Tax incurred in the year		
－Translation from foreign operations	$ 6,873	($ 8,031)
Income tax loss recognized in other comprehensive income	$ 6,873	($ 8,031)

(III) Current income tax assets and liabilities

	December 31, 2022	December 31, 2021
Current income tax assets		
Income tax refund receivable	$ 228	$ 168

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

	Balance at Beginning of Year	Recognized in profit or loss	Recognition in other comprehensive income	Balance at Ending of Year
Deferred income tax assets				
Temporary difference				
Unrealized exchange loss	$ 445	$ 1,942	$ -	$ 2,387
Unrealized inventory devaluation loss	5,016	4,981	-	9,997
Unpaid pension	4,942	(27)	-	4,915
Unrealized gross profit	2,235	2,798	-	5,033
Contractual liabilities	495	1,237	-	1,732
Expected deferred excessive credit impairment loss	68,517	(12,312)	-	56,205
Investment loss under equity method	19,603	(19,603)		-
Exchange differences from foreign operations	(3,873)	-	3,877	4
Financial assets impairment loss measured at fair value through other comprehensive income	67,708	-	-	67,708
Book-Tax difference of fixed asset	413	(165)		248
Loss carryforwards	102,418	(39,386)		63,032
	$ 267,919	($ 60,535)	$ 3,877	$ 211,261
Deferred income tax liabilities				
Temporary difference				
Unrealized exchange gain	$ -	($ 1,571)	$ -	($ 1,571)
Foreign investment profit under equity method	(67,878)	(33,021)	-	(100,899)
Land incremental tax	(21,605)	-	-	(21,605)
Unrealized loss of corporate bonds	(3,796)	348	-	(3,448)
Exchange differences from foreign operations	(22,168)	-	2,996	(19,172)

($ 115,447)	($ 34,244)	$ 2,996	($ 146,695)

2021

	Balance at Beginning of Year	Recognized in profit or loss	Recognition in other comprehensive income	Balance at Ending of Year
Deferred income tax assets				
Temporary difference				
Unrealized exchange loss	$ 3,318	($ 2,873)	$ -	$ 445
Unrealized inventory devaluation loss	7,120	(2,104)	-	5,016
Unpaid pension	5,579	(637)	-	4,942
Unrealized gross profit	1,470	765	-	2,235
Contractual liabilities	702	(207)	-	495
Expected deferred excessive credit impairment loss	67,023	1,494	-	68,517
Investment loss under equity method	23,845	(4,242)	-	19,603
Exchange differences from foreign operations	2,858	-	(6,731)	(3,873)
Financial assets impairment loss measured at fair value through other comprehensive income	67,708	-	-	67,708
Book-Tax difference of fixed asset	375	38	-	413
Loss carryforwards	114,080	(11,662)	-	102,418
	$ 294,078	($ 19,428)	($ 6,731)	$ 267,919
Deferred income tax liabilities				
Temporary difference				
Unrealized exchange gain	($ 2,336)	$ 2,336	$ -	$ -
Foreign investment profit under equity method	(58,235)	(9,643)	-	(67,878)
Land incremental tax	(21,605)	-	-	(21,605)
Unrealized loss of corporate bonds	(2,846)	(950)	-	(3,796)
Exchange differences from foreign operations	(20,868)	-	(1,300)	(22,168)
	($ 105,890)	($ 8,257)	($ 1,300)	($ 115,447)

(V) Amount of deductible temporary difference of the deferred income tax assets unrecognized in balance sheet

	December 31, 2022	December 31, 2021
Unrecognized deductible temporary difference	$1,004,693	$ 896,987

(VI) Information on loss carryforwards

The information on the loss carryforwards of the Company up to December 31, 2022 is as follows:

Balance to be credited	Last year of credit
$ 88,798	2030
37,009	2031
$125,807	

(VII) Authorization of income tax

The Company's profit-seeking business income tax filings have been approved by the tax authority up until 2018.

XXVIII. Earnings per share

	2022	2021
Basic EPS	$ 1.11	$ 0.29
Diluted EPS	$ 1.11	$ 0.29

The net profit and the weighted average number of common stocks used for calculating earnings per share are as follows:

Net profit for the year

	2022	2021
Net profit used for calculation of earnings per share	$334,358	$ 82,591

Number of shares Unit: (thousand shares)

	2022	2021
Weighted average number of common stocks used for calculating basic EPS	301,458	281,803
Effect of potential diluted common stocks		
Convertible corporate bond	29	3,739
Weighted average number of common stocks used for calculating diluted EPS	301,487	285,542

XXIX. Capital risk management

The Group conducts capital management to ensure the Group can keep operating and growing while maximizing shareholders' return by optimizing the liability and equity balances.

For the capital structure and management strategy, the Group takes into account the scale and growing potential of the industry to which the Group belongs, the defined product development blueprint, and the market share. With these as a basis, the Company makes overall plans regarding required capacity, corresponding capital expenses, and assets needed for long-term development of the Group. Finally, we estimate potential gross profit of our products, operating profit rate, and cash flow based on the competitive strength of the Group, and determine the appropriate capital structure in consideration of the fluctuation in business cycle, life cycle of products, and other risk factors.

The management of the Group reviews the capital structure on a regular basis and measures the cost and risk of different capital instruments. In general, the Group adopts deliberately designed risk management strategies.

