

IDEAL BIKE CORPORATION
and Subsidiaries

Consolidated Financial Statements
and Independent Auditors' Report
2020 and 2019

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Declaration of Consolidated Financial Statements of Affiliated Enterprises

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 2020 (from January 1, 2020 to December 31, 2020) 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 26, 2021

Independent Auditors' Report

To IDEAL BIKE CORPORATION:

Audit opinion

We audited the consolidated balance sheet of Ideal Bike Corporation and its subsidiaries as of December 31, 2020 and 2019, 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, 2020 and 2019 and the notes to 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, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission, and thus presented fairly, in all material aspects, the consolidated financial position of Ideal Bike Corporation and its subsidiaries as of December 31, 2020 and 2019, and the consolidated financial performance and cash flow for the period from January 1 to December 31, 2020 and 2019.

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 Ideal Bike Corporation and its subsidiaries 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.

Emphasis matters

As stated in Note 4 and 33 to the financial statements, Advanced Sport Enterprises Inc., the strategic partner of Ideal Bike Corporation and its subsidiaries in the USA, and its subsidiary Advanced Sports, Inc. applied to a US court for reorganization of the companies on November 16, 2018 (American time), and this brought about a net loss after tax of NTD 1,520,129,000 to Ideal Bike Corporation and its subsidiaries in 2018. The loss to be made up was NTD 1,021,602,000 as of December 31, 2020 and had a significant effect on the consolidated financial status of Ideal Bike Corporation and its subsidiaries as of December 31, 2020 and their consolidated financial performance from January 1 to December 31, 2020. The aforesaid case significantly affected the Subsidiary financial structure of Ideal Bike Corporation and its subsidiaries. However, the management of Ideal Bike Corporation and its subsidiaries took measures including capital stock increase or decrease plans, operating improvement plans, and resort to support of the banks to ensure the business operation of the company and improve its financial status systematically. We did not modify the audit opinions due to the said emphasis matters.

Key audit matters

Key audit matters refer to, based on our professional judgment, the most important matters for auditing the 2020 consolidated financial statements of Ideal Bike Corporation and its subsidiaries. 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 regarding such matters.

The key audit matters for the 2020 consolidated financial statements of Ideal Bike Corporation and its subsidiaries are described as follows:

Recognition of sales revenue

Ideal Bike Corporation Subsidiary and its subsidiaries mainly sold bicycles and parts and recognized NTD 4,022,938,000 as sales revenue in 2020. Please refer to Note 25. Due to the change of the bike market, the amount of sales revenue of Ideal Bike Corporation and its subsidiaries had dropped. In consideration thereof, the risk of inflated sales revenue with regard to new customers might be increased and produce a significant effect on the consolidated financial statements. Thus, we found that the existence and occurrence of sales revenue at a significant amount from new customers were the important matters to be audited in the current year.

Our audit procedure included (but not limited to the following) evaluating the appropriateness of the accounting policy taken by Ideal Bike Corporation and its subsidiaries 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 making sure there were no abnormalities involved in any sales targets and any parties from whom payments were collected or other parties to whom documents were delivered.

Other matters

For the consolidated financial statements prepared by Ideal Bike Corporation in 2020 and 2019, we had an independent auditors' report issued with unqualified opinions and emphasis matters 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, interpretations and the statements of interpretation 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 misstatement due to fraud or errors.

During preparation of the consolidated financial statements, the management was also responsible for evaluating the ability of going concern of Ideal Bike Corporation and its subsidiaries, disclosure of relevant matters and application of the going concern basis of accounting unless the management intended to make Ideal Bike Corporation and its subsidiaries enter into liquidation or terminate its operations or there was no other actual and feasible solutions other than liquidation or termination of its operations.

The governance unit of Ideal Bike Corporation and its subsidiaries (including the Supervisors) was responsible for supervising the financial reporting procedures.

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

We audited the consolidated financial statements for the purpose of obtaining reasonable assurance about whether the consolidated financial statements were free of material misstatements due to fraud or errors 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 generally accepted auditing standards. The misstatements might be due to fraud or errors. If an individual or total amount misstated was reasonably expected to have a 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 generally accepted 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 errors, designed and implemented applicable response measures for the evaluated risks, and acquired sufficient and appropriate audit evidence to base our audit opinions. Since fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, we did not find that the risk of misstatements due to fraud was higher than the same due to errors.
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 towards the internal control effectiveness of Ideal Bike Corporation and its subsidiaries.
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 ability of going concern of Ideal Bike Corporation and its subsidiaries 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 Ideal Bike Corporation and its subsidiaries would and the subsidiaries no longer have the ability of going concern.
5. We evaluated the overall presentation, structure and contents of the consolidated financial statements (including relevant notes) and whether or not the consolidated financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence of the financial information of the entities comprising the Group to provide opinions towards the consolidated financial statements.

We were responsible for instruction, supervision and conduct of the Group's audit cases, as well as the expression of the audit opinions for 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 2020 consolidated financial statements of Ideal Bike Corporation and its subsidiaries 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 26, 2021

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Balance Sheet

December 31, 2020 and 2019

Unit: NTD thousand

| Code | Asset | December 31 2020 | | December 31, 2019 | | Code | Liability and equity | December 31 2020 | | December 31, 2019 | | |
|------|--|------------------|-----|-------------------|-----|------|---|------------------|-----------|-------------------|-----------|----|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % | |
| | Current assets | | | | | | Current liabilities | | | | | |
| 1100 | Cash (Note 4, 6 and 30) | \$ 766,323 | 17 | \$ 680,523 | 15 | 2100 | Short-term loans (Note 18 and 30) | \$ 820,551 | 19 | \$ 1,117,485 | 24 | |
| 1110 | Financial assets measured at fair value through profit or loss - current (Note 4, 7 and 30) | 17,327 | 1 | 14,541 | - | 2120 | Financial liabilities measured at fair value through profit and loss - current (Note 4, 7 and 30) | 7,932 | - | 33,122 | 1 | |
| 1136 | Financial assets measured at amortized cost – current (Note 4, 9 and 30) | 9,611 | - | - | - | 2130 | Contract liabilities - current (Note 25) | 161,002 | 4 | 108,006 | 2 | |
| 1150 | Notes payable (Note 4, 10 and 30) | - | - | 44 | - | 2170 | Notes and accounts payable (Note 20 and 30) | 891,389 | 20 | 680,362 | 15 | |
| 1170 | Net amount of accounts receivable (Note 4, 5, 10, 25 and 30) | 744,734 | 17 | 900,210 | 20 | 2219 | Other payables (Note 21) | 108,803 | 2 | 101,879 | 2 | |
| 1180 | Net amount of accounts receivable - related party (Note 4, 30 and 31) | - | - | 70 | - | 2230 | Current income tax liabilities (Note 4, 5 and 27) | 13,447 | - | 6,477 | - | |
| 1200 | Other receivables (Note 10 and 30) | 37,895 | 1 | 37,740 | 1 | 2280 | Lease liabilities - current (Note 15) | 1,647 | - | 785 | - | |
| 1220 | Current income tax assets (Note 4, 5 and 27) | 156 | - | 368 | - | 2322 | Long-term loans and corporate bonds maturing within one year (Note 4, 18, 19, 30 and 32) | 439,586 | 10 | 207,886 | 5 | |
| 130X | Inventory (Note 4 and 11) | 1,115,224 | 25 | 1,166,286 | 25 | 2399 | Other current liabilities (Note 21) | 14,551 | - | 12,684 | - | |
| 1410 | Pre-payment (Note 17) | 103,623 | 2 | 94,620 | 2 | 21XX | Total current liabilities | 2,458,908 | 55 | 2,268,686 | 49 | |
| 1470 | Other current assets | 2,298 | - | 11,217 | - | | Non-current liabilities | | | | | |
| 11XX | Total current assets | 2,797,191 | 63 | 2,905,619 | 63 | 2530 | Corporate bond payable (Note 4, 19 and 30) | 258,197 | 6 | 645,220 | 14 | |
| | Non-current assets | | | | | 2540 | Long-term loans (Note 18, 30 and 32) | 59,313 | 1 | 146,010 | 3 | |
| 1517 | Financial assets measured at fair value through other comprehensive income - non-current (Notes 4, 8 and 30) | 1,756 | - | 23,096 | - | 2580 | Lease liabilities – non-current (Note 15) | 559 | - | 550 | - | |
| 1535 | Financial assets measured at amortized cost – non-current (Note 4, 9, 30 and 32) | 323,529 | 7 | 355,373 | 8 | 2570 | Deferred income tax liabilities (Note 4, 5 and 27) | 105,890 | 2 | 109,507 | 2 | |
| 1550 | Investment under the equity method (Note 4, 13, 32 and 33) | 173,363 | 4 | 186,250 | 4 | 2640 | Net defined benefit liabilities (Note 4 and 22) | 24,875 | 1 | 26,311 | 1 | |
| 1600 | Property, plant and equipment (Note 4, 14 and 32) | 591,907 | 13 | 611,965 | 13 | 2635 | Preference share liabilities - non-current (Note 23) | 173,728 | 4 | 214,957 | 5 | |
| 1755 | Right-of-use assets (Note 15) | 50,324 | 1 | 50,100 | 1 | 25XX | Total non-current liabilities | 622,562 | 14 | 1,142,555 | 25 | |
| 1780 | Other intangible assets (Note 4 and 16) | 204,483 | 5 | 214,012 | 5 | | Equity attributable to the owner of parent company (Note 4 and 24) | | | | | |
| 1840 | Deferred income tax assets (Note 4, 5 and 27) | 294,078 | 7 | 283,165 | 6 | 3110 | Share capital | 2,432,787 | 55 | 2,342,508 | 50 | |
| 1990 | Other non-current assets (Note 17) | 10,288 | - | 11,148 | - | 3200 | Common stock capital | 92,940 | 2 | 61,122 | 1 | |
| 15XX | Total non-current assets | 1,649,728 | 37 | 1,735,109 | 37 | | Capital reserves | | | | | |
| | | | | | | | Retained earnings | | | | | |
| | | | | | | 3310 | Legal reserves | 212,090 | 5 | 212,090 | 4 | |
| | | | | | | 3320 | Special reserves | 78,308 | 2 | 78,308 | 2 | |
| | | | | | | 3350 | (Losses to be covered) undistributed earnings | (1,021,602) | (23) | (1,029,446) | (22) | |
| | | | | | | | Total retained earnings | (731,204) | (16) | (739,048) | (16) | |
| | | | | | | 3400 | Other equities | (429,074) | (10) | (435,095) | (9) | |
| | | | | | | 31XX | Total equity attributable to the owner of parent company | 1,365,449 | 31 | 1,229,487 | 26 | |
| | | | | | | | 3XXX | Total equities | 1,365,449 | 31 | 1,229,487 | 26 |
| 1XXX | Total assets | \$ 4,446,919 | 100 | \$ 4,640,728 | 100 | | Total liabilities and equities | \$ 4,446,919 | 100 | \$ 4,640,728 | 100 | |

The attached notes are part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche Taiwan on March 26, 2021)

Chairman: Hermas Chang

CEO: Tim Lin

CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: NTD thousand; earnings (loss)
per share: NTD dollar

| Code | | 2020 | | 2019 | |
|------|--|-------------------|--------------|--------------------|--------------|
| | | Amount | % | Amount | % |
| 4000 | Net operating revenue (Note 4, 25 and 31) | \$ 4,022,938 | 100 | \$ 4,056,886 | 100 |
| 5000 | Operating cost (Note 4, 11 and 26) | <u>3,645,911</u> | <u>91</u> | <u>3,725,595</u> | <u>92</u> |
| 5900 | Operating gross profit | <u>377,027</u> | <u>9</u> | <u>331,291</u> | <u>8</u> |
| | Operating expense (Note 26) | | | | |
| 6100 | Marketing expense | 217,225 | 5 | 193,478 | 5 |
| 6200 | Administrative expense | 200,657 | 5 | 247,729 | 6 |
| 6450 | Expected (profit) loss from credit impairment | (<u>32,349</u>) | (<u>1</u>) | <u>172,773</u> | <u>4</u> |
| 6000 | Total operating expenses | <u>385,533</u> | <u>9</u> | <u>613,980</u> | <u>15</u> |
| 6900 | Operating Loss – net | (<u>8,506</u>) | <u>-</u> | (<u>282,689</u>) | (<u>7</u>) |
| | Non-operating revenue and expense | | | | |
| 7100 | Interest income (Note 26) | 4,143 | - | 3,608 | - |
| 7010 | Other incomes (Note 26) | 132,692 | 3 | 99,649 | 3 |
| 7020 | Other profits and losses (Note 26) | (<u>63,859</u>) | (<u>2</u>) | (<u>41,200</u>) | (<u>1</u>) |
| 7050 | Financial cost (Note 26) | (<u>44,242</u>) | (<u>1</u>) | (<u>63,961</u>) | (<u>2</u>) |
| 7060 | Share of profit/loss of associates under equity method (Note 4 and 13) | (<u>12,887</u>) | <u>-</u> | (<u>2,408</u>) | <u>-</u> |
| 7000 | Net non-operating revenue and expense | <u>15,847</u> | <u>-</u> | (<u>4,312</u>) | <u>-</u> |
| 7900 | Net profit (loss) before tax | 7,341 | - | (<u>287,001</u>) | (<u>7</u>) |
| 7950 | Income tax profit (Note 4 and 27) | <u>3,819</u> | <u>-</u> | <u>46,700</u> | <u>1</u> |
| 8200 | Net profit (loss) for the year | <u>11,160</u> | <u>-</u> | (<u>240,301</u>) | (<u>6</u>) |

