Common Stock Code: 9914
Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
http://www.merida.tw

MERIDA INDUSTRY CO., LTD.

2019 Annual Report

Printed Date: June 1, 2020

1. Spokesperson

Name: Zheng, Wen-xiang
Title: Senior Vice-President of Marketing Affair Dept.
Tel: +886-48526171
Email: william@merida.com.tw

2. Deputy Spokesperson

Name: Wang, Long-Jin
Title: Vice President of Auditing Div.
Tel: +886-48526171
Email: 15943@merida.com.tw

3. Headquarters, Branches and Plant

Address of Headquarters: No. 116, Meigang Road, Meigang Village, Dacun Township, Changhua County 515, Taiwan (R.O.C.)
Tel of Headquarters: +886-4-8526171
Plant: Address and tel. of the plant is the same as the above
Branches: None

4. Stock Transfer Agent

Name: Yuanta Securities Co., Ltd. Registrar & Transfer Agency Department.
Address: B1F., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)
Tel: +886-2-25865859
Website: http://www.yuanta.com.tw

5. Auditor

Name: Shu-Chin Chiang; Done-Yuin Tseng
Name of Accounting Firm: Deloitte & Touche
Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Address of Taichung Branch:22F., No. 88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)
Tel: +886-4-37059988
Website: http://www.deloitte.com.tw

6. Overseas Securities Exchange: None

7. Corporate Website:

Chinese Website: http://www.merida.tw
English Website: http://www.merida-bikes.com

Content

I. Letter to Shareholders

i. 2019 Business Report

According to the statistical report of the Taiwan Bicycle Association (TBA), in 2019, the export quantity, amount, and average unit price of Taiwan ’s power assist electric bicycles [hereinafter referred to as electric bicycles] increased by 124.96%, 128.50%, and 1.57%, respectively. On the other hand, the export quantity, amount, and average unit price of traditional bicycles [hereinafter referred to as bicycles] decreased by 3.85%, 9.23% and 5.59%, respectively. It shows that in major markets such as Europe and America, mid- and high-end electric bicycles has replaced some of the mid- and high-end bicycles, as the demand for sports, leisure, and white-collar commuting using mid- and high-end electric bicycles continues to increase significantly, and the demand for bicycles has decreased by a corresponding proportion.

The negative impact of shared bicycles eroding the China bicycle market in 2019 has diminished. Merida’s own brand premium bicycle sales in China have increased by more than 12% annually. Taiwanese factories, which mainly export to the European and American high-end bicycle markets, has had a record high in annual revenue, electric bicycle sales volume and amount in the event of a sharp increase in demand for electric bicycles and a proportional decline in bicycle exports due to the substitution effect. The annual consolidated and independent [Taiwanese factories] sales volumes were 1.0522 million sets and 819,200 sets (including 236,100 sets of electric bicycles), annual decrease of 8.71% and 13.19% (including the annual increase of 64% in electric bicycles). The annual consolidated and independent revenues were NT $ 28.024 billion and NT $ 25.004 billion, respectively, an annual increase of 8.59% and 9.69%.

The support of all the shareholders and directors, as well as the efforts of all staff is highly appreciated. In the face of the decline of shared bike market in China, the gradual recovery of demand for high-end bicycles, the continued demand for electric bicycles in the American and European markets, and the decreasing demand for bicycles, Merida will actively adjust bicycle and electric bicycle production lines, dispatch manpower and resources, prepare production capacity to meet market demands, strive to achieve operational objectives, and achieve better results in a shorter time than the base period.

The consolidated and independent operating situations of Merida in 2019 are hereby reported as follows：

(1) Achievements of operating plans：

Unit: 10,000 sets

Item	Budget	Actual	Completion rate (%)
Consolidated	118	105.22	89.17%
Independent	89	81.92	92.04%