XXX. Financial instruments

(I) Fair value information－financial instruments not measured at fair value

	December 31, 2022		December 31, 2021	
	Book value	Fair Value	Book value	Fair Value
Financial liabilities				
Financial liabilities measured at amortized cost －Convertible corporate bond	$ 5,056	$ 9,010	$ 381,363	$ 396,815

(II) Fair value information－financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Domestic listed (OTC) stocks	$ 13,881	$ -	$ -	$ 13,881
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
- Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 97	$ 97
- Foreign non-listed (non-OTC) stocks	-	-	12,541	12,541
	$ -	$ -	$ 12,638	$ 12,638

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Domestic listed (OTC) stocks	$ 21,597	$ -	$ -	$ 21,597
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
- Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 97	$ 97
Financial liabilities measured at fair value through profit or loss				
Derivatives:	$ -	$ -	$ 1,459	$ 1,459

There was no transfer of fair value measurements between Level 1 and Level 2 in 2022 and 2021.

2. Adjustments to the financial instruments measured at Level 3 fair value

Equity instrument of financial assets	Financial assets measured at fair value through other comprehensive income 2022	2021
Balance at Beginning of Year	$ 97	$ 1,756
Increase in the year	18,238	-
Recognition in other comprehensive income	(5,697)	-
Disposal	-	(1,659)
Balance at Ending of Year	$ 12,638	$ 97

Derivatives - Convertible corporate bond	Financial liabilities measured at fair value through profit or loss 2022	2021
Balance at Beginning of Year	$ 1,459	$ 7,932
Recognition in profit or loss (other profits and losses)	(1,459)	(6,473)
Balance at Ending of Year	$ -	$ 1,459

3. Evaluation technology and inputs measured at Level 3 fair value

Derivatives – The fair value of the call and put options of convertible corporate bonds is estimated using the binary tree-based model for convertible bond valuation. The significant unobservable input used is the stock price volatility. The fair value of the derivatives becomes higher when the stock price volatility increases.

(III) Type of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measurement at fair value through profit or loss		
Designated to be measured at fair value through profit or loss	$ 13,881	$ 21,597
Financial assets measured at amortized cost (Note 1)	2,250,445	1,836,542
Financial assets measured at fair value through other comprehensive income - non-current		
Investment in equity instruments	12,638	97
Financial liabilities		
Measurement at fair value through profit or loss		
Designated to be measured at fair value through profit or loss	-	1,459
Measurement at amortized cost (Note 2)	3,498,603	2,785,242

Note 1: The balance included the financial assets measured at amortized cost, such as cash and cash equivalents, notes and accounts receivable, other receivables, and guarantee deposits paid.

Note 2: The balance included the financial liabilities measured at amortized cost, such as short-term loans, notes and accounts payable, equipment payment payable, other payables, corporate bonds payable, and long-term loans (including those maturing within 1 year).

(IV) Financial risk management purpose and policy

(1) The Group's financial risk management aims to manage the market risk, credit risk and liquidity risk related to management and business operating activities. To reduce financial risk, the Group is dedicated to identifying, assessing and avoiding market uncertainties to minimize the potential adverse effect of market fluctuation on the financial performance of the Group.

The important financial activities of the Group are audited and approved by the management according to related regulations and the internal control system. The Group strictly follows relevant financial operation procedures during planning and implementation of financial plans.

1. Market risk

   The major financial risks that the operating activities imposed on the Group are the exchange rate fluctuation risk (see (1) below), interest rate fluctuation risk (see (2) below), and other price risks (see (3) below).

   (1) Exchange rate risk

   The Group is engaged in sales and purchase transactions in foreign currency, borrowing, and net investment in foreign operations. These activities expose the Group to the exchange rate fluctuation risk. The Group uses forward exchange contracts to manage the exchange rate risk within the policies. Since the net investment in foreign operations is a strategic investment, the Group does not take hedging measures for this investment.

   Sensitivity analysis

   The Group is affected primarily by fluctuation in the exchange rate of USD and JPY.

   The sensitivity analysis on the consolidated company's exchange rate risk is primarily focused on the calculation not valuated with the functional currency at the end of the financial reporting period. The positive number in the following table means the increased amount of the pre-tax net profit when NTD (functional currency) depreciates by 1% against each related currency; when NTD depreciates by 1% against each related currency, the effect on the pre-tax net profit is represented with a negative number of the same amount. This rate of change is the sensitivity ratio used by the Group when reporting the exchange rate risk to the management.

	Effect of USD		Effecxt of JPY		Effect of EUR	
	2022	2021	2022	2021	2022	2021
Pre-tax profit	$ 10,258	$ 5752	($ 10)	$ 227	$ 1,578	($ 252)

(2) Interest rate risk

The interest rate risk exposure occurs because the Group borrowed funds at fixed and floating rates at the same time. The Group maintains an adequate portfolio of fixed and floating interest rates to manage the interest rate risk. The book values of the financial assets and liabilities of the Group exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
－Financial asset	$ -	$ 28,370
－Financial liability	341,080	382,422
With cash flow interest rate risk		
－Financial asset	685,848	794,561
－Financial liability	2,050,202	1,278,620

<u>Sensitivity analysis</u>

The sensitivity analysis on the interest rate risk is primarily focused on the calculation based on the fluctuation of the floating rate with respect to the cash flow of the financial assets and liabilities at the end of the financial reporting period.

If the interest rate increases/decreases by 50 basis points, the net profit before tax of the Group in 2022 and 2021 would decrease/increase by NTD 6,822,000 and NTD 242,000 respectively.

(3) Other price risks

The Group sustained equity price risk exposure due to investment in publicly quoted equity securities. This investment is not held for trading but a strategic investment. The Group does not trade this investment spontaneously.