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| Code | | 2020 | | 2019 | |
|------|--|------------------|---|---------------------|-------------|
| | | Amount | % | Amount | % |
| | Other comprehensive income | | | | |
| 8310 | Titles not reclassified as profit or loss: | | | | |
| 8311 | Re-measurement of defined benefit plan | (\$ 3,316) | - | (\$ 12) | - |
| 8316 | Unrealized valuation profit/loss from investment in equity instruments measured at fair value through other comprehensive income | (3,464) | - | (1,709) | - |
| 8361 | Exchange differences from translation of foreign operations' financial statements (Note 4 and 24) | 7,617 | - | (32,354) | (1) |
| 8399 | Income tax related to titles potentially being reclassified | <u>1,868</u> | - | <u>(3,639)</u> | - |
| 8300 | Other comprehensive income for the year | <u>2,705</u> | - | <u>(37,714)</u> | <u>(1)</u> |
| 8500 | Total comprehensive income for the year | <u>\$ 13,865</u> | - | <u>(\$ 278,015)</u> | <u>(7)</u> |
| | Net profit (loss) attributable to: | | | | |
| 8610 | The owner of the Company | \$ 11,160 | - | (\$ 240,301) | (6) |
| 8620 | Non-controlling equity | - | - | - | - |
| 8600 | | <u>\$ 11,160</u> | - | <u>(\$ 240,301)</u> | <u>(6)</u> |
| | Total comprehensive income attributable to: | | | | |
| 8710 | The owner of the Company | \$ 13,865 | - | (\$ 278,015) | (7) |
| 8720 | Non-controlling equity | - | - | - | - |
| 8700 | | <u>\$ 13,865</u> | - | <u>(\$ 278,015)</u> | <u>(7)</u> |
| | Earnings (loss) per share (Note 28) | | | | |
| 9710 | Basic EPS | <u>\$ 0.05</u> | | <u>(\$ 1.55)</u> | |
| 9810 | Diluted EPS | <u>\$ 0.05</u> | | <u>(\$ 1.55)</u> | |

The attached notes are part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche Taiwan on March 26, 2021)

Chairman: Hermas Chang

CEO: Tim Lin

CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2020 and 2019

Unit: NTD thousand unless otherwise specified

| Code | | Share capital | | Retained earnings | | | Other equities | | Non-controlling equity | Total equities | |
|------|---|------------------------------------|----------------------|-------------------|----------------|------------------|---|---|------------------------|----------------|--|
| | | 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 |
| A1 | Balance on January 1, 2019 | 220,358 | \$ 2,203,582 | \$ 83,670 | \$ 212,090 | \$ 78,308 | (\$ 1,072,755) | (\$ 108,280) | (\$ 289,113) | \$ 14,766 | \$ 1,122,268 |
| O1 | Non-controlling equity | - | - | - | - | - | - | - | - | (14,766) | (14,766) |
| D1 | Net loss in 2019 | - | - | - | - | - | (240,301) | - | - | - | (240,301) |
| D3 | Other comprehensive income after tax in 2019 | - | - | - | - | - | (12) | (35,993) | (1,709) | - | (37,714) |
| D5 | Total comprehensive income in 2019 | - | - | - | - | - | (240,313) | (35,993) | (1,709) | - | (278,015) |
| E1 | Capital increase in cash | 80,000 | 800,000 | (22,548) | - | - | (377,452) | - | - | - | 400,000 |
| F1 | Capital reduction against previous losses | (66,107) | (661,074) | - | - | - | 661,074 | - | - | - | - |
| Z1 | Balance on December 31, 2019 | 234,251 | 2,342,508 | 61,122 | 212,090 | 78,308 | (1,029,446) | (144,273) | (290,822) | - | 1,229,487 |
| C5 | Changes in other capital surplus: Components of equity recognized upon issuance of convertible corporate bonds | - | - | (7,011) | - | - | - | - | - | - | (7,011) |
| D1 | Net profit in 2020 | - | - | - | - | - | 11,160 | - | - | - | 11,160 |
| D3 | Other comprehensive income after tax in 2020 | - | - | - | - | - | (3,316) | 9,485 | (3,464) | - | 2,705 |
| D5 | Total comprehensive income in 2020 | - | - | - | - | - | 7,844 | 9,485 | (3,464) | - | 13,865 |
| I1 | Conversion of convertible corporate bonds | 9,028 | 90,279 | 38,829 | - | - | - | - | - | - | 129,108 |
| Z1 | Balance on December 31, 2020 | 243,279 | \$ 2,432,787 | \$ 92,940 | \$ 212,090 | \$ 78,308 | (\$ 1,021,602) | (\$ 134,788) | (\$ 294,286) | \$ - | \$ 1,365,449 |

The attached notes are part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche Taiwan on March 26, 2021)

Chairman: Hermas Chang

CEO: Tim Lin

CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries

Consolidated Statement of Cash Flow

January 1 to December 31, 2020 and 2019

| Code | | Unit: NTD thousand | |
|--------|--|--------------------|---------------|
| | | 2020 | 2019 |
| | Cash flow from operating activities | | |
| A10000 | Profit (loss) before tax for the year | \$ 7,341 | (\$ 287,001) |
| A20010 | Income and expenses: | | |
| A20100 | Depreciation expense | 53,091 | 60,413 |
| A20200 | Amortization expense | 2,315 | 2,901 |
| A20300 | Expected impairment (reversal profit) loss | (32,349) | 172,773 |
| A20400 | Net loss from financial assets and liabilities measured at fair value through profit or loss | (27,976) | 4,810 |
| A20900 | Financial cost | 44,242 | 63,961 |
| A21200 | Interest income | (4,143) | (3,608) |
| A21300 | Dividend income | (1,119) | (787) |
| A22300 | Share of loss of associates and joint ventures under equity method | 12,887 | 2,408 |
| A22500 | Profit from disposal of property, plant, and equipment | (863) | (116) |
| A23100 | Loss from disposal of investments | - | 288 |
| A23700 | Inventory devaluation and obsolescence loss (gain from price recovery) | 11,796 | (18,682) |
| A24100 | Unrealized loss from translation of foreign currencies | 42,978 | 3,460 |
| A30000 | Net changes in operating assets and liabilities | | |
| A31150 | Notes and accounts receivable | 171,594 | 3,739 |
| A31180 | Other receivables | 186 | (7,545) |
| A31200 | Inventory | 39,946 | 96,673 |
| A31240 | Other current assets | (448) | (28,953) |
| A32125 | Contractual liabilities | 54,200 | 40,388 |
| A32150 | Notes and accounts payable | 211,833 | 55,153 |
| A32180 | Other payables | 8,178 | (716) |
| A32230 | Other current liabilities | 1,867 | (7,327) |
| A32240 | Net defined benefit liabilities | (4,752) | (3,511) |
| A33000 | Cash generated from operations | 590,804 | 148,721 |
| A33100 | Interest received | 4,143 | 3,608 |
| A33200 | Dividend received | 1,119 | 787 |
| A33300 | Interest paid | (29,666) | (53,181) |
| A33500 | Income tax paid | (1,661) | (2,232) |
| AAAA | Net cash inflow from operating activities | <u>564,739</u> | <u>97,703</u> |

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(Continued from previous page)

| Code | | 2020 | 2019 |
|--------|--|-------------------|-------------------|
| | Cash flow from investing activities | | |
| B00040 | Acquisition of financial assets measured at amortized cost | (\$ 9,611) | \$ - |
| B00050 | Disposal of financial assets measured at amortized cost | 29,912 | 32,098 |
| B00200 | Disposal of financial assets measured at fair value through profit or loss | 17,876 | 2,723 |
| B02200 | Dividend of associates received | - | 5,566 |
| B02700 | Acquisition of property, plant, and equipment | (32,752) | (14,230) |
| B02800 | Disposal of property, plant, and equipment | 2,959 | 341 |
| B03800 | Guarantee deposits paid | 220 | 1,821 |
| B04500 | Acquisition of intangible assets | (3,400) | (218,160) |
| B07100 | Increase in prepayments for equipment | 52 | - |
| B06700 | Other non-current assets | <u>588</u> | <u>1,399</u> |
| BBBB | Net cash inflow (outflow) from investing activities | <u>5,844</u> | <u>(188,442)</u> |
| | Cash flow from financing activities | | |
| C00100 | Increase in short-term loans | 2,537,749 | 2,114,508 |
| C00200 | Decrease in short-term loans | (2,835,855) | (2,362,110) |
| C00600 | Decrease in short-term notes payable | - | (49,897) |
| C01600 | Borrowing of long-term loan | 52,780 | 661,181 |
| C01700 | Repayment of long-term loans | (200,791) | (913,716) |
| C02800 | Issuance of preferred share liabilities | - | 232,800 |
| C02900 | Acquisition of preferred share liabilities | (45,829) | (9,893) |
| C04600 | Capital increase in cash | - | 400,000 |
| C04020 | Repayment of lease liabilities | (1,593) | (1,441) |
| C05800 | Changes in non-controlling equity | <u>-</u> | <u>(14,766)</u> |
| CCCC | Net cash inflow (outflow) from financing activities | <u>(493,539)</u> | <u>56,666</u> |
| DDDD | Effect of changes in exchange rate on cash and cash equivalents | <u>8,756</u> | <u>(11,773)</u> |
| EEEE | Increase (decrease) in cash and cash equivalents | 85,800 | (45,846) |
| E00100 | Balance of cash and cash equivalents - beginning of year | <u>680,523</u> | <u>726,369</u> |
| E00200 | Balance of cash and cash equivalents - ending of year | <u>\$ 766,323</u> | <u>\$ 680,523</u> |

The attached notes are part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche Taiwan on March 26, 2021)

Chairman: Hermas Chang

CEO: Tim Lin

CFO: Julia Lai

IDEAL BIKE CORPORATION and Subsidiaries

Notes to consolidated financial statements

January 1 to December 31, 2020 and 2019

(All amounts are in NTD thousand unless otherwise specified)

I. Company History

IDEAL BIKE CORPORATION (hereinafter referred to as the consolidated company) 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 consolidated company has traded on Taipei Exchange as of March 28, 2001.

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

II. Financial Report Approval Date and Procedures

The consolidated financial statements were proposed at the Board meeting on March 26, 2021.

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.

Apart from those described below, no material changes to the accounting policies of the consolidated company are expected after adopting the amended IFRSs approved and released by the FSC.

1. Amendments to IAS 1 and IAS 8, "Definition of Material"

The consolidated company has adopted the amendment since January 1, 2020 and used "reasonably expected to have an impact on users" as the threshold for definition of "materials." We also adjust the disclosure of the consolidated financial statements and delete the information that is not material and may make material information indefinite.

(II) IFRSs approved by Financial Supervisory Commission (hereinafter referred to as “FSC”) to be applied in 2021

| New / Amended / Revised Standards and Interpretations | Effective Date Announced by IASB |
|--|--|
| Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9” | Effective as of announcement date |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform - Phase 2” | Effective during the annual reporting periods beginning on or after January 1, 2021 |
| Amendments to IFRS6, “Covid-19-Related Rent Concessions” | Effective during the annual reporting periods beginning on or after Monday, June 1, 2020 |

(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) |
|---|---|
| “Annual improvements 2018 to 2020 Cycle” | Saturday, January 1, 2022 (Note 2) |
| Amendments to IFRS3, “Updating a Reference to the Conceptual Framework” | Saturday, January 1, 2022 (Note 3) |
| Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | Undetermined |
| IFRS 17 “Insurance Contracts” | Sunday, January 1, 2023 |
| Amendments to IFRS 17 | Sunday, January 1, 2023 |
| Amendments to IAS 1, “Classification of Liabilities as Current or Non-current” | Sunday, January 1, 2023 |
| Amendments to IAS 1, “Disclosure of Accounting Policies” | Sunday, January 1, 2023 (Note 6) |
| Amendments to IFRS 8, “Definition of Accounting Estimates” | Sunday, January 1, 2023 (Note 7) |
| Amendment to IAS 16, “Property, Plant and Equipment: Proceeds before Intended Use” | Saturday, January 1, 2022 (Note 4) |
| Amendments to IAS 37, “Onerous Contracts—Cost of Fulfilling a Contract” | Saturday, January 1, 2022 (Note 5) |

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: The amendments to IFRS 9 shall apply to the exchange of financial liabilities or amendments of clauses occurring during the annual reporting period beginning on or after January 1, 2022; the amendments to IAS

41, "Agriculture", shall apply to the measurements at fair value during the annual reporting period beginning on or after January 1, 2022; the amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards", shall apply retrospectively to the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments shall apply to business mergers with an acquisition date during annual reporting periods beginning on or after Saturday, January 1, 2022.

Note 4: The amendments shall apply to the plant, property and equipment at the location and in the state necessary to meet the requirements of the management on or after January 1, 2021.

Note 5: The amendments shall apply to the contracts under which the obligations are not completed fulfilled on January 1, 2022.

Note 6: The amendments shall prospectively apply to the annual reporting period beginning on or after January 1, 2023.

Note 7: The amendments shall apply to the changes to the accounting estimates or policies occurring during the annual reporting period beginning on or after January 1, 2023.

In addition to the aforesaid impacts, up to the approval and release date of consolidated financial statements, the consolidated company assessed the effects of other amendments to the standards and interpretations on the financial position and performance on a continuous basis. The relevant effects will be disclosed after 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.

Refer to Note 33, Advanced Sport Enterprises Inc., the strategic partner of the consolidated company in the USA and its subsidiary Advanced Sports, Inc. applied to a US court for reorganization of the companies on November 16, 2018 (American time) and this brought about a net loss after tax of NTD 1,520,129,000 to the consolidated company in 2018. The loss to be made up was NTD 1,021,602,000 as of December 31, 2020 and had a significant effect on the financial status of the consolidated company as of December 31, 2020 and its financial performance from January 1 to December 31, 2019. The aforesaid case significantly affected the financial structure of the consolidated company. However, the management of the company took the following measures to ensure the business operation of the consolidated company and improve our financial status systematically. Hence, the 2020 financial statements were still prepared on the going concern basis of accounting and we did not make adjustment of our ability of going concern due to the potential effect of the said emphasis matters.

1. Capital increase plan

The consolidated company approved the capital increase in cash and issuance of 30,000,000 stocks at the Board of Directors meeting on April 26, 2019. The proposal on private placement of securities within the limit of 80,000,000 new stocks was also approved to acquiring more operating funds. The payment of stocks under the aforesaid proposal on private placement of securities was collected to the amount of NTD 400,000,000 on December 26, 2019. In addition, the consolidated company approved the capital increase in cash and issuance of 50,000,000 common stocks at the Board of Directors meeting on October 27, 2020. The capital increase was approved by the competent authority on March 5, 2021.