(2) Operating Situations：

1. Consolidated：

Unit：10,000 sets for sales quantity, NTD 1,000 for others

Item \ Year	2019	2018	Comparison of the same period	
SALES QUANTITY	105.22	115.25	(10.03)	(8.70%)
SALES	$28,243,214	$25,852,942	$2,390,272	9.25%
COST OF GOODS SOLD	24,423,564	22,463,953	1,959,611	8.72%
GROSS PROFIT	3,819,650	3,388,989	430,661	12.71%
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(83,322)	(170,760)	87,438	(51.21%)
REALIZED GROSS PROFIT	3,736,328	3,218,229	518,099	16.10%
OPERATING EXPENSES	2,025,502	1,866,949	158,553	8.49%
PROFIT FROM OPERATIONS	1,710,826	1,351,280	359,546	26.61%
Non-operating income (expenses)	1,492,854	1,270,375	222,479	17.51%
Net income before tax	3,203,680	2,621,655	582,025	22.20%
Net profit at current period	2,500,984	1,745,837	755,147	43.25%

2.Independent：

Unit: 10,000 sets for sales quantity, NTD 1,000 for others

Item \ Year	2019	2018	Comparison of the same period	
SALES QUANTITY	81.92	94.37	(12.45)	(13.19%)
SALES	$25,004,210	$22,795,595	$2,208,615	9.69%
COST OF GOODS SOLD	22,231,166	20,428,043	1,803,123	8.83%
GROSS PROFIT	2,773,044	2,367,552	405,492	17.13%
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(190,075)	(244,350)	54,275	(22.21%)
REALIZED GROSS PROFIT	2,582,969	2,123,202	459,767	21.65%
OPERATING EXPENSES	834,253	812,613	21,640	2.66%
PROFIT FROM OPERATIONS	1,748,716	1,310,589	438,127	33.43%
Non-operating income (expenses)	1,424,671	1,241,457	183,214	14.76%
Net income before tax	3,173,387	2,552,046	621,341	24.35%
Net profit at current period	2,502,443	1,708,835	793,608	46.44%

(3)Profitability Analysis：

1. Consolidated：

Item	2019	2018	Comparison of the same period
Rate of return on assets	10.47%	8.17%	28.15%
Return of equity	18.07%	13.77%	31.23%
Ratio of operating profits to paid-in capital	57.22%	45.20%	26.59%
Ratio of profits before tax to paid-in capital	107.15%	87.69%	22.19%
Net profit margin	8.86%	6.75%	31.26%
Earnings per share (NTD$)	8.37	5.72	46.33%

2.Independent：

Item	2019	2018	Comparison of the same period
Rate of return on assets	11.58%	8.73%	32.65%
Return of equity	18.86%	14.04%	34.33%
Ratio of operating profits to paid-in capital	58.49%	43.83%	33.45%
Ratio of profits before tax to paid-in capital	106.14%	85.36%	24.34%
Net profit margin	10.01%	7.50%	33.47%
Earnings per share (NTD$)	8.37	5.72	46.33%

(4) R&D Conditions：

a. ONE-TWENTY(120): won the 27th (2019) Taiwan Excellence Gold Award.
b. Time Warp TT: won the 27th (2019) Taiwan Excellence Silver Award.
c. eONE-SIXTY: won the 28th (2020) Taiwan Excellent Award and was nominated for the Taiwan Excellence Gold and Silver Awards.
d. MISSION CX: won the 28th (2020) Taiwan Excellent Award and was nominated for the Taiwan Excellence Gold and Silver Awards.

ii. Business Plan for 2020

1. Operation Policies:

To meet the product development of the Group’s brands and the annual order demands of the global channels, strive for the synchronous development and growth of its own brand and strategic alliance brands, endeavor to take the market share of the global medium and high-grade bicycles and e-bikes, so as to achieve the annual operation objectives.

2. Expected Sales Volume and Its Basis:

(1) After evaluation, the demand for e-bikes in the two major bicycle markets in Europe and the United States will still increase substantially, while the demand for bikes will decrease accordingly. The sales of high-end bicycles under China's own brands are growing steadily, and there is a growing demand for e-bikes in the medium and long term; As for the overall annual global market situation of the Group, it is expected that the scale of production and sales of mid-end and high-end bicycles sold in China will grow positively. The mid-end and high-end bicycles produced and exported by our factory in Taiwan are slightly revised downwards. At the same time, the production and sales of high-end e-bikes has been greatly increased; After the outbreak of COVID-19 in China and its spread as a global pandemic, the impact of various markets, in response to systemic risks to the current epidemic prevention and control, on sales can be foreseen. Thus, the total number of sales is expected to decrease.