<u>Sensitivity analysis</u>

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increased/decreased by 1%, the profit before tax in 2022 and 2021 would increase/decrease by NTD

139,000 and NTD 201,000, respectively, due to increase/decrease of the fair value of the financial assets (liabilities) measured at fair value through profit or loss. If the equity price increased/decreased by 1%, other comprehensive incomes before tax in 2022 and 2021 would increase/decrease by NTD 126,000 and NTD 22,000, respectively, due to increase/decrease of the fair value of the financial assets measured at fair value through other comprehensive income.

2. Credit risk

As stated in Note 33, the credit risk refers to the risk of financial loss to the Group because the trading counterpart delays in the fulfillment of the contractual obligations. The credit risk of the Group mainly comes from the accounts receivable incurred from the operating activities, bank deposits, and other financial instruments. The operation-related credit risk and financial credit risk are managed separately.

<u>Operation-related credit risk</u>

The Group has established the management procedure of operation-related credit risk to maintain the quality of accounts receivable.

The considerations of risk assessment with respect to individual customers include many factors that may affect their solvency, such as their financial status, the rating of the credit rating institutions, the internal credit rating of the Group, historic trading records, and current economic conditions. The Group also applies some credit enhancement instruments (e.g. advance sale receipts and additional collaterals) in a timely manner to reduce customers’ credit risk.

Receivables are to be collected from many customers. They belong to different industries and are located in different geographic areas. The Group continuously assesses the financial status of the customers from which receivables shall be recovered and, if necessary, enters into credit insurance contracts.

Up to December 31, 2022 and 2021, the balance of receivables of the Top 10 customers constituted 65% and 45%, respectively, of the total account receivables (including those due from related parties). The credit concentration risk of other receivables was insignificant.

Financial credit risk

The credit risk of bank deposits and other financial instruments is measured and monitored by the finance department of the Group. The Group's trade counterpart and performing party are all reputable banks and financial institutions with no significant performance concerns; therefore, there is no significant credit risk.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support business operation and reduce the effect of the fluctuating cash flow. The management of the Group monitors the use of banking facility and ensures compliance with the terms of the loan contract.

Bank loans are one of the important sources of liquidity for the Group. For the banking facility that the Group has not used, refer to relevant descriptions in (2) below.

(1) Liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of the non-derivative financial liabilities is compiled based on the earliest repayment date the Group would be required to repay and the non-discounted cash flow of the financial liabilities (including the principal and estimated interest). Hence, the bank loan which the Group may be requested to repay immediately is listed in the earliest period on the table without consideration of the possibility of the bank to exercise this right immediately; the maturity analysis of other non-derivative financial liabilities is compiled based on the agreed repayment date.

For the cash flow of the interest paid at floating rate, the non-discounted interest amount is derived from the anticipated borrowing rate of interest on the balance sheet date.

December 31, 2022

	Repaid immediately or within less than 6 months	Over 6 months and within 1 year	Over 1 years and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Non-interest-bearing liabilities	$1,132,768	$ -	$ -	$ -	$ -	$1,132,768
Lease liabilities	9,052	6,452	9,995	460	-	25,959
Floating interest rate instruments	127,868	1,571,768	247,336	98,173	-	2,045,145
Fixed interest rate instruments	88,537	82,690	149,506	-	-	320,733
	$1,358,225	$1,660,910	$ 406,837	$ 98,633	$ -	$3,524,605

More information on the maturity analysis of said financial liabilities:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	$ 15,504	$ 10,455	$ -	$ -	$ -	$ -
Floating interest rate instruments	$1,699,636	$ 345,509	$ -	$ -	$ -	$ -
Fixed interest rate instruments	$ 171,227	$ 149,506	$ -	$ -	$ -	$ -

December 31, 2021

	Repaid immediately or within less than 6 months	Over 6 months and within 1 year	Over 1 years and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Non-interest-bearing liabilities	$ 1,124,759	$ -	$ -	$ -	$ -	$ 1,124,759
Lease liabilities	537	25	-	-	-	562
Floating interest rate instruments	204,625	833,303	76,128	86,205	-	1,200,261
Fixed interest rate instruments	385,000	-	-	-	-	385,000
	$ 1,714,921	$ 833,328	$ 76,128	$ 86,205	$ -	$ 2,710,582

More information on the maturity analysis of said financial liabilities:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	$ 562	$ -	$ -	$ -	$ -	$ -
Floating interest rate instruments	$ 1,037,928	$ 162,333	$ -	$ -	$ -	$ -

(2) Banking facility

	December 31, 2022	December 31, 2021
Secured bank loan limit		
- Employed capital	$ 1,840,879	$ 1,063,551
- Unemployed capital	731,055	182,874

	$2,571,934	$1,246,425
Unsecured bank loan limit		
- Employed capital	$ 519,900	$ 215,069
- Unemployed capital	56,326	85,120
	$ 576,226	$ 300,189

XXXI. Related Party Transactions

All the transactions between the Group and subsidiaries (i.e. the related parties of the Group), account balances, profits and expenses/losses are eliminated during consolidation and thus not disclosed in this note. In addition to those disclosed in other notes, transactions between the Group and other related parties are described as follows:

(I) Names of related parties and their relationship with the Company

Name of Related Party	Relationship with the Group
Advanced Sports Inc.	Associate
Fulltech Fiber Glass Corp.	Associate

(II) Accounts receivable from related parties

Title	Type of Related Party	December 31, 2022	December 31, 2021
Accounts receivable – Related party – net	Associate		
	Advanced Sports Inc.	$ 704,585	$ 667,114
	Less: Loss allowance	(704,585)	(667,114)
		$ -	$ -

Changes in loss allowance for accounts receivable from related parties are as follows:

	2022	2021
Balance at Beginning of Year	$667,144	$677,007
Differences from conversion of foreign currencies	37,441	(9,893)
Balance at Ending of Year	$704,585	$667,114

No guarantee was requested for the outstanding accounts receivable from related parties.