2. Capital reduction plan

The consolidated company approved the capital reduction to make up loss and improved the financial structure at the Board of Directors meeting on

June 21, 2019. The capital reduction rate was 30%. The amount of the reduced capital and the number of canceled shares were NTD 661,074,000 and 66,107,000 shares, respectively. The paid-in capital after the capital reduction was NTD 1,542,507,000. The capital reduction plan was effective upon approval of the competent authority on October 25, 2019. The record date of the capital reduction was set on November 8, 2019.

3. Improvement of operating status

The consolidated company continuously adjusts the product portfolios based on the changing market demand. The major market in 2020 was Europe and we spared no effort to develop the business of electric bikes to improve the revenue and improve the gross margin. We controlled costs and expenses strictly in the hope to improve the operating performance effectively and create cash inflow from operation activities.

4. Striving for support of banks

We communicate with banks continuously and improve our financial structure through the aforesaid operation improvement and capital increase plans while striving for continuous support of banks.

(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 and before the date of release of financial statements; such liabilities are still current liabilities); and
3. liabilities whose due date cannot be unconditionally extended by 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 consolidated company. 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.

Changes to the consolidated company's equity ownership in the subsidiaries are deemed as equity transactions if they do not result in loss of control. The book values of the consolidated company and the non-controlling equity are adjusted to reflect the changes in their relative equity in the subsidiaries. The difference between the adjusted amount of the non-controlling equity and the fair value of any paid or received consideration is directly recognized in equity and attributable to the owner of the consolidated company.

When the consolidated company loses 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 consolidated company's direct disposal of relevant assets or liabilities shall be subject to.

(V) Foreign currency

During preparation of 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 consolidated company) 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 consolidated company and non-controlling equity).

(VI) Inventory

Inventory includes raw materials, materials, parts and accessories, finished goods, commodities and work-in-progress goods. 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 consolidated company has a significant influence, but it is not a subsidiary or joint venture.

The consolidated company 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 consolidated company'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 consolidated company'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 consolidated company'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 consolidated company does not subscribe for 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 consolidated company'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 consolidated company'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 consolidated company in the associate concerned) , we do not recognize further losses. The consolidated

company recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the consolidated company made payment on behalf of the associates.

For impairment evaluation, the consolidated company 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 consolidated company stops using the equity method and measures the retaining 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 consolidated company and the associates is recognized in the consolidated financial statements only when such profit or loss is irrelevant to the consolidated company'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 consolidated company reviews the estimated useful life, residual value and method of depreciation at least on the end day of each year and prospectively recognize 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 consolidated company 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 consolidated company 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 can not be estimated, the Company 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 consolidated company becomes a party of 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 consolidated company 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 they are not designated 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.

B. Financial assets measured at amortized cost

When the consolidated company's invested financial assets meet 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. 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

When the consolidated company's invested liability instruments meet both of the following two conditions, they are classified as financial assets measured at fair value through other comprehensive income:

- a. The financial assets held under a business model and the purpose of the business model is achieved by collecting contractual cash flow and selling financial assets; and
- b. The contractual terms generates cash flows on a specific date that are solely payments of principal and interest.

The investment in liability instruments measured at fair value through other comprehensive income is measured at fair value. The changes in book amount with respect to the interest income, profit or loss from foreign currency translation, and impairment loss or reversal profit calculated under the effective interest method are recognized in profit or loss. Other changes are recognized in other comprehensive income and reclassified as profit or loss for disposal of the investment.

(2) Impairment of financial and contractual assets

In addition to referring to Note 33, the consolidated company 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 indicates that a debtor is impossible to pay off the debts.
- B. Any payment is overdue more than 180 days, unless any reasonable and supportable information makes it appropriate to postpone the default criteria.

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 consolidated company consolidated company 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 consolidated Company 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 consolidated company 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 Company 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. Upon de-recognition of the entire investment in liability 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 as other comprehensive profit or loss is recognized as 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 instrument

The debt and equity instruments issued by the consolidated company 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 consolidated company are recognized based on the payment net of the direct cost of issuance.

When a reacquired equity instrument is originally owned by the consolidated company, the re-acquisition is recognized as a deduction to equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the consolidated company 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 value 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 transaction 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 derecognition 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 consolidated company 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 consolidated company include forward exchange rate in order to manage the interest rate and exchange rate risk of the consolidated company.

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 measured at fair value through profit and loss, the embedded derivatives are deemed stand-alone derivatives.

(XII) Recognition of revenue

After the consolidated company's recognition of performance obligations under a contract with customers, the consolidated company allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after each performance obligation is fulfilled.

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 consolidated company will perform 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 commodities

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, kids' 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, has the main responsibility to resell 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 of 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

The consolidated company assesses 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.

The consolidated company is the lessee

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 separate 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.

(XV) Government subsidies

The government grants shall only be recognized when it is reasonable to ensure that the consolidated company 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 Company.

If the government grants are used to make up the expenses or losses that have occurred, or immediately support the finance of the consolidated company and there is no future cost, such grants 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 consolidated company for use, these subsidies are recognized and measured at fair value of the non-monetary assets.

For the government loans that the consolidated company 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. Termination benefits

The consolidated company does not recognize the benefits as termination 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 consolidated company 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 consolidated company 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 the consolidated company expects 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. Sources of uncertainties to significant account judgments, estimates, and assumptions

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 consolidated company deems the effect of the COVID-19 on the economy as a consideration of significant accounting estimates. 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.

(I) 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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|----------------------------------|-------------------------|--------------------------|
| Cash on hand and working capital | \$ 596 | \$ 885 |
| Bank check and demand deposit | 747,235 | 679,638 |
| Cash equivalents | | |
| Time deposit | <u>18,492</u> | <u>-</u> |
| | <u>\$766,323</u> | <u>\$680,523</u> |

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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--------------|-------------------------|--------------------------|
| Bank deposit | 0.001%~0.05% | 0.001%~3.8% |
| Time deposit | 1.4% | - |

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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| <u>Financial assets - current</u> | | |
| Non-derivative financial assets | | |
| — Domestic listed (OTC) stocks | \$ <u>17,327</u> | \$ <u>14,541</u> |
| <u>Financial liabilities - current</u> | | |
| Held-for-sale | | |
| Derivatives: | | |
| - Conversion option (Note 19) | \$ <u>7,932</u> | \$ <u>33,122</u> |

VIII. Financial Assets Measured at Fair Value through Other Comprehensive Income

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---|-------------------------|--------------------------|
| <u>Non-current</u> | | |
| Domestic investment | | |
| Non-listed (Non-OTC) stock | | |
| Huan Hua Securities Finance Corporation | \$ 1,756 | \$ 19,632 |
| Foreign investment | | |
| Non-listed (Non-OTC) stock | | |
| Innotorq GmbH | <u>-</u> | <u>3,464</u> |
| | <u>\$ 1,756</u> | <u>\$ 23,096</u> |

The consolidated company invested in Huan Hua Securities Finance Corporation and Innotorq GmbH according to medium-term and long-term strategies and expected to gain profits through long-term investment.

Since the consolidated company'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.

To develop the North American market, the consolidated company invested NTD 136,525,000 to buy 157 shares of the Advanced Sports Inc. in the USA in December 2004, and acquired 17% of the equity. In July 2016, the invested company merged with Performance Holding Inc. to form Advanced Sports Enterprises Inc. To maintain stable partnership and ensure sales in the future, the consolidated company increased the investment amount of NTD 226,205,000 (USD 7 million) and the total investment amount was NTD 362,730,000 for a total of 9,814,691 shares or a shareholding of 17%. Advanced Sports Enterprises Inc. applied to a US court for

reorganization on November 16, 2018. Since the management of the consolidated company found that the fair value of the Advanced Sports Enterprises Inc. was very low, the balance of the equity investment was recognized in the unrealized valuation loss of the investment in equity instruments measured at fair value through other comprehensive income. Refer to Note 33.

IX. Financial assets measured at amortized cost

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---|-------------------------|--------------------------|
| <u>Current</u> | | |
| Foreign investment | | |
| Time deposit with an initial maturity date over 3 months (II) | \$ <u>9,611</u> | \$ <u>-</u> |
| <u>Non-current</u> | | |
| Domestic investment | | |
| Bank debentures of BANK of PANSHIN (I) | \$ - | \$ 10,000 |
| Time deposit with an initial maturity date over 3 months (II) | <u>323,529</u> | <u>345,373</u> |
| | <u>\$323,529</u> | <u>\$355,373</u> |

- (I) In 2014, The Company bought 5-year bank debentures from the BANK of PANSHIN at a par value of NTD 10,000,000 and both the coupon and effective rates were 3%
- (II) As of December 31, 2020, the interest rate range of the time deposit with an initial maturity date over 3 months was 1.65%.
- (III) For more information on the pledge of the financial assets measured at amortized cost, please refer to Note 33.

X. Notes/accounts receivable and other receivables

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|------------------------------|-------------------------|--------------------------|
| <u>Notes receivable</u> | | |
| Measured at amortized cost | | |
| Total book value | \$ <u> -</u> | \$ <u> 44</u> |
| <u>Accounts receivable</u> | | |
| Measured at amortized cost | | |
| Total book value | \$ 928,400 | \$ 1,130,732 |
| Less: Loss allowance | (<u>183,666</u>) | (<u>230,522</u>) |
| | <u>\$ 744,734</u> | <u>\$ 900,210</u> |
| <u>Other receivables</u> | | |
| Measured at amortized cost | | |
| Total book value | \$ 42,605 | \$ 40,918 |
| Less: Loss allowance | (5,666) | (5,755) |
| Income tax refund receivable | 956 | 2,406 |
| Earned revenue receivable | <u> -</u> | <u> 171</u> |
| | <u>\$ 37,895</u> | <u>\$ 37,740</u> |

Accounts receivable

The consolidated company provides an average credit period of 14 ~ 150 days for sale of goods and the credit standard is determined based on the characteristics of the industry in which the trading counterparty operates as well as its business scale and profitability. Interest does not accrue on notes and accounts receivable. (It is charged from some customers pursuant to the terms of transaction.)

According to the transaction policy, the consolidated company only trades with the counterparts that are rated equivalent to the investment level or higher in brand awareness, conformity of the product grade to the operating policy and goals of the consolidated company and other aspects. Full guarantees (advance sale receipts) are required if necessary to reduce the risk of financial loss due to default. The Company rate customers with reference to open operation and financial information as well as historic trading records. The consolidated company continuously monitors the credit risk exposure and the credit rating of the trading counterparty and distributes the total trading amount to different customers qualified in credit rating.

The consolidated company recognizes 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 counterparty is facing serious financial difficulties and the consolidated company cannot estimate a reasonable recoverable amount (for example, the trading counterparty is undergoing liquidation or any debt has been overdue for more than two years), the consolidated company directly write off related accounts receivable, continue to claim for payment, and recognize the recovered amount therefrom in profit or loss.

The loss allowances for accounts receivable measured using the provision matrix are as follows:

December 31 2020

| | Not overdue | 1~4 days overdue | 5~6 days overdue | 7~12 days overdue | 1~2 years overdue | 2~3 years overdue | Over 3 years overdue | Total |
|--|-------------------|------------------|------------------|-------------------|-------------------|-------------------|----------------------|-------------------|
| Total book value | \$ 614,621 | \$ 74,208 | \$ 40,953 | \$ 26,421 | \$ 16,417 | \$ 145,794 | \$ 9,986 | \$ 928,400 |
| Loss allowance (lifetime expected credit losses) | - | - | (399) | (13,254) | (16,018) | (144,009) | (9,986) | (183,666) |
| Amortized cost | <u>\$ 614,621</u> | <u>\$ 74,208</u> | <u>\$ 40,554</u> | <u>\$ 13,167</u> | <u>\$ 399</u> | <u>\$ 1,785</u> | <u>\$ -</u> | <u>\$ 744,734</u> |

December 31, 2019

| | Not overdue | 1~4 days overdue | 5~6 days overdue | 7~12 days overdue | 1~2 years overdue | 2~3 years overdue | Total |
|--|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Total book value | \$ 660,294 | \$ 113,527 | \$ 32,085 | \$ 87,253 | \$ 227,588 | \$ 9,985 | \$1,130,732 |
| Loss allowance (lifetime expected credit losses) | - | (13,311) | (328) | (2,941) | (203,957) | (9,985) | (230,522) |
| Amortized cost | <u>\$ 660,294</u> | <u>\$ 100,216</u> | <u>\$ 31,757</u> | <u>\$ 84,312</u> | <u>\$ 23,631</u> | <u>\$ -</u> | <u>\$ 900,210</u> |

Changes in loss allowance for accounts receivable are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Balance at beginning of year | \$230,522 | \$ 63,715 |
| Plus: Impairment loss appropriated in the year | - | 170,563 |
| Less: Impairment loss reversed in the year | (31,239) | - |
| Less: Actual amount written off in the year | (7,794) | - |
| Reclassification in current period | (1,024) | - |
| Differences from translation of foreign currencies | (6,799) | (3,756) |
| Balance at ending of year | <u>\$183,666</u> | <u>\$230,522</u> |

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

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| Balance at beginning of year | \$ 5,755 | \$ 269 |
| Plus: Impairment loss appropriated in the year | - | 5,491 |
| Less: Impairment loss reversed in the year | (86) | - |
| Differences from translation of foreign currencies | (3) | (5) |
| Balance at ending of year | <u>\$ 5,666</u> | <u>\$ 5,755</u> |

XI. Inventory

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|----------------------|-------------------------|--------------------------|
| Raw material | \$ 684,354 | \$ 591,801 |
| Finished good | 206,232 | 299,612 |
| Work in process | 99,082 | 92,227 |
| In-transit inventory | 80,597 | 100,266 |
| Semi-finished goods | 43,448 | 39,369 |
| Merchandise | 1,511 | 43,011 |
| | <u>\$ 1,115,224</u> | <u>\$ 1,166,286</u> |

The cost of sales related to inventories in 2020 and 2019 was NTD3,645,911,000 and NTD3,725,595,000, respectively. The cost of sales included inventory devaluation loss (gain from price recovery of inventory) of NTD 11,796,000 and (NTD 18,682,000). Recovery of the net realizable value of inventory in 2020 and 2019 was due to continuous reduction of inventory.