(2) Business Objectives:

Unit:10,000 units

	Business items	Estimate sales volume
Consolidated	Bike (including e-bike)	86.33
Independent	Bike (including e-bike)	60.28

3. Production and Marketing Policies:

(1) Production: In response to the order demands and relevant variables in the markets of Europe, America and China, the factories of the Group should adjust production lines, allocate reasonable manpower, improve production capacities, strictly control the cost, expenses and enhance purchasing logistics and productivity so as to ensure that the delivery rate of the order will be above 95% on the premise of quality first.

(2) Marketing: Effectively manage the product development, confirm the specification and pre-production period; master the brand marketing and service resources; respond to variables that affect market sales with flexibility; ensure the orders, delivery time and recovery of payment and consolidate sales channels; achieve specific annual sales targets.

iii. Development Strategy

Maintain the positioning of the bikes and e-bikes products of its generalized brands in the middle and high-end markets in the world, and effectively control and expand the key material sources and production capacity of e-bike products, so as to meet the demand boom of each major market and customer; Continue to develop and deploy the emerging markets, constantly create the demands and growth momentum thereby pursuing the improvement of brand positioning in the global bicycle market so as to increase market share.

iv. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

1. The bicycle market in China has been undergoing continuous transformation, and its consumption patterns are not only diversified, but also partly extended into high value development. In the future, high-end bicycles with potential needs for leisure, sports, and competition and extended high-end e-bikes will become medium and long-term growth drivers in response to industry chain adjustments and market transformation. Therefore, at this stage, priority should be given to the guarantee of brands and channels, as well as the maintenance of production lines. It should also reserve capabilities of product development and marketing corresponding to the recovery of the mid-end and high-end markets in the future.

2. In respond to global issues (such as environmental protection, health, energy saving, carbon reduction), aging trends in sports and leisure, and the different market demands in Europe, America and Asia, the Company continues to establish partnership with professional e-bike system module suppliers in Europe and Asia, actively develops high-end new e-bikes supply market, which has produced considerable results; In addition, for a long time, in order to cope with the trade barriers (tariff barriers) set by major markets such as Europe and the United States for exports from China (origin), the Company's global export orders have been concentrated in Taiwan factories, which have integrated and completed the establishment of complementary professional production lines for e-bike and bikes. At present, the maximum annual production capacity of the advanced e-bike can reach more than 360,000 sets. The Company plans to gradually promote the expansion of production capacity to meet the future continuous growth of the annual order demand and promote the Group's revenue and profit growth.

II. Company Profile

i. Date of Incorporation: September 29, 1972

ii. Company History:

The Company was established in September 1972, its main business is the processing, manufacturing and sales of bike and its components. Over the past 40 years, the Company has been continuously investing in the expansion of plant, equipment and setting up subsidiaries overseas to expand marketing channels.

The Company was approved by the TAIWAN SECURITIES ASSOCIATION, the Ministry of Finance on March 19, 1990 to reissue shares for public offering. It was approved by Taiwan Stock Exchange on July 7, 1992 and officially listed on September 30 of the same year. The important records of the recent five years of the Company are as follows:

1. 2015:

(1) "Reacto Team-- World Tour": won the gold medal of 23rd (2015) Taiwan Excellence Awards.

(2) "One twenty Team" won the silver medal of 23rd (2015) Taiwan Excellence Award.

(3) "Reacto Team-E LTD": won 4th TAIPEI CYCLE & i Awards 2015

(4) The Company won the 8th place and valued USD 385 million in Survey of International Brand Value in Taiwan in 2015 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research, and undertaken by Interbrand, the global authoritative brand value survey organization.

(5) Gunn-Rita Dahle Flesjaa, 42-year-old woman of Merida International Mountaineering Team, won the 10thWorld Championship (Marathon) and the 29th World Cup single-stop championship, which is the highest in history.

(6) Team Lampre-MERIDA won seven single-stop Championships in the three major competitions of the Tour Italia, the Tour de France, and the Tour Spain in 2015.

(7) Organized a series of activities such as "Chuanghua Classic 100" and "MERIDA CUP & BIKE FESTIVAL" to continuously promote cycling.