(III) Other receivables from related parties

Title	Type of Related Party	December 31, 2022	December 31, 2021
Other receivables -	Associate		
Related party - net	Advanced Sports Inc.	$ 149,685	$ 149,676
	Less: Loss allowance	(149,685)	(149,676)
		$ -	$ -

Changes in loss allowance for other accounts receivable are as follows:

	2022	2021
Balance at Beginning of Year	$149,676	$149,676
Differences from conversion of foreign currencies	9	-
Balance at Ending of Year	$149,685	$149,676

(IV) Remuneration to key management:

	2022	2021
Short-term employee benefits	$ 37,358	$ 33,619
Retirement benefits	869	793
	$ 38,227	$ 34,412

The remuneration to the key management was decided by the Remuneration Committee subject to personal performance and market trend.

XXXII. Pledged and Mortgaged Assets

The following assets were provided as collaterals for loans and guarantee money for tariff duties for import of (raw) materials:

	December 31, 2022	December 31, 2021
Property, plant and equipment - net amount	$359,606	$384,211
Pledged time deposit (stated as financial assets measured at amortized cost - non-current)	171,836	294,892
Long-term equity investments under the equity method	186,388	110,092
	$717,830	$789,195

XXXIII. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in other notes, the Group’s significant commitments and contingencies on the balance sheet date are as follows:

(I) Contingency

1. The amounts of the unused letter of credit issued by the Group for purchase of raw materials are as follows

	December 31, 2022	December 31, 2021
JPY	$196,602	$330,083
USD	$ 161	$ 686

2. The major customer and invested company, Advanced Sport Enterprises Inc. (ASE), of the Group applied to a US court for reorganization (Chapter 11 bankruptcy protection) on November 16, 2018 (American time). At the same time, ASE also applied to the USA court for reorganization of the ASE Group's subsidiaries, including Advanced Sports, Inc. (ASI).

The US bankruptcy court approved the auction result of the ASE Group's assets on February 6, 2018 (American time). According to the approval, the total auction amount of these assets was about USD 23 million (including USD 7.5 million which Pacific Glory Worldwide Ltd., an overseas subsidiary established jointly by the Group and Fulltech, offered to acquire the trademark rights and related assets of Fuji, SE and other famous brands). According to the information on secured creditors that the ASE Group submitted to the US bankruptcy court, the merged company and subsidiaries were the secured creditors in the third priority with respect to the creditor's right to the payment for goods receivable from ASI (a total of about USD 24.26 million). The merged company was the creditor in the last priority with respect to the creditor's right to the ASE equity in which the merged company invested and the ASI equity in which the merged company invested through subsidiaries. As for the secured creditor's right to the aforesaid receivable payment for goods, the merged company commissioned lawyers in the USA to apply to the US bankruptcy court in order to protect the rights and interests of the merged company. The creditor's right to equity shall be attributable to the creditor in the last priority according to the United States Bankruptcy Code.

Up to March 13, 2023, the board of directors of the Group approved the financial report date and took an estimate of USD 31.20 million as the ASE and ASI equity value in consideration of the pending ASE reorganization proceeding. Since the chance of payment is very low as advised by the lawyers, the Group recognized all the equities as loss in 2018 (separately stated in the unrealized valuation profit/loss measured at fair value through other comprehensive income and share of profit/loss of associates under equity method). The creditor’s right to accounts receivable amounted to about USD 24.26 million which the reorganized company designated as secured creditor’s right with the US court. The Group would apply to declare its secured creditor’s right to the US court pursuant to the United States Bankruptcy Code. Though the amount that could be recovered under the secured creditor’s right was subject to the final decision of the US court, it was completely recognized in impairment loss in 2018 (stated as expected loss from credit impairment) with reference to the advice of the lawyers and based on the principle of conservation and stability.

The Group acquired the license agreement covering four bicycle brands of ASI at the end of 2017. However, to ensure the reorganization case could proceed effectively, the US court terminated that agreement pursuant to the United States Bankruptcy Code on December 21, 2018. According to the decision of the US court, the Group might request ASI to compensate for the damage of USD 4.80 million arising from termination of the agreement. Hence, the Group transferred this USD 4.80 million into other receivables. However, based on the principle of conservation and stability, the Group recognized it in loss in 2018 (stated as expected loss from credit impairment) and would declare the creditor’s right to the US court pursuant to the United States Bankruptcy Code to protect the rights and interests of the Group.

The Group received a letter from the lawyers in the USA on April 9, 2019, stating that the US bankruptcy court issued a notice of court session to the Group with respect to the case filed by the Unsecured Creditors Committee of the ASE Group. The Unsecured Creditors Committee found the preferential secured creditor’s right of the Group against the ASE Group defective and allegedly applied to the US bankruptcy court for revocation of this right. Without giving any proof, the Unsecured Creditors Committee inferred the substantial control of the Group over the ASE Group and alleged that it might apply for revocation of every transaction between the Group and ASE Group within 1 year dating from the date (11/16/2018) on which the ASE Group filed the application for corporate reorganization pursuant to the United States Bankruptcy Code, and, thus, the Group should return the payment for goods (about USD 31 million) to the ASE Group.

The preferential secured creditor's right that the Group might claim against the ASE Group was based on and proved by related contracts entered into between the Group and ASE Group. There was no such defect as alleged by the Unsecured Creditors Committee. The shares that the Group held in the ASE Group and the transactions with it were legal, all the transaction information were completely disclosed in the financial statements, and the Group did not have substantial control over the ASE Group as the Unsecured Creditors Committee alleged.