XII. Subsidiary

(I) Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are as follows:

| <u>Name of investor</u> | <u>Name of subsidiary</u> | <u>Nature of business</u> | <u>Shareholding ratio</u> | | <u>Description</u> | |
|-------------------------|---|--|--|--------------------------|--------------------|---|
| | | | <u>December 31 2020</u> | <u>December 31, 2019</u> | | |
| 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% | - | |
| | Ideal Europe SP ZO.O | Manufacture and trading of bicycle parts | 100% | 100% | - | |
| | 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% | 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% | - |

| Name of investor | Name of subsidiary | Nature of business | Shareholding ratio | | Description |
|---|--|-------------------------------------|--------------------|-------------------|-------------|
| | | | December 31 2020 | December 31, 2019 | |
| Pacific Glory Worldwide Ltd. | Advanced Sports International-Asia Ltd. | Trading of bicycles and accessories | 20% | 20% | Note 2 |
| Advanced Sports International-Asia Ltd. | Advanced Sports International - Asia Ltd., Taiwan Branch | Trading of bicycles and accessories | 100% | 100% | - |
| 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.

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

XIII. Investment under Equity Method

Investment in associates

| Associate | December 31 2020 | December 31, 2019 |
|----------------------------|------------------|-------------------|
| Fulltech Fiber Glass Corp. | <u>\$173,363</u> | <u>\$186,250</u> |

(I) Important associates

| Company name | Proportion of Shareholding and Voting Right | |
|----------------------------|---|-------------------|
| | December 31 2020 | December 31, 2019 |
| Fulltech Fiber Glass Corp. | 2.69% | 2.63% |
| Innotorq GmbH | Note | Note |

Note: The shareholding percentage of Innotorq GmbH dropped to 18.4% in Q3 of 2018. The long-term equity investment under the equity method was transferred to financial assets measured at fair value through other comprehensive income.

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

| Company name | December 31 2020 | December 31, 2019 |
|----------------------------|------------------|-------------------|
| Fulltech Fiber Glass Corp. | <u>\$164,150</u> | <u>\$144,158</u> |

The consolidated company adopts the equity method for the above-mentioned associates.

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

Fulltech Fiber Glass Corp.

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| Current assets | \$ 2,887,262 | \$ 3,492,413 |
| Non-current assets | 10,430,252 | 10,509,276 |
| Current liabilities | (2,263,893) | (1,592,136) |
| Non-current liabilities | (4,434,532) | (5,468,777) |
| Equity | <u>\$ 6,619,089</u> | <u>\$ 6,940,776</u> |
| | | |
| The consolidated company's shareholding ratio | 2.69% | 2.63% |
| The consolidated company's equity | \$ 178,053 | \$ 182,542 |
| Other adjustments | (4,690) | 3,708 |
| Investment book value | <u>\$ 173,363</u> | <u>\$ 186,250</u> |
| Operating revenue | <u>\$ 3,092,091</u> | <u>\$ 4,333,448</u> |
| | | |
| Net profit for the year | (\$ 479,074) | (\$ 122,266) |
| Other comprehensive income | 144,056 | (7) |
| Total comprehensive income | <u>(\$ 335,018)</u> | <u>\$ 122,273</u> |
| | | |
| Dividend received from Fulltech | <u>\$ -</u> | <u>\$ 5,566</u> |

The Chairman of the consolidated company 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 consolidated company holds less than 20% of the shares of voting rights in Fulltech Fiber Glass Corp. However, as the consolidated company have had significant effect on Fulltech with such shares since 2010, the equity method is used for measurement.

The equity-accounted investee, Fulltech Fiber Glass Corp., of the consolidated company 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

| 2020 | | | | | | |
|--|--------------------------------------|-----------------------------------|-------------------------------|----------------------------|----------------------|-----------------------------------|
| | Balance at beginning of period | Increase in the current period | Decrease in Current Period | Net exchange difference | Reclassification | Balance at ending of period |
| <u>Cost</u> | | | | | | |
| Self-owned Land | \$ 114,410 | \$ - | \$ - | (\$ 173) | \$ - | \$ 114,237 |
| Building | 778,990 | 10,989 | - | 4,726 | - | 794,705 |
| Machine and equipment | 399,019 | 11,287 | (1,996) | 3,949 | (6,195) | 406,064 |
| Transport equipment | 25,022 | 4,692 | (1,214) | (338) | 9,763 | 37,925 |
| Office equipment | 22,269 | 289 | (333) | (180) | - | 22,045 |
| Other equipment | 125,595 | 1,418 | (6,004) | 783 | (3,568) | 118,224 |
| Equipment to be tested | 1,129 | 2,909 | (1,126) | (4) | - | 2,908 |
| | <u>1,466,434</u> | <u>\$ 31,584</u> | <u>(\$ 10,673)</u> | <u>\$ 8,763</u> | <u>\$ -</u> | <u>1,496,108</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Building | 380,277 | \$ 28,877 | \$ - | \$ 4,570 | \$ - | 413,724 |
| Machine and equipment | 323,120 | 14,745 | (1,850) | 3,169 | (1,136) | 338,048 |
| Transport equipment | 17,657 | 1,298 | (1,106) | (108) | 1,296 | 19,037 |
| Office equipment | 19,715 | 1,296 | (333) | (159) | - | 20,519 |
| Other equipment | 113,700 | 3,897 | (5,288) | 724 | (160) | 112,873 |
| | <u>854,469</u> | <u>\$ 50,113</u> | <u>(\$ 8,577)</u> | <u>\$ 8,196</u> | <u>\$ -</u> | <u>904,201</u> |
| Net amount at ending of period | <u>\$ 611,965</u> | | | | | <u>\$ 591,907</u> |
| 2019 | | | | | | |
| | Balance at beginning of period | Increase in the current period | Decrease in current period | Net exchange difference | Reclassificatio n | Balance at ending of period |
| <u>Cost</u> | | | | | | |
| Self-owned Land | \$ 114,561 | \$ - | \$ - | (\$ 151) | \$ - | \$ 114,410 |
| Building | 799,229 | 3,049 | - | (23,288) | - | 778,990 |
| Machine and equipment | 412,771 | 923 | (1,444) | (13,231) | - | 399,019 |
| Transport equipment | 20,866 | 5,830 | (1,022) | (652) | - | 25,022 |
| Office equipment | 36,342 | 1,133 | (15,051) | (155) | - | 22,269 |
| Other equipment | 128,260 | 1,622 | (1,995) | (2,293) | - | 125,595 |
| Equipment to be tested | 392 | 785 | - | (47) | - | 1,129 |
| | <u>1,512,421</u> | <u>\$ 13,342</u> | <u>(\$ 19,512)</u> | <u>(\$ 39,817)</u> | <u>\$ -</u> | <u>1,466,434</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Building | 362,210 | \$ 30,323 | \$ - | (\$ 12,256) | \$ - | 380,277 |
| Machine and equipment | 317,085 | 17,867 | (1,410) | (10,422) | - | 323,120 |
| Transport equipment | 17,942 | 1,113 | (921) | (477) | - | 17,657 |
| Office equipment | 33,006 | 1,851 | (15,004) | (138) | - | 19,715 |
| Other equipment | 111,266 | 6,412 | (1,953) | (2,025) | - | 113,700 |
| | <u>841,509</u> | <u>\$ 57,566</u> | <u>(\$ 19,288)</u> | <u>(\$ 25,318)</u> | <u>\$ -</u> | <u>854,469</u> |
| Net amount at ending of period | <u>\$ 670,912</u> | | | | | <u>\$ 611,965</u> |

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 | 2 to 35 years |

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

XV. Lease agreement

(I) Right-of-use asset

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---|-------------------------|--------------------------|
| Book value of right-of-use assets | | |
| Land | \$ 48,143 | \$ 48,778 |
| Building | 1,642 | 942 |
| Transport equipment | <u>539</u> | <u>380</u> |
| | <u>\$ 50,324</u> | <u>\$ 50,100</u> |
| | <u>2020</u> | <u>2019</u> |
| Depreciation expense of right-of-use assets | | |
| Land | \$ 1,373 | \$ 1,437 |
| Building | 1,202 | 268 |
| Transport equipment | <u>403</u> | <u>1,142</u> |
| | <u>\$ 2,978</u> | <u>\$ 2,847</u> |

(II) Lease liabilities

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---------------------------------|-------------------------|--------------------------|
| Book value of lease liabilities | | |
| Current | <u>\$ 1,647</u> | <u>\$ 785</u> |
| Non-current | <u>\$ 559</u> | <u>\$ 550</u> |

Range of discount rate for lease liabilities is as follows:

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---------------------|-------------------------|--------------------------|
| Building | 2.42% | 2.56%~2.60% |
| Transport equipment | 2.56%~2.60% | 2.57% |

(III) Materials lease activities and terms

The consolidated company 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 consolidated company 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

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Short-term lease expense | <u>\$ 824</u> | <u>\$ 922</u> |
| Less: Leases expense of low-value assets | <u>\$ 385</u> | <u>\$ 884</u> |
| Total cash (outflow) amount for lease | <u>(\$ 2,802)</u> | <u>(\$ 3,247)</u> |

The consolidated company's opt 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

| | <u>2020</u> | | | | |
|--|---|---|---|--|--|
| | <u>Balance at beginning of period</u> | <u>Increase in the current period</u> | <u>Decrease in Current Period</u> | <u>Net exchange difference</u> | <u>Balance at ending of period</u> |
| <u>Cost</u> | | | | | |
| Computer software | \$ 37,622 | \$ 3,400 | \$ - | \$ 193 | \$ 41,215 |
| Trademark rights | <u>210,487</u> | <u>-</u> | <u>-</u> | <u>(10,532)</u> | <u>199,955</u> |
| | 248,109 | <u>\$ 3,400</u> | <u>\$ -</u> | <u>(\$ 10,339)</u> | 241,170 |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Computer software | <u>34,097</u> | <u>\$ 2,315</u> | <u>\$ -</u> | <u>\$ 275</u> | <u>36,687</u> |
| Net amount at ending of period | <u>\$ 214,012</u> | | | | <u>\$ 204,483</u> |
| | | | | | |
| | <u>2019</u> | | | | |
| | <u>Balance at beginning of period</u> | <u>Increase in the current period</u> | <u>Decrease in Current Period</u> | <u>Net exchange difference</u> | <u>Balance at ending of period</u> |
| <u>Cost</u> | | | | | |
| Computer software | \$ 36,487 | \$ 1,777 | \$ - | (\$ 642) | \$ 37,622 |
| Trademark rights | <u>-</u> | <u>216,383</u> | <u>-</u> | <u>(5,896)</u> | <u>210,487</u> |
| | 36,487 | <u>\$ 218,160</u> | <u>\$ -</u> | <u>(\$ 6,538)</u> | 248,109 |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Computer software | <u>31,756</u> | <u>\$ 2,901</u> | <u>\$ -</u> | <u>(\$ 560)</u> | <u>34,097</u> |
| Net amount at ending of period | <u>\$ 4,731</u> | | | | <u>\$ 214,012</u> |

The statutory period of trademark is 10 years. However, it can be postponed every ten years at a tiny cost. The management of the consolidated company finds that the consolidated company has the intention and ability to postpone the time limit. The management has conducted the life cycle survey of products and the research on 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 3 years

XVII. Other assets

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| <u>Current</u> | | |
| Inventory of supplies | \$ 8,977 | \$ 7,185 |
| Prepayments | | |
| Prepayment for purchase | 65,220 | 55,532 |
| Other prepaid expenses | 11,245 | 18,845 |
| Prepaid insurance | 4,933 | 2,456 |
| Other payables | - | 16 |
| Overpaid tax retained for offsetting the future tax payable | <u>13,248</u> | <u>10,586</u> |
| | <u>\$103,623</u> | <u>\$ 94,620</u> |
| <u>Non-current</u> | | |
| Guarantee deposits paid | \$ 1,815 | \$ 1,867 |
| Prepayment for equipment purchase | 6,613 | 6,833 |
| Others | <u>1,860</u> | <u>2,448</u> |
| | <u>\$ 10,288</u> | <u>\$ 11,148</u> |

XVIII. Loan

(I) Short-term loans

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|-------------------------|--------------------------|
| <u>Secured loan (Note 32)</u> | | |
| Bank loan | \$ 610,312 | \$ 475,428 |
| Loan for purchase of material | <u>-</u> | <u>142,526</u> |
| | 610,312 | 617,954 |
| <u>Unsecured loan</u> | | |
| Credit loan | 194,363 | 387,522 |
| Loan for purchase of material | <u>15,876</u> | <u>112,009</u> |
| | <u>\$ 820,551</u> | <u>\$ 1,117,485</u> |
| Range of interest rates | 1.01%~4.61% | 0.77%~4.91% |

(II) Long-term loans

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|-------------------------|--------------------------|
| <u>Secured loan (Note 32)</u> | | |
| Bank loan | \$204,525 | \$178,325 |
| <u>Unsecured loan</u> | | |
| Bank loan | <u>19,472</u> | <u>175,571</u> |
| | 223,997 | 353,896 |
| Less: Due within one year | (<u>164,684</u>) | (<u>207,886</u>) |
| Long-term loans | <u>\$ 59,313</u> | <u>\$146,010</u> |
| Range of interest rates | 1.04%~2.50% | 1.58%~4.25% |

| | <u>Period</u> | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---------------------------|--------------------|-----------------------------|------------------------------|
| Secured NTD loans | 08.2018 to 04.2021 | \$ 124,825 | \$ 164,825 |
| Secured NTD loans | 10.2020 to 10.2022 | 50,000 | 110,831 |
| Secured NTD loans | 10.2020 to 10.2025 | 29,700 | 18,750 |
| Unsecured USD loans | 06.2018 to 06.2021 | 14,240 | 44,970 |
| Unsecured PLN loans | 10.2020 to 10.2024 | 2,235 | - |
| Unsecured PLN loans | 04.2020 to 04.2023 | 1,232 | - |
| Unsecured PLN loans | 10.2020 to 10.2025 | 885 | - |
| Unsecured PLN loans | 03.2020 to 03.2023 | 518 | - |
| Unsecured PLN loans | 11.2018 to 02.2022 | 362 | 361 |
| Unsecured PLN loans | 12.2018 to 12.2021 | - | 659 |
| Secured NTD loans | 07.2017 to 07.2020 | - | 13,500 |
| Less: Due within one year | | (<u>164,684</u>) | (<u>207,886</u>) |
| Total long-term loans | | <u>\$ 59,313</u> | <u>\$ 146,010</u> |

XIX. Corporate bond payable

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| 4th domestic secured convertible corporate bond (I) | \$274,902 | \$271,411 |
| 5th domestic unsecured convertible corporate bond (II) | <u>258,197</u> | <u>373,809</u> |
| | 533,099 | 645,220 |
| Less: Due within one year | (<u>274,902</u>) | - |
| | <u>\$258,197</u> | <u>\$645,220</u> |

(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, the consolidated company 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.