(8) Merida Bicycle (China) Co., ltd. won the "Top Ten Enterprises in China's Light Industry Bicycle Industry in 2015".

(9) The air quality purification zones of "Garden Agricultural and Industrial Eco-Park" and "Sanhua Park" fostered by the Company were selected as excellent fostering units of the National Air Quality Purification Zone of the EPA for two consecutive years in 2014 and 2015.

(10) The Company's new e-bike plant and production line will be completed in the fourth quarter.

(11) Sponsored the film "To The Fore"

2. 2016:

(1) "Ninety Six Team": won the gold medal of 24th (2016) Taiwan Excellence Award.

(2) "Scultura 9000": won silver medal of 24th (2016) Taiwan Excellence Award.
(3) "Scultura Team" and "Ninety-Six.7 Team": won the 5th TAIPEI CYCLE d&i awards 2016.
(4) The Company won 8th place and was valued at USD 400 million in Survey of International Brand Value in Taiwan in 2016 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.
(5) SCULTURA 6000 was awarded "LIGHTWEIGHT BIKE OF THE YEAR" by Cycling Weekly, an authoritative professional magazine with a history of 100 years in Britain.
(6) Sponsored the newly world-class professional highway fleet BAHRAIN MERIDA PRO CYCLING TEAM.
(7) Huang Ting-Yin, a long-term sponsored excellent cyclists in Taiwan, won two single-race Championships in the UCI Women World Tour Class I Professional Competition around Chongming Island in mainland China, and was also the first domestic cyclist to win the first prize in the Class I Competition.
(8) The chairman of the Company was selected by Harvard Business Review as one of the top 50 CEOs in Taiwan in 2016.
(9) Organized a series of activities such as "Chuanghua Classic 100" and "MERIDA CUP & BIKE FESTIVAL" to continuously promote cycling.
(10) Continued to sponsor the "1919 Go" charity fundraising cycling activity.
(11) The air quality purification zones of "Sanhua Park" fostered by the Company were selected as excellent fostering units of the National Air Quality Purification Zone of the EPA in 2016.

3. 2017:

(1) "Scultura Disc": won the gold medal of 25th (2017) Taiwan Excellence Award.
(2) "eONE-SIXTY 900-E": won the silver medal of 25th (2017) Taiwan Excellence Award.
(3) "eONE-SIXTY 900-E": won the gold medal of 6th TAIPEI CYCLE d&i awards 2017.
(4) The Company won the 11th place and valued USD 359 million in Survey of International Brand Value in Taiwan in 2017 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.
(5) In 2017, Vincenzo Nibali, star racer of the Merida Team sponsored by Merida, won the 3rd place in GIRO and the 2nd place in Vuelta, Champion of Il Lombardia.
(6) Star player Vincezo Nibali was invited by Merida to participate in the Merida Cup and won the championship in "Taiwan KOM Challenge", an international road racing with record-breaking results.
(7) Organized a series of activities such as "Chuanghua Classic 100" and

"MERIDA CUP & BIKE FESTIVAL" to continuously promote cycling.

(8) The air quality purification zones of "Sanhua Park" fostered by the Company were selected as excellent fostering units of the National Air Quality Purification Zone of the EPA in 2017.

4. 2018:

(1) "Silex CF": won the silver medal of 26th (2018) Taiwan Excellence Award.
(2) "Reacto Team Disc-E": won the silver medal of 26th (2018) Taiwan Excellence Award.
(3) "ONE-Twenty": won the gold medal of 7th TAIPEI CYCLE d&i awards 2018.
(4) The Company won the 11th place and valued USD 328 million in Survey of International Brand Value in Taiwan in 2018 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.
(5) The Bahrain Merida Team star driver Vincenzo Nibali, sponsored by Merida, won the milano-san Remo championship, one of the five classical races, in 2018.
(6) Organized a series of activities such as "Chuanghua Classic 100" and "MERIDA CUP & BIKE FESTIVAL" to continuously promote cycling.
(7) The air quality purification zones of "Sanhua Park" fostered by the Company were assessed and selected as excellent unit for fostering and maintaining air quality in air qualification zone by Changhua County Government in 2018.