The Unsecured Creditors Committee filed the action for revocation and return of payment for goods against the Group only based on conjectures and what it alleged were false accusations. The Group hired lawyers in the USA to file objections pursuant to the legal proceedings of the USA to protect the rights and interests of the Group. After many legal offenses and defenses, both parties achieved an agreement of reconciliation in consideration of the procedural economy.

The liquidation plan of the ASE and other reorganization companies was approved by the US bankruptcy court on October 25, 2019 (American time). After the approval, the Unsecured Creditors Committee of the ASE and other reorganization companies revoked the aforesaid action claiming return of the payment for goods amounting to USD 31 million against the Group. The Group would participate in the creditor's rights distribution procedure of the ASE and other reorganization companies with the declared amount of creditor's right. According to the liquidation plan of the ASE and other reorganization companies, the first distribution procedure of creditor's rights was conducted on December

15, 2019, with the residual cash of the ASE and other reorganization companies. Subsequent distribution procedures of creditor's rights were conducted within one year after December 15, 2019, with the residual cash of the ASE and other reorganization companies and the money recovered under their creditor's rights. The Group participated in the distribution procedure of creditor's rights according to the decision of the US bankruptcy court. The actual amount recovered based on the distribution of the creditor's rights would be dependent upon the final, actually distributed amount.

The liquidation plan of the ASE and other reorganization companies was approved by the US bankruptcy court on October 25, 2019 (American time). The Group received USD 1,102,000 on May 22, 2020 as the first distribution under the creditor's right according to the liquidation plan. Subsequent distribution procedures of creditor's rights will be conducted after the ASE and other reorganization companies have recovered the money under their creditor's rights according to the liquidation plan.

XXXIV. Information on foreign currency financial assets and liabilities with significant effect

The following information is summarized and stated based on the foreign currencies other than the functional currency of the Group's individual entities. The disclosed exchange rate represents the exchange rate of such foreign currency to the functional currency. Information on foreign currency financial assets and liabilities with significant effect is as follows:

December 31, 2022 — Unit: In thousands of foreign currency

	Foreign Currency	Exchange Rate	Book value
Financial assets			
Monetary items			
USD	$ 44,787	30.71	$1,375,409
JPY	570,808	0.2324	132,487
EUR	13,623	32.72	445,745
Financial liabilities			
Monetary items			
USD	11,383	30.71	349,572
JPY	574,520	0.2324	133,518
EUR	8,799	32.72	287,903

CHF	90	33.21	2,989

December 31, 2021

Unit: In thousands of foreign currency

	Foreign Currency	Exchange Rate	Book value
Financial assets			
Monetary items			
USD	$ 54,057	27.68	$1,496,298
JPY	417,576	0.2405	100,427
EUR	4,748	31.32	148,707
Financial liabilities			
Monetary items			
USD	33,278	27.68	921,135
JPY	323,129	0.2405	77,713
EUR	5,554	31.32	173,951

The realized and unrealized foreign currency exchange gains (losses) of the Group in 2022 and 2021 were NTD 111,606,000 and NTD (20,668,000), respectively. However, it was infeasible to disclose the exchange loss and gain of each significant foreign currency because of numerous functional currencies in foreign currency transactions.

XXXV. Supplementary Disclosures

(I) Information on Major Transactions:

1. Loaning of funds to others: Table 1
2. Making of endorsements/guarantees for others: Table 2
3. Securities - ending (excluding those controlled by invested subsidiaries, associates and joint ventures): Table 3.
4. Aggregate purchases or sales of the same securities reaching NTD 300 million or more than 20% of paid-in capital: None.
5. Acquisition of real estate reaching NTD 300 million or more than 20% of paid-in capital: None.
6. Disposal of real estate reaching NTD 300 million or more than 20% of paid-in capital: None.
7. Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of paid-in capital: None.
8. Accounts receivable from related parties reaching NTD 100 million or more than 20% of paid-in capital: Table 4.
9. Engaged in derivative transactions: None

10. Others: Business Relationship between Parent and Subsidiaries and Significant Transactions: Table 8.

(II) Information on Invested Companies: Table 5.

(III) Information on investments in Mainland China:

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, investment book value at the end of the period, profit or loss received from investments, and limit on the amount of investment in Mainland China: Table 6.
2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment conditions, and unrealized profit/loss: Table 7

(IV) Information on major shareholders: The name, number of shares held, and shareholding ratio of the shareholders with an equity ratio of 5% or more: Table 9

XXXVI. Segment Information

The management of the Group had identified the reportable segments according to the reporting package that the operating decision maker uses to formulate policies. The operating decision maker of the Group operates the business by product or service type: The reportable segments of the Group are as follows::

Manufacturing (OEM) segment

Other segments.

There is no significant inconsistency between the accounting policy that the aforementioned reportable segments and the summarized important accounting policies stated in Note 4.

(I) Segment revenue and operating outcome

The revenue and operation outcome of the Group’s continuing operations are analyzed by reportable segment as follows:

2022

	Manufacturing (OEM) segment	Other segments	Total
Revenue from external customers	$5,374,792	$ 216,328	$5,591,120
Segment revenue	$5,374,792	$ 216,328	$5,591,120
Segment profit (loss)	$ 395,464	($ 37,857)	$ 357,607
Interest income			$ 5,369
Other revenue			43,590
Other gains (losses)			88,620
Financial cost			(56,728)
Share of profit/loss of associates under equity method			826
Net profit before tax of continuing operations			$ 439,284

2021

	Manufacturing (OEM) segment	Other segments	Total
Revenue from external customers	$4,415,929	$ 197,595	$4,613,524
Segment revenue	$4,415,929	$ 197,595	$4,613,524
Segment profit (loss)	$ 58,575	$ 69,194	$ 127,769
Interest income			$ 1,261
Other revenue			19,677
Other gains (losses)			(8,595)
Financial cost			(35,827)
Share of profit/loss of associates under equity method			15,755
Net profit before tax of continuing operations			$ 120,040

Segment profit means the profit made by each segment, excluding the share of profit or loss in associates accounted for using the equity method, other gains and losses, finance cost, and other income. Such a measurement serves as a basis for main operational decision makers to allocate resources to segments and evaluate their performance.