Early redemption of the convertible bonds

From the date (February 18, 2017) following expiration of one month upon offering of the convertible corporate bonds until 40 days prior to expiration of the duration (December 8, 2021), if the closing price of the consolidated company's common shares exceeds the current conversion price by more than 30% for 30 consecutive business days, the consolidated company may send the "Notice of Call" to be matured in one month (the time limit shall commence from the consolidated 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 consolidated 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 consolidated company shall call the corporate bonds at the face value in cash within five (5) business days upon the record date.

From the date (February 18, 2017) following expiration of one month upon offering of the convertible corporate bonds until 40 days prior to expiration of the

duration (December 8, 2021), if the balance of the outstanding convertible corporate bonds is less than 10% of the initial total issue price, the consolidated company may send the “Notice of Call” to be matured in one month (the time limit shall commence from the consolidated 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 thereafter. Meanwhile, the consolidated 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 consolidated 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 consolidated company prior to the record date indicated on the “Notice of Call,” the consolidated company shall call the corporate bonds at the face value in cash within five (5) business days upon the record date.

Creditors’ put option

The bondholders may exercise the put option on the record dates thereof, namely, January 17, 2019, and January 17, 2021, upon expiration of two and four years, respectively, after issuance of the bonds. The consolidated 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 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 consolidated company shall ask Taipei Exchange in writing to post a public announcement to request the holders of the convertible corporate bonds to exercise put option. The bondholders may give a written notice to the stock affairs department of the consolidated 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 consolidated company to redeem the convertible corporate bonds they hold at the face value plus an interest compensation [101.0025% of the face value for the expiration of two years (a real yield of 0.5%) or

102.8295% of the face value for the expiration of four years (a real yield of 0.7%)]. The consolidated 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.

Conversion period

Unless (A) the period for suspension of transfer registration of common stock required by laws, (B) the period from 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the consolidated 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 (C) 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 consolidated company’s stock affairs department to convert the convertible corporate bonds into the consolidated company’s common shares pursuant to the Regulations at any time from the day following expiration of one month after the convertible corporate bonds are issued (February 18, 2017) to the expiration date (January 17, 2022), and may act in accordance with Article 10, 11 and 13 of the Regulations.

Conversion price and its adjustment

The conversion price of the convertible corporate bonds was determined with January 9, 2017, as the temporary record date of conversion price. The price is NTD 11.2 per share. In case the number of the consolidated 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, 2020.

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 consolidated company.

Provided as Guarantees

The convertible corporate bonds are secured. However, if the consolidated 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 price (subtracting the transaction cost of NTD 18,570,000) | \$281,430 |
| Interest based on effective rate of 1.2862% | 10,368 |
| Corporate bond payable converted to common stock | (<u>20,387</u>) |
| Liability components on December 31, 2019 | 271,411 |
| Interest based on effective rate of 1.2862% | <u>3,491</u> |
| Liability components on December 31, 2020 | <u>\$274,902</u> |

(II) 5th domestic unsecured convertible corporate bond

Subject to the approval of the Financial Supervisory Commission under Letter Jin-Guan-Zheng-Fa-Zi No. 1070314271 on May 15, 2018, the consolidated company offered and issued the 4th domestic secured convertible corporate bonds amounting to NTD 400,000 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 consolidated company's common shares exceeds the current conversion price by more than 30% for 30 consecutive business days, the consolidated company may send the "Notice of Call" to mature in 30 days (the time limit shall commence from the consolidated 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 consolidated 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 consolidated 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 the outstanding convertible corporate bonds is less than 10% of the initial total issue price, the consolidated company may send the "Notice of Call" to mature in 30 days (the time limit shall commence from the consolidated 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 thereafter. Meanwhile, the consolidated 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 consolidated company's 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 consolidated company prior to the record date indicated on the "Notice of Call", the consolidated 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 consolidated 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 consolidated company shall ask Taipei Exchange in writing to post a public announcement to request the holders of the convertible corporate bonds to exercise put option. The bondholders may give a written notice to the stock affairs department of the consolidated 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 consolidated 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 consolidated 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.

Conversion period

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 consolidated 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 and Clearing Corporation (TDCC) (hereinafter referred to as the “Depository Corporation”) via the securities firm to ask the consolidated company’s stock affairs department to convert the convertible corporate bonds into the consolidated 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.

Conversion price and its adjustment

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 consolidated 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 14.30 as of December 31, 2020.

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 consolidated company.

Provided as Guarantees

The convertible corporate bonds are unsecured. However, if the consolidated 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 1.970892%.

| | |
|---|--------------------|
| Issuance price (subtracting the transaction cost of NTD 37,508,000) | \$362,492 |
| Interest based on effective rate of 1.970892% | <u>11,317</u> |
| Liability components on December 31, 2019 | 373,809 |
| Interest based on effective rate of 1.970892% | 6,485 |
| Corporate bond payable converted to common stock | <u>(122,097)</u> |
| Liability components on December 31, 2020 | <u>\$258,197</u> |

XX. Notes and accounts payable

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|------------------|-------------------------|--------------------------|
| Accounts payable | <u>\$891,389</u> | <u>\$680,362</u> |

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

XXI. Other liabilities

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--------------------------|-------------------------|--------------------------|
| <u>Current</u> | | |
| Other payables | | |
| Salary and bonus payable | \$ 42,633 | \$ 26,622 |
| Insurance payable | 8,182 | 9,871 |
| Processing fee payable | 6,716 | 4,042 |
| Service fee payable | 6,469 | 19,009 |
| Others | <u>44,803</u> | <u>42,335</u> |
| | <u>\$108,803</u> | <u>\$101,879</u> |
| Other liabilities | | |
| Agency Receipts | \$ 10,768 | \$ 8,949 |
| Temporary receipts | 656 | 787 |
| Refund liabilities | - | 42 |
| Others | <u>3,127</u> | <u>2,906</u> |
| | <u>\$ 14,551</u> | <u>\$ 12,684</u> |

XXII. Retirement benefit plans

(I) Defined contribution plan

The pension system specified in the “Labor Pension Act” and adopted by the consolidated company 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 consolidated company’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 consolidated company of the consolidated company 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 the difference in one appropriation before the end of March the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor and the consolidated company does 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:

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---|-------------------------|--------------------------|
| Present value of defined benefit obligation | \$ 38,143 | \$ 46,810 |
| Fair value of plan assets | (<u>13,268</u>) | (<u>20,499</u>) |
| Net defined benefit liabilities | <u>\$ 24,875</u> | <u>\$ 26,311</u> |

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 on January 1, 2019 | \$ 49,276 | \$ 19,466 | \$ 29,810 |
| Cost of defined benefit | | | |
| Current service cost | 400 | - | 400 |
| Interest expense | 665 | - | 665 |
| Interest income | - | 294 | (294) |
| Recognized in profit or loss | <u>1,065</u> | <u>294</u> | <u>771</u> |
| Re-measurement | | | |
| Return on planned assets | - | 575 | (575) |
| Actuarial loss - experience adjustment | 1,288 | - | 1,288 |
| Actuarial loss - financial assumption adjustment | (701) | - | (701) |
| Recognition in other comprehensive income | <u>587</u> | <u>575</u> | <u>12</u> |
| Contribution by employer | - | 4,282 | (4,282) |
| Payment of benefits | (4,118) | (4,118) | - |
| Balance on December 31, 2019 | <u>46,810</u> | <u>20,499</u> | <u>26,311</u> |
| Cost of defined benefit | | | |
| Current service cost | 312 | - | 312 |
| Interest expense | 515 | - | 515 |
| Interest income | - | 249 | (249) |
| Recognized in profit or loss | <u>827</u> | <u>249</u> | <u>578</u> |
| Re-measurement | | | |
| Return on planned assets | - | 625 | (625) |
| Actuarial loss - experience adjustment | 1,963 | - | 1,963 |
| Actuarial loss - financial assumption adjustment | <u>1,978</u> | - | <u>1,978</u> |
| Recognition in other comprehensive income | <u>3,941</u> | <u>625</u> | <u>3,316</u> |
| Contribution by employer | - | 3,987 | (3,987) |
| Payment of benefits | (13,435) | (12,092) | (1,343) |
| Balance on December 31, 2020 | <u>\$ 38,143</u> | <u>\$ 13,268</u> | <u>\$ 24,875</u> |

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

| | <u>2020</u> | <u>2019</u> |
|------------------------|---------------|---------------|
| Operating cost | \$ 121 | \$ 475 |
| Marketing expense | 44 | 136 |
| Administrative expense | <u>413</u> | <u>160</u> |
| | <u>\$ 578</u> | <u>\$ 771</u> |

The consolidated company 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 consolidated company’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/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 consolidated company’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:

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|----------------------------------|-------------------------|--------------------------|
| Discount rate | 0.60% | 1.10% |
| 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:

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|----------------------------------|-------------------------|--------------------------|
| Discount rate | | |
| Increase by 0.25% | (\$ <u>1,002</u>) | (\$ <u>1,288</u>) |
| Decrease by 0.25% | <u>\$ 1,047</u> | <u>\$ 1,435</u> |
| Rate of expected salary increase | | |
| Increase by 1.00% | <u>\$ 4,407</u> | <u>\$ 5,688</u> |
| Decrease by 1.00% | (<u>\$ 3,790</u>) | (<u>\$ 4,896</u>) |

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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---|-------------------------|--------------------------|
| Expected contribution within 1 year | <u>\$ 3,987</u> | <u>\$ 4,282</u> |
| Average maturity of defined benefit obligations | 14.8 years | 15.2 years |

XXIII. Preferred share liabilities

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|-------------------------|--------------------------|
| Preferred share liabilities | <u>\$173,728</u> | <u>\$214,957</u> |

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, Inc., the consolidated company 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. The consolidated company recognized the preference shares held by Fulltech in preference share liabilities to the amount of NTD 231,150,000. 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) Share capital

1. Common stock

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| Number of authorized shares (thousand shares) | <u>350,000</u> | <u>350,000</u> |
| Authorized capital | <u>\$ 3,500,000</u> | <u>\$ 3,500,000</u> |
| Number of issued shares with adequate capital received (thousand shares) | <u>243,279</u> | <u>234,251</u> |
| Issued capital | <u>\$ 2,432,787</u> | <u>\$ 2,342,508</u> |

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

The amount of the corporate bonds converted to common stock was NTD 19,815,000 in March 2018. Required registration of changes was completed on April 20, 2018.

To enhance the overall operating plan and competitiveness, the consolidated company held a special shareholders' 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 consolidated company'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 consolidated company. 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.

(II) Capital reserves

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| <u>Available for makeup of loss, distribution of cash dividends or transfer into capital (1)</u> | | |
| Common stock premium | \$ - | \$ - |
| Donated assets and disposal gains | 69 | 69 |
| Corporate bond conversion premium | <u>38,829</u> | <u>-</u> |
| | <u>38,898</u> | <u>69</u> |
| <u>Only available for makeup of loss</u> | | |
| Changes in net worth of equity of affiliates recognized under equity method (2) | 2,562 | 2,562 |
| Employee stock options | 4,483 | 4,483 |
| Others (invalid corporate bond options) | <u>13,264</u> | <u>13,264</u> |
| | <u>20,309</u> | <u>20,309</u> |
| <u>Not available for any purposes</u> | | |
| Stock option | <u>33,733</u> | <u>40,744</u> |
| | <u>\$ 92,940</u> | <u>\$ 61,122</u> |

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 consolidated company to recognize subsidiaries' capital reserves under the equity method.

(III) Retained earnings and dividend policy

According to the Company's earnings distribution policy, if the Company has a profit at the year's final accounting, it shall first pay the income tax and make up any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserve, 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 regulated in the Company's Articles of Incorporation, please refer to (6) 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 the total paid-in capital by 25% may be appropriated as capital or distributed by cash.

The Company provides and reverses special reserve according to the Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 and "Q&A for Provision of Special Reserve Upon First-Time Adoption of IFRSs".