5. 2019:

(1) "120 Full suspension mountain bike ONE-Twenty": won the gold medal of 27th (2019) Taiwan Excellence Award.
(2) "Time Warp TT": won the silver medal of 27th (2019) Taiwan Excellence Award.
(3) The Company won the 11th place and valued USD 354 million in Survey of International Brand Value in Taiwan in 2019 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.
(4) In 2019, Vincenzo Nibali, star racer of Bahrain Merida Team sponsored by Merida, won the 2nd place in GIRO d'Italia, one of the three Grand Tournaments.
(5) SILEX 700 was named as the bike of the year by well-known professional media ROAD.CC; Both cyclocross bike MISSION CX and full-suspension bike ONE-TWENTY won the German Design & Innovation Award.
(6) Organized a series of activities such as "Chuanghua Classic 100"and "MERIDA CUP & BIKE FESTIVAL" to continuously promote

cycling.

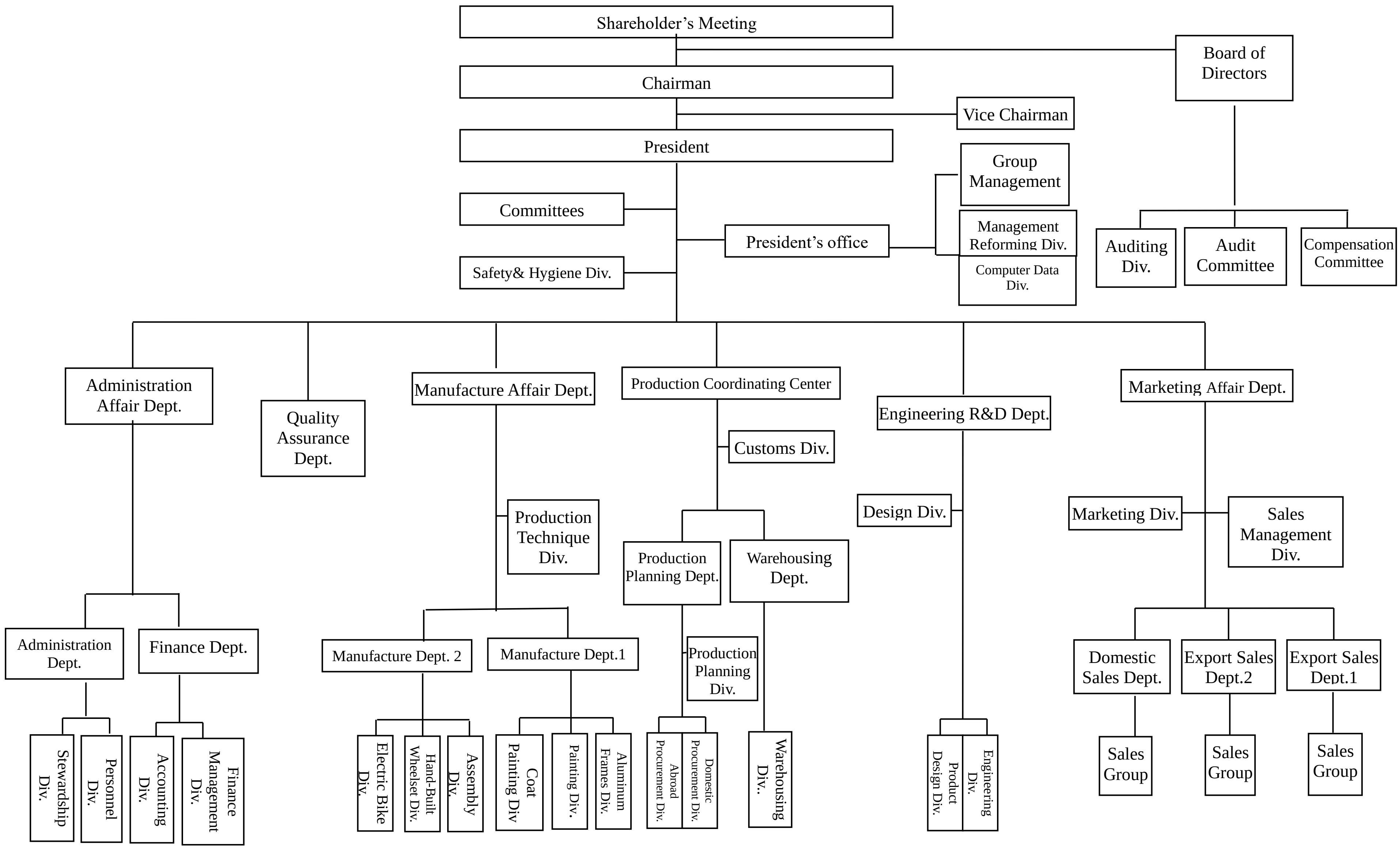
(7) The air quality purification zones of “Yuanlin Agricultural and Industrial Vocational High School Eco-Park” and “Sanhua Park” fostered by the Company were assessed and selected as high distinction and excellent unit respectively for fostering and maintaining air quality in air qualification zone by Changhua County Government in 2019.