IDEAL BIKE CORPORATION and Subsidiaries

Loans to Others

2022

Table 1

Unit: NTD thousand unless otherwise specified

No. (Note 1)	Lending company	Borrowing company	Current account	Related party	Maximum balance in current period	Balance at ending of period	Drawdown	Range of interest rates	Nature of loaning of funds (Note 2)	Business transaction amount (Note 5)	Reasons for the need of short-term financing	Appropriated allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 3)	Limit of total loaning of funds (Note 4)	Remarks
													Name	Value			
0	IDEAL BIKE CORPORATION	Ideal Europe SP ZO.O	Other receivables	Yes	$ 152,804	$ 152,804	$ 152,804	-	1	$ 130,760	—	$ -	—	$ -	$ 840,242	$ 960,277	—
0	IDEAL BIKE CORPORATION	Ideal Europe SP ZO.O	Other receivables	Yes	92,145	92,130	-	5.25%	2	-	Working capital	-	—	-	840,242	960,277	—

Note 1: Number column description:

(1) 0 is reserved for issuer.

(2) Each invested company is numbered in sequential order starting from 1.

Note 2: Nature of loaning of funds description:

(1) A business associate

(2) Needs for short-term financing

Note 3: The limit of loans to particular borrower shall not exceed 35% of the Company’s net value.

Note 4: The limit of total loaning of funds shall not exceed 40% of the Groups net value.

Note 5: Business transaction amount means the lending amount of the transactions between the lending and borrowing companies in the most recent year.

IDEAL BIKE CORPORATION and Subsidiaries

Endorsement/Guarantees for Others

2022

Table 2

Unit: NTD thousand unless otherwise specified

No. (Note 1)	Endorsing/guaranteeing company	Endorsed/guaranteed company		Limits on individual endorsements/ guarantees (Note 3)	Current maximum guarantee/ guarantee balance	Current endorsement/ guarantee balance - ending	Drawdown	Endorsement/ guarantee amount secured with property	Ratio of the cumulative endorsement/ guarantee amount to the net worth in the most recent financial statements (%)	Maximum endorsement/ guarantee limit (Note 3)	Endorsements/ guarantees made by the parent company for its subsidiaries	Endorsements/ guarantees made by the subsidiaries for its parent company	Endorsements/ guarantees made for the operations in Mainland China	Remarks
		Company name	Relationship (Note 2)											
0	IDEAL BIKE CORPORATION	Ideal Europe SP ZO.O	3	$ 1,200,346	$ 64,430	$ 61,420	$ 60,284	$ -	2.56	$ 2,400,693	Yes	No	No	
		Ideal (Dong Guan) Bike Co., Ltd.	3	1,200,346	96,645	92,130	-	-	3.84	2,400,693	Yes	No	Yes	

Note 1: Number column description:

(1) 0 is reserved for issuer.

(2) Each invested company is numbered in sequential order starting from 1.

Note 2: The relationship between the endorser/guarantor and endorsee/guarantee is classified into seven categories as follows. It is only necessary to mark the type:

(1) A business associated company.

(2) The company with the majority shareholdings of voting rights held by the Company directly and indirectly.

(3) The company holds the majority shareholdings of voting rights of the Company directly and indirectly.

(4) The company with more than 90% shareholdings of voting rights held by the Company directly and indirectly.

(5) The company needing mutual guarantee pursuant to an agreement in the same industry or between joint proprietors for undertaking engineering projects.

(6) The company received endorsements/guarantees from the shareholders proportionally to their shareholding due to a joint venture relationship.

(7) Escrow and joint and several guarantee of the contracts in the same industry that involve transaction of pre-sale houses according to the Consumer Protection Act.

Note 3: The total endorsement/guarantee amount of the Group is limited to 100% of the current net value of the Group. The endorsement/guarantee amount for individual companies is limited to 50% of the current net value of the Group.

IDEAL BIKE CORPORATION and Subsidiaries

Securities Held at the End of Period

December 31, 2022

Table 3

Unit: NTD thousand unless otherwise specified

Holding company	Type of securities	Name of securities	Relationship with the issuer of securities	Account title	At the end of the period				Remarks
					Number of stocks	Book value	Shareholding	Fair Value	
IDEAL BIKE CORPORATION	Stock	Capital Securities Corporation	None	Financial assets measured at fair value through profit or loss - current	1,262,059	$ 13,694	0.06%	$ 13,694	
	Stock	Unitech Printed Circuit Board Corp.	None	Financial assets measured at fair value through profit or loss - current	10,858	187	-	187	
	Stock	PCI International Investment Inc.	None	Financial assets measured at fair value through other comprehensive income - non-current	6,188	12,541	13.75%	12,541	
	Stock	Huan Hua Securities Finance Corporation	None	Financial assets measured at fair value through other comprehensive income - non-current	87,308	97	0.47%	97	
	Stock	Advanced Sports Enterprise Inc.	Key management	Financial assets measured at fair value through other comprehensive income - non-current	9,814,691	-	17%	-	Note
	Stock	TRIO BKIE A/S	None	Financial assets measured at fair value through other comprehensive income - non-current	12,000	-	1.92%	-	
	Stock	Karbon Kineetics Ltd.	None	Financial assets measured at fair value through other comprehensive income - non-current	107,527	-	0.22%	-	
	Stock	Camma Cycling Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - non-current	500,000	-	10%	-	
	Stock	Innnotq Gmbh	None	Financial assets measured at fair value through other comprehensive income - non-current	8,621	-	18%	-	

Note: Please refer to Note 33.