(IV) Special reserves

| | <u>2020</u> | <u>2019</u> |
|---------------------------|------------------|------------------|
| Balance at ending of year | <u>\$ 78,308</u> | <u>\$ 78,308</u> |

(V) Other equities

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

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Balance at beginning of year | (\$144,273) | (\$108,280) |
| Exchange differences from translation of foreign operations' net assets | <u>9,485</u> | <u>(35,993)</u> |
| Balance at ending of year | <u>(\$134,788)</u> | <u>(\$144,273)</u> |

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

| | <u>2020</u> | <u>2019</u> |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | (\$290,822) | (\$289,113) |
| Amounts incurred in the year | | |
| Unrealized gains and losses | | |
| Equity instrument | <u>(3,464)</u> | <u>(1,709)</u> |
| Balance at ending of year | <u>(\$294,286)</u> | <u>(\$290,822)</u> |

XXV. Revenue

(I) Revenue from contracts with customers

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Revenue from contracts with customers | | |
| Revenue from sale of commodities | \$ 3,850,618 | \$ 3,949,217 |
| Revenue from commission | 95,428 | 87,923 |
| Revenue from royalty | <u>76,892</u> | <u>19,746</u> |
| | <u>\$ 4,022,938</u> | <u>\$ 4,056,886</u> |

(II) Balance of contract amount

| | <u>December 31 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|-------------------------------|-----------------------------|------------------------------|------------------------|
| Accounts receivable (Note 10) | <u>\$ 744,734</u> | <u>\$ 900,210</u> | <u>\$ 1,098,287</u> |
| Contractual liabilities | | | |
| Sale of products | <u>\$ 161,002</u> | <u>\$ 108,006</u> | <u>\$ 67,629</u> |

(III) Customer contract income breakdown

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|---------------------|
| <u>Major market by region</u> | | |
| Europe | \$ 2,507,496 | \$ 2,763,874 |
| America | 898,600 | 691,200 |
| Asia | 383,096 | 453,029 |
| Others | <u>233,746</u> | <u>148,783</u> |
| | <u>\$ 4,022,938</u> | <u>\$ 4,056,886</u> |
| <u>Main product</u> | | |
| Bicycle | \$ 3,315,958 | \$ 3,462,204 |
| Others | <u>706,980</u> | <u>594,682</u> |
| | <u>\$ 4,022,938</u> | <u>\$ 4,056,886</u> |

XXVI. Net profit (loss) of continuing operations

(I) Interest income

| | <u>2020</u> | <u>2019</u> |
|-----------------|-----------------|-----------------|
| Interest income | <u>\$ 4,143</u> | <u>\$ 3,608</u> |

(II) Other revenue

| | <u>2020</u> | <u>2019</u> |
|---------------------------|------------------|------------------|
| Government subsidy income | \$ 11,500 | \$ - |
| Dividend income | 1,119 | 787 |
| Rent income | 55 | 285 |
| Others | <u>120,018</u> | <u>98,577</u> |
| | <u>\$132,692</u> | <u>\$ 99,649</u> |

(III) Other profits and losses

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Net foreign exchange loss | (\$ 84,378) | (\$ 16,893) |
| Loss from disposal of investments | - | (288) |
| Financial instrument profit measured at fair value through profit or loss | 27,976 | (4,810) |
| Disposal of property, plant, and equipment | 863 | 116 |
| Other profits (losses) | (<u>8,320</u>) | (<u>19,325</u>) |
| | <u>(\$ 63,859)</u> | <u>(\$ 41,200)</u> |

(IV) Financial cost

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Bank loan interest | \$ 29,610 | \$ 48,720 |
| Amortization of convertible corporate bonds | 9,976 | 10,736 |
| Interest on lease liabilities | 56 | 44 |
| Preferred dividends - liabilities | <u>4,600</u> | <u>4,461</u> |
| | <u>\$ 44,242</u> | <u>\$ 63,961</u> |

(V) Depreciation and amortization

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Summary of depreciation expenses by function | | |
| Operating cost | \$ 37,832 | \$ 44,516 |
| Operating expense | <u>15,259</u> | <u>15,897</u> |
| | <u>\$ 53,091</u> | <u>\$ 60,413</u> |

(Next page)

(Continued from previous page)

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| Summary of amortization expenses for intangible assets by function | | |
| Operating cost | \$ 600 | \$ 978 |
| Operating expense | <u>1,715</u> | <u>1,923</u> |
| | <u>\$ 2,315</u> | <u>\$ 2,901</u> |

(VI) Employee benefit expense

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|------------------|------------------|
| Retirement benefits (Note 22) | | |
| Defined contribution plan | \$ 5,453 | \$ 6,071 |
| Defined benefit plan | <u>578</u> | <u>771</u> |
| | 6,031 | 6,842 |
| Other employee benefits | <u>337,226</u> | <u>392,027</u> |
| Total employee benefit expenses | <u>\$343,257</u> | <u>\$398,869</u> |
| Summarized by function | | |
| Operating cost | \$185,118 | \$240,944 |
| Operating expense | <u>158,139</u> | <u>157,925</u> |
| | <u>\$343,257</u> | <u>\$398,869</u> |

(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 2020 and 2019, 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 2020 and 2019 resolved by the Board of Directors may be viewed at the “MOPS” of TWSE.

(VIII) Foreign exchange gain (loss)

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Total profit from translation of foreign currencies | \$ 47,631 | \$ 46,732 |
| Total loss from translation of foreign currencies | (<u>132,009</u>) | (<u>63,625</u>) |
| Net loss | (<u>\$ 84,378</u>) | (<u>\$ 16,893</u>) |

XXVII. Income tax of continuing operations

(I) Major components of the income tax profit recognized in profit or loss

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|----------------------|
| Current income tax | | |
| Tax incurred in the year | \$ 8,843 | \$ 4,196 |
| Deferred income tax | | |
| Tax incurred in the year | (<u>12,662</u>) | (<u>50,896</u>) |
| Income tax profit recognized in profit or loss | (<u>\$ 3,819</u>) | (<u>\$ 46,700</u>) |

Adjustments to accounting income and income tax profit are as follow:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|----------------------|
| Net profit (loss) before tax of continuing operations | <u>\$ 7,341</u> | (<u>\$287,001</u>) |
| Income tax on net loss before tax calculated at the statutory tax rate | \$ 1,468 | (\$ 57,400) |
| Expense and loss not deductible from tax | 1,214 | 1,426 |
| Generation and reversal of temporary difference | (12,662) | (50,896) |
| Unrecognized deductible temporary difference | 8,310 | 64,124 |
| Effect of different tax rates applicable to the consolidated company's individual entities | (<u>2,149</u>) | (<u>3,954</u>) |
| Income tax profit recognized in profit or loss | (<u>\$ 3,819</u>) | (<u>\$ 46,700</u>) |

(II) Income tax recognized in other comprehensive income

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|---------------------|
| <u>Deferred income tax</u> | | |
| Tax incurred in the year | | |
| — Translation from foreign operations | <u>\$ 1,868</u> | (<u>\$ 3,639</u>) |
| Income tax loss recognized in other comprehensive income | <u>\$ 1,868</u> | (<u>\$ 3,639</u>) |

(III) Current income tax assets and liabilities

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|------------------------------|-------------------------|--------------------------|
| Current income tax assets | | |
| Income tax refund receivable | <u>\$ 156</u> | <u>\$ 368</u> |

(IV) Deferred income tax assets and liabilities

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

2020

| | Balance at beginning of year | Recognized in profit or loss | Recognition in other comprehensive income | Balance at ending of year |
|---|------------------------------------|---------------------------------|--|------------------------------|
| <u>Deferred income tax</u> | | | | |
| <u>assets</u> | | | | |
| Temporary difference | | | | |
| Unrealized exchange loss | \$ 3,407 | (\$ 89) | \$ - | \$ 3,318 |
| Unrealized inventory devaluation loss | 4,931 | 2,189 | - | 7,120 |
| Unpaid pension | 5,584 | (5) | - | 5,579 |
| Unrealized gross profit | 1,273 | 197 | - | 1,470 |
| Unrealized valuation of financial assets measured at fair value through profit or loss | - | - | - | - |
| Unrealized valuation loss of corporate bonds | 2,193 | (2,193) | - | - |
| Contractual liabilities | 376 | 326 | - | 702 |
| Expected deferred excessive credit impairment loss | 72,510 | (5,487) | - | 67,023 |
| Investment loss under equity method | 30,486 | (6,641) | - | 23,845 |
| Exchange differences from foreign operations | 1,630 | - | 1,228 | 2,858 |
| Financial assets impairment loss measured at fair value through other comprehensive income | 67,708 | - | - | 67,708 |
| Book-Tax difference of fixed asset | - | 375 | - | 375 |
| Loss carryforwards | <u>93,067</u> | <u>21,013</u> | <u>-</u> | <u>114,080</u> |
| | <u>\$ 283,165</u> | <u>\$ 9,685</u> | <u>\$ 1,228</u> | <u>\$ 294,078</u> |
| <u>Deferred income tax</u> | | | | |
| <u>liabilities</u> | | | | |
| Temporary difference | | | | |
| Unrealized exchange gain | (\$ 2,831) | (\$ 2,351) | \$ - | (\$ 5,182) |
| Foreign investment profit under equity method | (63,563) | 5,328 | - | (58,235) |
| Land incremental tax | (21,605) | - | - | (21,605) |
| Exchange differences from foreign operations | <u>(21,508)</u> | <u>-</u> | <u>640</u> | <u>(20,868)</u> |
| | <u>(\$ 109,507)</u> | <u>\$ 2,977</u> | <u>\$ 640</u> | <u>(\$ 105,890)</u> |

2019

| | Balance at beginning of year | Recognized in profit or loss | Recognition in other comprehensive income | Balance at ending of year |
|--|------------------------------------|---------------------------------|--|------------------------------|
| <u>Deferred income tax</u> | | | | |
| <u>assets</u> | | | | |
| Temporary difference | | | | |
| Unrealized exchange loss | \$ 4,297 | (\$ 890) | \$ - | \$ 3,407 |
| Unrealized inventory devaluation loss | 5,588 | (657) | - | 4,931 |
| Unpaid pension | - | 5,584 | - | 5,584 |
| Unrealized gross profit | 2,202 | (929) | - | 1,273 |
| Unrealized valuation of financial assets measured at fair value through profit or loss | 70 | (70) | - | - |
| Unrealized valuation loss of corporate bonds | 540 | 1,653 | - | 2,193 |
| Contractual liabilities | - | 376 | - | 376 |
| Expected deferred excessive credit impairment loss | 62,467 | 10,043 | - | 72,510 |
| Investment loss under equity method | 29,679 | 807 | - | 30,486 |
| Exchange differences from foreign operations | 2,486 | - | (856) | 1,630 |
| Financial assets impairment loss measured at fair value through other comprehensive income | 67,709 | - | (1) | 67,708 |
| Loss carryforwards | <u>104,386</u> | <u>(11,319)</u> | <u>-</u> | <u>93,067</u> |
| | <u>\$ 279,424</u> | <u>\$ 4,598</u> | <u>(\$ 857)</u> | <u>\$ 283,165</u> |
| <u>Deferred income tax</u> | | | | |
| <u>liabilities</u> | | | | |
| Temporary difference | | | | |
| Unrealized exchange gain | (\$ 5,153) | \$ 2,322 | \$ - | (\$ 2,831) |
| Foreign investment profit under equity method | (107,539) | 43,976 | - | (63,563) |
| Land incremental tax | (21,605) | - | - | (21,605) |
| Exchange differences from foreign operations | <u>(18,726)</u> | <u>-</u> | <u>(2,782)</u> | <u>(21,508)</u> |
| | <u>(\$ 153,023)</u> | <u>\$ 46,298</u> | <u>(\$ 2,782)</u> | <u>(\$ 109,507)</u> |

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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| Unrecognized deductible temporary difference | <u>\$ 939,703</u> | <u>\$ 1,013,231</u> |

(V) Information on loss carryforwards

The information on the loss carryforwards of the Company up to December 31, 2020 is as follows:

| <u>Balance to be credited</u> | <u>Last year of credit</u> |
|-------------------------------|----------------------------|
| \$ 34,167 | 2021 |
| 61,771 | 2022 |
| 38,447 | 2023 |
| 33,344 | 2024 |
| 61,643 | 2025 |
| 72,532 | 2026 |
| 51,364 | 2027 |
| <u>103,725</u> | 2028 |
| <u>\$456,993</u> | |

(VI) 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 (losses) per share

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------------|------------------|
| Basic earnings (loss) per share | <u>\$ 0.05</u> | <u>(\$ 1.55)</u> |
| Diluted earnings (loss) per share | <u>\$ 0.05</u> | <u>(\$ 1.55)</u> |

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

Net profit (loss) for the year

| | <u>2020</u> | <u>2019</u> |
|---|------------------|--------------------|
| Net profit (loss) used for calculation of earnings (loss) per share | <u>\$ 11,160</u> | <u>(\$240,301)</u> |

Number of shares

Unit: thousand shares

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| Weighted average number of common stocks used for calculating basic earnings (loss) per share | 238,376 | 155,347 |
| Effect of potential diluted common stocks | | |
| Convertible corporate bond | <u>5,148</u> | <u>(Note)</u> |
| Weighted average number of common stocks used for calculating diluted EPS | <u>243,524</u> | <u>155,347</u> |

Note: In case of conversion, the outstanding convertible corporate bonds of the consolidated company were not incorporated in the calculation of the earnings (loss) per share due to the anti-dilution effect of the conversion.

XXIX. Capital risk management

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

For the capital structure and management strategy, the consolidated company takes into account the scale and growing potential of the industry to which the consolidated company belongs, the defined product development blueprint, and the market share. With these as a basis, the consolidated company makes overall plans regarding required capacity, corresponding capital expenses, and assets needed for long-term development of the consolidated company. Finally, we estimate potential gross profit of our products,

operating profit rate and cash flow based on the competitive strength of the consolidated company, 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 consolidated company reviews the capital structure on a regular basis and measures the cost and risk of different capital instruments. In general, the consolidated company adopts deliberately designed risk management strategies.

XXX. Financial instruments

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

| | <u>December 31 2020</u> | | <u>December 31, 2019</u> | |
|------------------------------|-------------------------|-------------------|--------------------------|-------------------|
| | <u>Book value</u> | <u>Fair Value</u> | <u>Book value</u> | <u>Fair Value</u> |
| <u>Financial liabilities</u> | | | | |
| Financial liabilities | | | | |
| measured at amortized | | | | |
| cost | | | | |
| — Convertible | | | | |
| corporate bond | <u>\$ 533,099</u> | <u>\$ 594,847</u> | <u>\$ 645,220</u> | <u>\$ 700,315</u> |

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

1. Fair value hierarchy

December 31 2020

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------------|------------------|----------------|-----------------|------------------|
| <u>Financial assets measured</u> | | | | |
| <u>at fair value through</u> | | | | |
| <u>profit or loss</u> | | | | |
| Domestic listed (OTC) | | | | |
| stocks | <u>\$ 17,327</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,327</u> |
| <u>Financial assets measured</u> | | | | |
| <u>at fair value through</u> | | | | |
| <u>other comprehensive</u> | | | | |
| <u>income</u> | | | | |
| Investment in equity | | | | |
| instruments | | | | |
| - Domestic non-listed | | | | |
| (non-OTC) stocks | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,756</u> | <u>\$ 1,756</u> |
| <u>Financial liabilities</u> | | | | |
| <u>measured at fair value</u> | | | | |
| <u>through profit or loss</u> | | | | |
| Derivatives | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,932</u> | <u>\$ 7,932</u> |

December 31, 2019

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|------------------|----------------|------------------|------------------|
| <u>Financial assets measured at fair value through profit or loss</u> | | | | |
| Domestic listed (OTC) stocks | <u>\$ 14,541</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,541</u> |
| <u>Financial assets measured at fair value through other comprehensive income</u> | | | | |
| Investment in equity instruments | | | | |
| - Domestic non-listed (non-OTC) stocks | \$ - | \$ - | \$ 19,632 | \$ 19,632 |
| - Overseas non-listed (non-OTC) stocks | <u>-</u> | <u>-</u> | <u>3,464</u> | <u>3,464</u> |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,096</u> | <u>\$ 23,096</u> |
| <u>Financial liabilities measured at fair value through profit or loss</u> | | | | |
| Derivatives | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,122</u> | <u>\$ 33,122</u> |

There was no transfer of fair value measurements between Level 1 and Level 2 in 2020 and 2019.