(8) The Company was selected as excellent fostering unit of the National Air Quality Purification Zone of the EPA in 2019.

III. Corporate Governance Report
i. Organization

1. Organizational Chart

Organizational Chart of MERIDA INDUSTRY CO., LTD.



2. Major Corporate Functions:

Departments	Main Functions
Auditing Div.	Responsible for internal control, general business and financial business audit and suggestion
Management Reforming Div.	Responsible for the planning of major investments and the review of regulations and rules
Computer Data Div.	Responsible for the integration of enterprise information systems. Assist in the establishment of query and decision-making resource systems, etc.
Safety & Hygiene Div.	Responsible for environmental protection and labor safety and health
Engineering R&D Dept.	1. Responsible for the research and development of new product design, production, and process 2. Responsible for the annual new car frame design and mold fixture design and production 3. Responsible for product specification development and research
Quality Assurance Dept.	Responsible for quality control of raw materials and finished products
Finance Dept.	Responsible for fund scheduling, accounting treatment and management information provision
Administration Dept.	1. Responsible for HR planning, implementation, and operation of human resource policies 2. Responsible for property management and integration of the company's general affairs
Export Sales Dept.1 and 2	Responsible for overseas customer affairs and business information collection and analysis
Domestic Sales Dept.	Responsible for domestic marketing network issues and business information collection and analysis
Production Planning Dept	Responsible for raw material negotiation, purchasing, tracking and production scheduling control
Warehousing Dept.	Responsible for raw material and finished product management in warehouse area
Manufacture Affair Dept.	Responsible for the production of bicycle products and maintenance of production equipment