IDEAL BIKE CORPORATION and Subsidiaries

Accounts receivable from related parties reaching NTD 100 million or more than 20% of paid-in capital

December 31, 2022

Table 4

Unit: NTD thousand unless otherwise specified

Company stating in receivables	Name of counterpart	Relationship	Balance of accounts receivable from related parties	Turnover rate	Overdue accounts receivable from related parties		Subsequent recovered amount of accounts receivable from related parties	Appropriated allowance for loss
					Amount	Treatment		
IDEAL BIKE CORPORATION	Ideal Europe SP ZO.O	Subsidiary of the Company	$327,952	0.52	$ -	(Note 1)	$ -	$ -
	Ideal (Dong Guan) Bike Co., Ltd.	Subsidiary of the Company	117,145	2.74	-	(Note 1)	76,575	-
	Advanced Sport, Inc.	Associate	474,395	-	474,395	(Note 2)	-	474,395
Ideal (Dong Guan) Bike Co., Ltd.	ECONOTRADE LIMITED	Subsidiary of the Company	224,229	1.98	-	(Note 3)	224,229	-
ECONOTRADE LIMITED	Advanced Sport, Inc.	Associate	392,740	-	392,740	(Note 2)	-	392,740

Note 1: Overdue accounts receivable from related parties have been transferred to other receivables.

Note 2: Since Advanced Sport Inc. applied for reorganization, expected credit loss is provided for related receivables on the book. Refer to Note 33.

Note 3: This amount was entirely written off during preparation of the consolidated financial statements.

IDEAL BIKE CORPORATION and Subsidiaries

Name and Territory of Investees and Other Relevant Information

2022

Table 5

Unit: NTD/USD thousand unless otherwise specified

Name of investor	Name of investee	Territory	Main business operations	Original investment amount		Held at the end of period			Current profit (loss) of Investee	Profit (loss) from investments recognized in the current period	Remarks
				End of current period	End of last year	Number of stocks	Ratio	Book value			
IDEAL BIKE CORPORATION	Ideal Bike (SGP) Co. Pte., Ltd.	Singapore	Holding company	$ 300,495	$ 300,495	13,711,426	100%	$ 727,274	$ 83,769	$ 83,769	
	TOP SPORT INTERNATIONAL LTD.	Cayman	Trading of bicycle parts	763,899	763,899	39,000	100%	88,126	29,533	29,533	
	Ideal Europe SP ZO.O	Poland	Manufacture and trading of bicycle parts	736,293	736,293	50,000	100%	394,947	37,400	37,400	
	Crown Alliance International Co., Ltd.	Seychelles	Holding company	105,544	105,544	3,400,000	100%	35,303	(1,825)	(1,825)	
	Fulltech Fiber Glass Corp.	Taiwan	Electronic-grade fiber glass	126,185	126,185	11,580,438	2.62%	189,944	31,523	826	
	Advanced Sports International-Asia Ltd.	Seychelles	Trading of bicycles and accessories	-	15,839	-	-	-	972	776	
	Pacific Glory Worldwide Ltd.	Seychelles	Trading of bicycles	51,399	51,399	15,100,000	100%	101,448	24,993	24,993	
TOP SPORT INTERNATIONAL LTD.	ECONOTRADE LIMITED	British Virgin Islands	Trading	USD 500	USD 500	500	100%	USD 3,004	USD 1,214	USD 1,214	
ECONOTRADE LIMITED	Advanced Sports, Inc.	United States of America	Trading of bicycles and accessories	USD 20,000	USD 20,000	100	50%	-	-	-	Note
	Econotrade Limited Taiwan Branch (B.V.I)	Taiwan	Trading of bicycles and accessories	USD 160	USD 160	500,000	100%	USD 1,285	USD 123	USD 123	
Pacific Glory Worldwide Ltd.	Advanced Sports International-Asia Ltd.	Seychelles	Trading of bicycles and accessories	USD -	USD 479	-	-	USD -	USD 34	USD 7	

Note: Please refer to Note 33.

IDEAL BIKE CORPORATION and Subsidiaries

Information on Investments in Mainland China

2022

Table 6

Unit: NTD thousand unless otherwise specified

Name of investee in Mainland China	Main business operations	Paid-in capital	Method of investment	Accumulated amount of investments from Taiwan at the beginning of current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments from Taiwan at the end of current period	Current profit (loss) of Investee	The Company's shareholding of direct or indirect investment	Profit or loss from investments recognized in current period (Note 2)	Investment book value at the end of the period	Profit received from investments as of the end of current Period	Remarks
					O/R	Return							
Ideal (Dong Guan) Bike Co., Ltd.	Production and sale of bicycles and parts	USD 21,000	Note 3	$ 306,885 (USD 9,993,000)	$ -	$ -	$ 306,885 (USD 9,995,000)	$ 125,874	100%	$ 42,105 (Note 2)	$ 349,016	$ 29,973 (USD 976,000)	
Ling Xian Sports Equipment (Dong Guan) Limited	Wholesale and import/export of bicycles, sports devices and parts	USD 3,400	Note 1	104,414 (USD 3,400,000)	-	-	104,414 (USD 3,400,000)	1,258	100%	1,258	-	-	

Accumulated amount of investments from Taiwan to Mainland China at the end of current period	Investment amount approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 4)
$411,299 (USD 13,393,000)	$411,299 (USD 13,393,000) Total approved amount: in USD 1,000	$1,440,415

Note 1: Investment is classified into following three categories. It is only necessary to mark the type:

(I) Engaged in direct investment in Mainland China.