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

| <u>Equity instrument of financial assets</u> | <u>Financial Assets Measured at Fair Value through Other Comprehensive Income</u> | |
|---|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Balance at beginning of period | \$ 23,096 | \$ 24,805 |
| Disposal | (17,876) | - |
| Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income) | (<u>3,464</u>) | (<u>1,709</u>) |
| Balance at ending of period | <u>\$ 1,756</u> | <u>\$ 23,096</u> |

| Derivatives - Convertible corporate bond | Financial liabilities measured at fair value through profit or loss | |
|--|--|------------------|
| | 2020 | 2019 |
| Balance at beginning of period | \$ 33,122 | \$ 24,858 |
| Recognition in profit or loss (other profits and losses) | (25,190) | 8,264 |
| Balance at ending of period | <u>\$ 7,932</u> | <u>\$ 33,122</u> |

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 2020 | December 31, 2019 |
|---|------------------|-------------------|
| <u>Financial assets</u> | | |
| Measurement at fair value through profit or loss | | |
| Held-for-sale | \$ 17,327 | \$ 14,541 |
| Financial assets measured at amortized cost (Note 1) | 1,888,705 | 1,980,793 |
| Financial assets measured at fair value through other comprehensive income - non-current | 1,756 | 23,096 |
| <u>Financial liabilities</u> | | |
| Measurement at fair value through profit or loss | | |
| Held-for-sale | 7,932 | 33,122 |
| Measurement at amortized cost (Note 2) | 2,577,839 | 2,898,842 |

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

Note 2: The balance included the financial liabilities measured at amortized cost, such as short-term loans, short-term notes payable, 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

The consolidated company'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 consolidated company is dedicated to identify, assess and avoid market uncertainties to minimize potential adverse effect of the market fluctuation on the financial performance of the consolidated company.

The important financial activities of the consolidated company are audited and approved by the management according to related regulations and the internal control system. The consolidated company 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 consolidated company are the exchange rate fluctuation risk (s. (1) below), interest rate fluctuation risk (s. (2) below) and other price risks (s. (3) below).

(1) Exchange rate risk

The consolidated company is engaged in sales and purchase transactions in foreign currency, borrowing, and net investment in foreign operations. These activities expose the consolidated company to the exchange rate fluctuation risk. The consolidated company 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 consolidated company does not take hedging measures for this investment.

Sensitivity analysis

The consolidated company 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 consolidated company when reporting the exchange rate risk to the management.

| | Effect of USD | | Effect of JPY | |
|------------------------------------|-----------------|-----------------|------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net profit (loss) before tax | <u>\$ 1,392</u> | <u>\$ 7,026</u> | <u>(\$ 29)</u> | <u>(\$ 2,856)</u> |

(2) Interest rate risk

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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|------------------------------------|-------------------------|--------------------------|
| With fair value interest rate risk | | |
| — Financial asset | \$ 18,492 | \$ - |
| — Financial liability | 535,305 | 646,555 |
| With cash flow interest rate risk | | |
| — Financial asset | 747,235 | 676,639 |
| — Financial liability | 1,044,548 | 1,471,381 |

Sensitivity analysis

The sensitivity analysis on the interest rate risk is primarily focused on the calculation based on the changes in the cash flow of loans at floating rate on the end date of the financial reporting period.

If the interest rate increases/decreases by 50 basis points, the net profit before tax of the consolidated company in 2020 and 2019 was decreased/increased by NTD149,000 and NTD3,974,000, respectively.

(3) Other price risks

The consolidated company 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 consolidated company does not trade this investment spontaneously.

Sensitivity analysis

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%, other comprehensive incomes before tax in 2020 were increased/decreased by NTD18,000 and due to increase/decrease of the fair value of the financial assets measured at fair value through other comprehensive income, while other

comprehensive incomes before tax in 2019 were increased/decreased by NTD231,000 due to increase/decrease of the fair value of the financial assets measured at fair value through other comprehensive income.

2. Credit risk

In addition to Note 33, the credit risk 33 to the risk of financial loss to the consolidated company because the trading counterparty delays in the fulfillment of the contractual obligations. The credit risk of the consolidated company 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.

Operation-related credit risk

The consolidated company 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 consolidated company, historic trading records and current economic conditions. The consolidated company 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 consolidated company 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, 2020 and 2019, the balance of receivables of the Top 10 customers occupied 43% and 51% of the total receivables of the consolidated company, respectively. 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 consolidated company. The consolidated company's trade counterparty 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 consolidated company 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 consolidated company monitors the use of banking facility and ensures compliance with the terms of the loan contract.

Bank loans are one of the consolidated company's important sources of liquidity. For the banking facility that the consolidated company has not used, refer to relevant descriptions in (3) 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 required to the consolidated company and the non-discounted cash flow of the financial liabilities (including the principal and estimated interest). Hence, the bank loan which the consolidated company 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 2020

| | 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 |
|---|--|---------------------------------------|---------------------------------------|---------------------------------------|--------------|--------------------|
| <u>Non-derivative</u> <u>financial liabilities</u> | | | | | | |
| Non-interest-bearing liabilities | \$1,000,192 | \$ - | \$ - | \$ - | \$ - | \$1,000,192 |
| Lease liabilities | 841 | 841 | 562 | - | - | 2,244 |
| Floating interest rate instruments | 822,705 | 162,530 | 37,657 | 21,656 | - | 1,044,548 |
| Fixed interest rate instruments | - | - | - | 533,099 | - | 533,099 |
| | <u>\$1,823,738</u> | <u>\$ 163,371</u> | <u>\$ 38,219</u> | <u>\$ 554,755</u> | <u>\$ -</u> | <u>\$2,580,083</u> |

More information on the maturity analysis of lease 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 | <u>\$ 1,682</u> | <u>\$ 562</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2019

| | 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 |
|---|--|---------------------------------------|---------------------------------------|---------------------------------------|--------------|--------------------|
| <u>Non-derivative</u> <u>financial liabilities</u> | | | | | | |
| Non-interest-bearing liabilities | \$ 782,241 | \$ - | \$ - | \$ - | \$ - | \$ 782,241 |
| Lease liabilities | 597 | 210 | 407 | 153 | - | 1,367 |
| Floating interest rate instruments | 995,160 | 330,212 | 146,009 | - | - | 1,471,381 |
| Fixed interest rate instruments | - | - | - | 645,220 | - | 645,220 |
| | <u>\$1,777,998</u> | <u>\$ 330,422</u> | <u>\$ 146,416</u> | <u>\$ 645,373</u> | <u>\$ -</u> | <u>\$2,900,209</u> |

More information on the maturity analysis of lease 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 | <u>\$ 807</u> | <u>\$ 560</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(2) Banking facility

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|---------------------------|-------------------------|--------------------------|
| Secured bank loan limit | | |
| - Employed capital | \$ 814,837 | \$ 796,279 |
| - Unemployed capital | <u>311,736</u> | <u>73,217</u> |
| | <u>\$ 1,126,573</u> | <u>\$ 869,496</u> |
| Unsecured bank loan limit | | |
| - Employed capital | \$ 229,711 | \$ 675,102 |
| - Unemployed capital | <u>194,124</u> | <u>187,941</u> |
| | <u>\$ 423,835</u> | <u>\$ 863,043</u> |

XXXI. Transactions with related parties

All the transactions between the consolidated company and subsidiaries (i.e. the related parties of the consolidated company) , 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 consolidated company and other related parties are described as follows:

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

| <u>Name of Related Party</u> | <u>Relationship with Consolidated Company</u> |
|------------------------------|---|
| Advanced Sports Inc. | Associate |
| Fulltech Fiber Glass Corp. | Associate |

(II) Operating revenue

| <u>Title</u> | <u>Type/Name of Related Party</u> | <u>2020</u> | <u>2019</u> |
|---------------|-----------------------------------|---------------|--------------|
| Sales revenue | Associate | | |
| | Fulltech Fiber Glass Corp. | <u>\$ 102</u> | <u>\$ 67</u> |

The price of the products that the consolidated company sells to the aforesaid 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. The credit period that the consolidated company grants to the aforesaid related parties for the transactions with

them is longer. The payment term is usually 3 months and the applicable term for the related parties is 6 months.

(III) Accounts receivable from related parties

| Title | Type of Related Party | December 31 2020 | December 31, 2019 |
|--|-----------------------|---------------------|----------------------|
| Account receivable - Related party - net | Associate | | |
| | Advanced Sports Inc. | \$ 677,007 | \$ 729,395 |
| | Less: Loss allowance | (677,007) | (729,395) |
| | Others | <u>-</u> | <u>70</u> |
| | | <u>\$ -</u> | <u>\$ 70</u> |

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

| | 2020 | 2019 |
|--|------------------|-------------------|
| Balance at beginning of year | \$729,395 | \$881,005 |
| Less: Impairment loss reversed in the year | (1,024) | (2,818) |
| Less: Actual amount written off in the year | (33,838) | (2,888) |
| Differences from translation of foreign currencies | (18,550) | (3,238) |
| Reclassification in current period | <u>1,024</u> | <u>(142,666)</u> |
| Balance at ending of year | <u>\$677,007</u> | <u>\$729,395</u> |

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

(IV) Other receivables from related parties

| Title | Type of Related Party | December 31 2020 | December 31, 2019 |
|---|-----------------------|---------------------|----------------------|
| Other receivables - Related party - net | Associate | | |
| | Advanced Sports Inc. | \$ 149,676 | \$ 149,683 |
| | Less: Loss allowance | <u>(149,676)</u> | <u>(149,683)</u> |
| | | <u>\$ -</u> | <u>\$ -</u> |

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

| | 2020 | 2019 |
|--|-----------|----------|
| Balance at beginning of year | \$149,683 | \$ 7,480 |
| Less: Impairment loss reversed in the year | - | (463) |

| | | |
|--|------------------|------------------|
| Differences from translation of foreign currencies | (7) | - |
| Reclassification in current period | - | <u>142,666</u> |
| Balance at ending of year | <u>\$149,676</u> | <u>\$149,683</u> |

(V) Remuneration to key management:

The total amount of remuneration to directors, supervisors and other key management in 2020 and 2019 is as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|------------------|------------------|
| Short-term employee benefits | \$ 26,633 | \$ 25,906 |
| Retirement benefits | <u>538</u> | <u>520</u> |
| | <u>\$ 27,171</u> | <u>\$ 26,426</u> |

The remuneration to the directors, supervisors and other key management is 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:

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------|
| Property, plant and equipment - net amount | \$404,990 | \$417,650 |
| Pledged time deposit (stated as financial assets measured at amortized cost - non-current) | 323,529 | 355,373 |
| Long-term equity investments under the equity method | <u>69,387</u> | <u>150,581</u> |
| | <u>\$797,906</u> | <u>\$923,604</u> |

XXXIII. Significant contingent liabilities and unrecognized contractual commitments

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

(I) Significant commitments

To develop the American market continuously, the consolidated company entered into the Company B Partnership Contract with the strategic partners, Company T and Company A, in February 2019. Company T and Company A should make investment to establish Company B in the USA and the consolidated company should ship new bicycle models amounting to at least USD 2 million to Company B for sale. Company T might, in priority, receive a distribution of about USD 10 million (including an amount of about USD 8.14 million from Company B's sale of its goods in stock and related assets) in cash from the balance of the Company B's operating revenue within 13 months after the date on which Company B started the sale of bicycles. After Company T received the aforesaid balance in cash, Company A might buy all the shares that Company T held in Company B against USD 1, and the consolidated company might purchase related assets of Company B pursuant to the contract. In case Company T did not receive all the amount of the aforesaid balance in cash on the last day of the 13th month, the consolidated company and Company A should jointly make up the difference. In case the consolidated company and Company A did not eventually make up the difference, Company T might take remedies including but not limited to making Company A lose its equity.

Up to September 30, 2019, Company T received a distribution of USD 10 million and the equity that Company T held in Company B was transferred to Company A. Both Company T and Company A had performed the partnership contract.

In addition, the consolidated company made an agreement with Company B to commission the latter to deal with the global marketing, promotion, and design of the brand products including Fuji from February 1, 2019 to May 31, 2019, and the consolidated company agreed to pay Company B a total of USD 800 thousand. However, the actual expenses incurred was only USD 450 thousand and the consolidated company made the payment on November 29, 2019.

(II) Contingency

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

| | <u>December 31 2020</u> | <u>December 31, 2019</u> |
|-----|-------------------------|--------------------------|
| JPY | <u>\$279,394</u> | <u>\$170,920</u> |
| USD | <u>\$ 994</u> | <u>\$ -</u> |
| NTD | <u>\$ -</u> | <u>\$ 85,053</u> |

2. The consolidated company major customer and invested company, Advanced Sport Enterprises Inc. (ASE), of the consolidated company 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 13 million (including USD 7.5 million which Pacific Glory Worldwide Ltd., an overseas subsidiary established jointly by the Company 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 consolidated 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 consolidated company was the creditor in the last priority with respect to the creditor's right to the ASE equity in which the consolidated company invested and the ASI equity in which the consolidated company invested through subsidiaries. As for the secured creditor's right to the aforesaid receivable payment for goods, the consolidated company commissioned lawyers in the USA to apply to the US bankruptcy court in order to protect the rights and interests of the consolidated 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 26, 2021, the board of directors of the consolidated company 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 consolidated company 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 consolidated company would apply for declaration as secured creditor's right 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 consolidated company acquired the license agreement covering 4 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 consolidated company might request ASI to compensate for the damage of USD 4.80 million arising from termination of the agreement. Hence, the consolidated company transferred this USD 4.80 million into other receivables. However, based on the principle of conservation and stability, the consolidated company 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 consolidated company.