(II) Invested in Mainland China through a company in a third area (please specify the investment company in the third area).

(III) Others

Note 2: It was calculated based on the CPA audited financial statements in the same period.

Note 3: The total investment amount was NTD 306,885,000 (USD 9,993,000), wherein NTD 67,316,000 (USD 2,192,000) was used for indirect investment in Mainland China through a third area under commission, and the rest NTD 239,569,000 (USD 7,801,000) was used for investment in Mainland China through an invested company in a third area.

Note 4: The limit mount was calculated pursuant to the “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China” amended by the Investment Commission, MOEA, on August 29, 2008.

Note 5: The calculation was based on the exchange rate on December 31, 2022.

IDEAL BIKE CORPORATION and Subsidiaries

Any of the Following Significant Transactions with Investees in Mainland China, Either Directly or Indirectly through a Third Area, and Their Prices, Payment Conditions, and Unrealized Profit/Loss

2022

Table 7

Unit: NTD thousand unless otherwise specified

Name of investee in Mainland China	Trading type	Purchaser/sale (Note)		Price	Trading conditions		Notes/Accounts Receivable (Payable)		Unrealized gains and losses	Remarks
		Amount	Percentage		Payment terms	Ordinary terms	Amount	Percentage		
Ideal (Dong Guan) Bike Co., Ltd.	Sale	$ 233,037	7.30%	Note	O/A 60 days	O/A 90 days	$ 112,544	10.17%	($ 7,947)	—
	Purchase	332,118	11.08%	Calculated pursuant to contractual agreement	O/A 39 days	O/A 90 days	30,201	7.44%	-	—

Note: The price of the products sold to related parties is determined with reference to the sales price of the end customer. Since the products are sold to major distributors in different regions, there is no distributors available for comparison in the same situation.

IDEAL BIKE CORPORATION and Subsidiaries

Business Relationship between Parent and Subsidiaries and Significant Transactions

2022

Table 8

Unit: NTD thousand unless otherwise specified

No. (Note 1)	Trader	Counterparty	Relationship with trader (Note 2)	Transaction			
				Title	Amount	Trading conditions	Percentage in total consolidated operating revenue or assets (Note 3)
0	IDEAL BIKE CORPORATION	Ideal (Dong Guan) Bike Co., Ltd.	1	Sales revenue	$ 233,037	Note 3	4%
				Purchase	332,118	—	6%
				Accounts receivable	112,544	—	2%
		Ideal Europe SP ZO.O	1	Sales revenue	130,593	Note 3	2%
				Accounts receivable	324,172	—	5%
1	Ideal (Dong Guan) Bike Co., Ltd.	Ideal Europe SP ZO.O		Sales revenue	148,827	—	3%
				Accounts receivable	73,762	—	1%
		ECONOTRADE LIMITED	3	Accounts receivable	223,974	—	3%
		Econotrade Limited Taiwan Branch (B.V.I)	3	Accounts receivable	49,717	—	1%
2	Pacific Glory Worldwide Ltd.	Econotrade Limited Taiwan Branch (B.V.I)	3	Other receivables	43,653	—	1%

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the “No.” column. This column shall be completed as follows:

(1) 0 is reserved for the parent company.

(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: The relationship with the trader is classified into three categories as follows. It is only necessary to mark the type:

(1) Parent company to subsidiary

(2) Parent company to sub-subsidiary

(3) Subsidiary to subsidiary

(4) Subsidiary to parent company

Note 3: The gross margin of the transaction with related parties is about 5.25%–15.68% and the credit period is longer. The payment term is usually 3 months and the applicable term for the related parties is about 6 months.

Note 4: The trading price of the transaction with related parties is similar to usual trades and the payment term is 3 months as usual.

Note 5: For calculating the percentage of the transaction amount in total consolidated operating revenue or assets, the share of the balance at ending of the period in the consolidated assets is used as the basis of the calculation under the title of assets/liabilities; the share of the interim accumulated amount in the total consolidated operating revenue is used as be basis for the calculation under the title of profit/loss.

IDEAL BIKE CORPORATION

Information on Major Shareholders

December 31, 2022

Table 9

Names of major shareholders	Share	
	Number of shares held	Shareholding
Unitech Printed Circuit Board Corp.	34,000,000	11.26%
Fulltech Fiber Glass Corp.	33,188,067	10.99%
Tse-Min YuN	24,000,000	7.95%
Guo Ling Investment Co., Ltd.	21,333,643	7.07%

Note 1: The information on major shareholders is acquired from the data of the Taiwan Depository & Clearing Corporation with respect to the shareholders holding aggregately 5% or more of the common and special stocks of the Company that have been registered and delivered in dematerialized form (including treasury stocks) on the last business day at the end of the current quarter. The capital stock stated in the consolidated financial statements of the Company may be different from the number of stocks that have been actually registered and delivered in dematerialized form due to different bases of compilation and calculation.

Note 2: In case any shareholder transferred his stocks to a trustee, the information on such shareholder was disclosed based on the account of the principal subject to the trust account opened by the trustee. As for shareholders who are an insider with 10% or more stake and declare their shareholdings pursuant to the Securities and Exchange Act, the number of shares held includes the shares of the shareholders and the shares that they transferred to a trustee and for which they have the right to determine the application. For more information on the declaration of insider shares, refer to the MOPS.SS