The consolidated company 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 Company 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 Company 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 Company over the ASE

Group and alleged that it might apply for revocation of every transaction between the consolidated company 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 consolidated company should returned the payment for goods (about USD 31 million) to the ASE Group.

The preferential secured creditor's right that the consolidated company might claim against the ASE Group was based on and proved by related contracts entered into between the Company and ASE Group. There was no such defect as alleged by the Unsecured Creditors Committee. The shares that the consolidated Company 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 consolidated company 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 consolidated company only based on conjectures and what it alleged were false accusations. The consolidated company hired lawyers in the USA to file objections pursuant to the legal proceedings of the USA to protect the rights and interests of the consolidated company. 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 consolidated company. The consolidated company 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 Company 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 consolidated 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 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 consolidated company'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:

Current unit: Thousand

December 31 2020

| | <u>Foreign Currency</u> | <u>Exchange Rate</u> | <u>Book value</u> |
|------------------------------|-----------------------------|----------------------|-------------------|
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 48,730 | 28.48 | \$ 1,387,830 |
| JPY | 400,532 | 0.2763 | 110,667 |
| EUR | 3,206 | 35.02 | 112,274 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 43,841 | 28.48 | 1,248,592 |
| JPY | 411,088 | 0.2763 | 113,584 |
| EUR | 1,298 | 35.02 | 45,456 |

Current unit: Thousand

December 31, 2019

| | <u>Foreign Currency</u> | <u>Exchange Rate</u> | <u>Book value</u> |
|------------------------------|-----------------------------|----------------------|-------------------|
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 47,686 | 29.980 | \$ 1,481,127 |
| JPY | 73,720 | 0.2760 | 21,276 |
| EUR | 4,872 | 33.59 | 172,371 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 25,064 | 29.980 | 778,488 |
| JPY | 1,063,383 | 0.2760 | 306,892 |
| EUR | 6,119 | 33.59 | 216,490 |

The realized and unrealized foreign currency exchange losses of the consolidated company in 2020 and 2019 were NTD84,378,000 and NTD16,893,000, respectively. However, it was not feasible 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 about 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 property 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 NTD100 million or more than 20% of paid-in capital: Table 4.
9. Trading in derivative instruments: None.

10. Others: The business relationship and major transactions between the parent company and its subsidiaries and among subsidiaries and amounts: 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 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, shareholding 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 consolidated company 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 consolidated company's continuing operations are analyzed by reportable segment as follows:

2020

| | <u>Manufacturing (OEM) segment</u> | <u>Other segments</u> | <u>Total</u> |
|--|--|-----------------------|---------------------|
| Revenue from external customers | <u>\$ 4,005,710</u> | <u>\$ 17,228</u> | <u>\$ 4,022,938</u> |
| Segment revenue | <u>\$ 4,005,710</u> | <u>\$ 17,228</u> | <u>\$ 4,022,938</u> |
| Segment loss | <u>(\$ 67,933)</u> | <u>\$ 59,427</u> | <u>(\$ 8,506)</u> |
| Interest income | | | \$ 4,143 |
| Other revenue | | | 132,692 |
| Other profits and losses | | | (63,859) |
| Financial cost | | | (44,242) |
| Share of profit/loss of associates under equity method | | | (<u>12,887</u>) |
| Net profit before tax of continuing operations | | | <u>\$ 7,341</u> |

2019

| | <u>Manufacturing (OEM) segment</u> | <u>Other segments</u> | <u>Total</u> |
|--|--|-----------------------|---------------------|
| Revenue from external customers | <u>\$ 3,911,127</u> | <u>\$ 145,759</u> | <u>\$ 4,056,886</u> |
| Segment revenue | <u>\$ 3,911,127</u> | <u>\$ 145,759</u> | <u>\$ 4,056,886</u> |
| Segment loss | <u>(\$ 173,279)</u> | <u>(\$ 109,410)</u> | <u>(\$ 282,689)</u> |
| Interest income | | | \$ 3,608 |
| Other revenue | | | 99,649 |
| Other profits and losses | | | (41,200) |
| Financial cost | | | (63,961) |
| Share of profit/loss of associates under equity method | | | (<u>2,408</u>) |
| Net loss before tax of continuing operations | | | <u>(\$ 287,001)</u> |

IDEAL BIKE CORPORATION and Subsidiaries

Loans to Others

2020

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 | 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 | \$ 385,854 | \$ 147,244 | \$ 147,244 | - | 1 | \$ 174,489 | — | \$ - | - | \$ | \$ 477,907 | \$ 546,180 | |

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 Company's 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

2020

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 | Econotrade Ltd. | 3 | \$ 682,725 | \$ 151,250 | \$ 142,400 | \$ 71,200 | \$ - | 10.43 | \$ 1,365,449 | Yes | No | No | |
| | | Ideal (Dong Guan) Bike Co., Ltd. | 3 | 682,725 | 90,750 | 85,440 | - | - | 6.26 | 1,365,449 | Yes | No | Yes | |
| 1 | TOP SPORT INTERNATIONAL LTD. | IDEAL BIKE CORPORATION | 2 | 682,725 | 160,831 | - | - | - | - | 1,365,449 | No | Yes | No | |
| 2 | ECONOTRADE LIMITED | IDEAL BIKE CORPORATION | 3 | 682,725 | 160,831 | 70,000 | 40,000 | - | 5.13 | 1,365,449 | No | Yes | No | |

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 Company is limited to 100% of the current net value of the Company. The endorsement/guarantee amount for individual companies is limited to 50% of the current net value of the Company.

IDEAL BIKE CORPORATION and Subsidiaries

Securities Held at the End of Period

December 31, 2020

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 | \$ 17,101 | 0.05% | \$ 17,101 | |
| | Stock | Unitech Printed Circuit Board Corp. | None | Financial assets measured at fair value through profit or loss - current | 10,200 | 226 | - | 226 | |
| | Stock | Huan Hua Securities Finance Corporation | None | Financial assets measured at fair value through other comprehensive income - non-current | 87,308 | 1,756 | 0.47% | 1,756 | |
| | 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 Kinetics 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 | Innotq Gmbh | None | Financial assets measured at fair value through other comprehensive income - non-current | 8,621 | - | 18% | - | |

Note: Please refer to Note 35.

IDEAL BIKE CORPORATION and Subsidiaries
Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
December 31, 2020

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 | \$ 344,436 | 0.61 | \$ 147,244 | (Note 1) | \$ 23,515 | \$ - |
| Ideal (Dong Guan) Bike Co., Ltd. | Advanced Sport, Inc. | Associate | 474,395 | - | - | (Note 2) | - | 474,395 |
| | ECONOTRADE LIMITED | Subsidiary of the Company | 141,769 | 4.60 | - | (Note 3) | 141,686 | - |
| Econotrade Ltd. | TOP SPORT INTERNATIONAL LTD. | Subsidiary of the Company | 154,121 | 0.02 | 154,121 | (Note 3) | - | - |
| | Advanced Sport, Inc. | Associate | 352,288 | - | - | (Note 2) | - | 352,288 |

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
2020

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% | \$ 620,384 | (\$ 8,811) | (\$ 8,811) | |
| | TOP SPORT INTERNATIONAL LTD. | Cayman | Trading of bicycle parts | 667,232 | 359,737 | 4,000 | 100% | (80,817) | 40,800 | 40,800 | |
| | Ideal Europe SP.ZO.O | Poland | Manufacture and trading of bicycle parts | 468,398 | 468,398 | 16,500 | 100% | 100,021 | 22,219 | 22,219 | |
| | Crown Alliance International Co.,LTD., | Seychelles | Holding company | 105,544 | 105,544 | 3,400,000 | 100% | 34,555 | (633) | (633) | |
| | Fulltech Fiber Glass Corp. | Taiwan | Electronic-grade fiber glass | 126,185 | 126,185 | 11,243,178 | 2.69% | 173,363 | (479,074) | (12,887) | |
| | Advanced Sports International-Asia Ltd. | Seychelles | Trading of bicycles and accessories | 15,839 | 15,839 | 480,000 | 80% | 24,962 | (475) | (380) | |
| | Pacific Glory Worldwide Ltd. | Seychelles | Holding company | 51,399 | 51,399 | 1,667,721 | 100% | 50,255 | 13,589 | 13,589 | |
| TOP SPORT INTERNATIONAL LTD. | ECONOTRADE LIMITED | British Virgin Islands | Trading | USD 500 | USD 16,035 | 500 | 100% | USD 560 | USD 1,291 | USD 1,291 | |
| 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 910 | USD 573 | USD 573 | |
| Pacific Glory Worldwide Ltd. | Advanced Sports International-Asia Ltd. | Seychelles | Trading of bicycles and accessories | USD 479 | USD 479 | 120,000 | 20% | USD 217 | (USD 16) | (USD 3) | |
| Advanced Sports International-Asia Ltd. | Advanced Sports International - Asia Ltd., Taiwan Branch | Taiwan | Trading of bicycles and accessories | \$ 66,000 | \$ 66,000 | 6,600,000 | 100% | \$ 28,732 | (\$ 49) | (\$ 49) | |

Note: Please refer to 33.

IDEAL BIKE CORPORATION and Subsidiaries

Information on Investments in Mainland China

2020

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 | \$ 311,657 (USD 9,993,000) | \$ - | \$ - | \$ 311,657 (USD 9,993,000) | (\$ 13,628) | 100% | (\$ 4,558) | \$ 308,208 | \$ 30,169 (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 | 105,013 (USD 3,400,000) | - | - | 105,013 (USD 3,400,000) | (631) | 100% | (631) | 34,555 | - | |

| 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) |
|--|--|--|
| \$381,433 (USD 13,393,000) | \$381,433 (USD 13,393,000) Total approved amount USD27,630,000 | \$819,269 |

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 311,657,000 (USD9,993,000), wherein NTD66,382,000 (USD 2,192,000) was used for indirect investment in Mainland China through a third area under commission, and the rest NTD 245,275,000 (USD 7,801,000) was used for investment in Mainland China through an invested company in a third area.

Note 4: The limit amount 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, 2020.

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

2020

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 | \$ 211,955 | 11.26% | Note Calculated pursuant to contractual agreement | O/A 60 days | O/A 90 days | \$ 89,930 | 17.05% | (\$ 165) | — |
| | Purchase | 74,546 | 4.35% | | O/A 39 days | O/A 90 days | 16,252 | 3.41% | | - |

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

The Business Relationship and Major Transactions between the Parent Company and Its Subsidiaries and among Subsidiaries and Amounts

2020

Table 8

Unit: NTD thousand unless otherwise specified

| No. (Note 1) | Trader | Counterparty | Relationship with trader (Note 2) | Transaction | | | Percentage in total consolidated operating revenue or assets (Note 3) |
|-----------------|--|--|--------------------------------------|---------------------|------------|--------------------|---|
| | | | | Title | Amount | Trading conditions | |
| 0 | IDEAL BIKE CORPORATION | Ideal (Dong Guan) Bike Co., Ltd. | 1 | Sales revenue | \$ 211,955 | Note 3 | 5% |
| | | | | Purchase | 74,546 | Note 4 | 2% |
| | | | | Accounts receivable | 89,930 | - | 2% |
| 0 | IDEAL BIKE CORPORATION | Ideal Europe SP ZO.O | 1 | Sales revenue | 173,180 | Note 3 | 4% |
| | | | | Accounts receivable | 144,097 | - | 3% |
| 0 | IDEAL BIKE CORPORATION | Ideal Europe SP ZO.O | 1 | Other receivables | 200,339 | - | 5% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | Ideal Europe SP ZO.O | 3 | Sales revenue | 113,166 | Note 3 | 3% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | IDEAL BIKE CORPORATION | 4 | Accounts receivable | 36,426 | - | 1% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | IDEAL BIKE CORPORATION | 4 | Accounts payable | 117,409 | - | 3% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | TOP SPORT INTERNATIONAL LTD. | 3 | Accounts receivable | 154,121 | - | 3% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | TOP SPORT INTERNATIONAL LTD. | | Accounts payable | 33,202 | - | 1% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | ECONOTRADE LIMITED | 3 | Accounts receivable | 141,686 | - | 3% |
| 1 | Ideal (Dong Guan) Bike Co., Ltd. | Econotrade Limited Taiwan Branch (B.V.I) | 3 | Accounts receivable | 123,479 | - | 3% |
| 2 | Ideal Europe SP ZO.O | IDEAL BIKE CORPORATION | 4 | Accounts payable | 337,893 | - | 8% |
| 3 | TOP SPORT INTERNATIONAL LTD. | Ideal (Dong Guan) Bike Co., Ltd. | 3 | Temporary payment | 49,652 | - | 2% |
| 3 | TOP SPORT INTERNATIONAL LTD. | Ideal (Dong Guan) Bike Co., Ltd. | 3 | Accounts payable | 154,091 | - | 5% |
| 4 | ECONOTRADE LIMITED | Ideal (Dong Guan) Bike Co., Ltd. | 3 | Accounts payable | 141,686 | - | 5% |
| 5 | Econotrade Limited Taiwan Branch (B.V.I) | Ideal (Dong Guan) Bike Co., Ltd. | 3 | Accounts payable | 123,475 | - | 4% |

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%~13.44% 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, 2020

Table 9

| Names of major shareholders | Share | |
|-------------------------------------|-----------------------|--------------|
| | Number of shares held | Shareholding |
| Unitech Printed Circuit Board Corp. | 34,000,000 | 13.97% |
| Fulltech Fiber Glass Corp. | 33,188,067 | 13.64% |
| Tse-Min Yu | 24,000,000 | 9.86% |
| Guo Ling Investment Co., Ltd. | 18,321,254 | 7.53% |
| Hermas Chang | 14,408,647 | 5.92% |

Note 1: The information on major shareholders are 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 the shareholder who declares insider shares of more than 10% shareholdings pursuant to the securities and exchange regulations, the number of shares held includes the shares of the shareholder and the shares that he/she transferred to a trustee and for which he/she has the right to determine the application of the trust property. For more information on the declaration of insider shares, refer to the MOPS.