ii. Directors, Supervisors, and Management Team

1. (1) Directors and Supervisors

Date: as of April 26, 2020

Title (Note 1)	Nationality or registration place	Name	Gender	Selection date	Term	Initial selection date (Note 2)	Holding of shares when being selected		Current holding of shares		Current holding of shares of spouse, under-age children		Holding of shares making use of other's name		Primary (educational) experience (Note 3)	Current part-time position in The or other enterprise	Other managers, directors, or supervisors within the relations of spouse or parents			Remark (Note 8)
							Number of strands	Shareholding ratio	Number of strands	Shareholding ratio	Number of strands	Shareholding ratio	Number of strands	Shareholding ratio			Title	Name	Relation	
Chairman	Taiwan	Zeng, Song-zhu	Male	2018.6.26	3	1994.6.6	48,664,715	16.28%	48,664,715	16.28%	8,477,819	2.84%	0	0%	13th MBA Program for entrepreneur, National Chengchi University	1.Presidentof the Company 2.Please refer to page 94 for concurrent positions in our Company's affiliated enterprises. 3.Director of Cheng Shin Rubber Ind., Co., Ltd.	Director Vice-President	Zenglu Min-hua Zeng, Shang-Yuan	Spouse Father-son	
Director	Taiwan	Zeng, Song-ling	Male	2018.6.26	3	2000.6.24	5,692,934	1.90%	5,692,934	1.90%	0	0%	0	0%	MBA Program of Long Island University, New York, USA	Chairman of Dingcheng Investment Co., Ltd.	Director	Zeng Hui-juan	Brother-sister	
Director	Taiwan	Zenglu, Min-hua	Female	2018.6.26	3	2012.6.28	6,697,819	2.24%	8,477,819	2.84%	48,664,715	16.28%	0	0%	Dept. of Accounting & Statistics, Taibei High School	Chairman of Dinghong Investment Co., Ltd.	Chairman Vice-President	Zeng Song-zhu Zeng, Shang-Yuan	Spouse Mother-son	
Director (Note 4)	Taiwan	Qiu, Li-qing	Female	2018.6.26	3	2003.6.26	5,412,000	1.81%	5,412,000	1.81%	10,754	0.00%	0	0%	Dept. of Economics, National Taiwan University	Director of Cheng Shin Rubber Ind., Co., Ltd.	None	None	None	
Director	Taiwan	Dinghong Investment Co., Ltd. Representative: Zheng Wen-xiang	Male	2018.6.26	3	2012.6.28	390,022 366,240	0.13% 0.12%	390,022 366,240	0.13% 0.12%	0	0%	0	0%	Institute MBA, Dayeh University	1.Senior Vice-President of Marketing Affair Department of the Company 2.Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Director	Taiwan	Dinghong Investment Co.,Ltd. Representative: Cai, Xue-liang	Male	2018.6.26	3	2012.6.28	390,022 130,115	0.13% 0.04%	390,022 130,115	0.13% 0.04%	0	0%	0	0%	Dept. of Finance of EMBA, National Chung Hsing University	1.Senior Vice-President of Administration Affair Department of the Company 2.Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Director	Taiwan	Dinghong Investment Co., Ltd. Representative: Yuan, Qi-bin	Male	2018.6.26	3	2012.6.28	390,022 140,184	0.13% 0.05%	390,022 140,184	0.13% 0.05%	151	0.00%	0	0%	Institute MBA, Dayeh University	1.Senior Vice-President of Production Coordinating Center of the Company 2.Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	

Director (Note 5)	Taiwan	Dinghong Investment Co., Ltd. Representative: Lai, Ru-ding	Male	2018.6.26	3	2018.6.26	390,022 133,763	0.13% 0.04%	390,022 133,763	0.13% 0.04%	0	0.00%	0	0%	Institute MBA, Dayeh University	1.Senior Vice-President of the Manufacture Affair Department of the Company 2.Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Director	Taiwan	Dingcheng Investment Co., Ltd. Representative: Zeng, Hui-juan	Female	2018.6.26	3	2012.6.28	7,314,925 997,767	2.45% 0.33%	7,314,925 997,767	2.45% 0.33%	1,218	0.00%	0	0%	Accounting & Statistics Dept. of Holy Savior High School	Senior Manager of Financial Management Division of the Company	Director	Zeng Song-ling	Brother-sister	
Independent director	Taiwan	Chen, Shui-jin	Male	2018.6.26	3	2015.6.22	0	0.00%	0	0.00%	0	0%	0	0%	MBA of National Chung Cheng University	Accountant of Yuansheng Accounting Firm	None	None	None	
Independent director	Taiwan	Chen, Jian-nan	Male	2018.6.26	3	2015.6.22	0	0.00%	0	0.00%	0	0%	0	0%	Master of Design, UCLA, University of California, Los Angeles	Associate Professor, Department of Industrial Design, Chaoyang University of Technology	None	None	None	
Independent director (Note 6)	Taiwan	Li, Zong-ying	Male	2018.6.26	3	2018.6.26	0	0.00%	0	0.00%	0	0%	0	0%	MBA, Fu Jen Catholic University	1. Manager of Taipei Computer Association 2. Executive Secretary of TwIoTA 3. Taiwan GloRa Alliance/ Secretary-general	None	None	None	
Independent director (Note 7)	Taiwan	Zhuang, Wen-jing	Female	2018.6.26	3	2018.6.26	0	0.00%	0	0.00%	0	0%	0	0%	Dept. of Business Administration, National Taichung University of Science and Technology	Senior Manager of Auditing Division of FU CHIAN TIRE CO.,LTD	None	None	None	

Note 1: The legal person shareholder shall list the name and representative of the legal person shareholder separately (for the legal person shareholder representative, the name of the legal person shareholder shall be indicated), and shall fill in table 1 below.
Note 2: Indicate the time when first served as a director or supervisor of the Company. In case of interruption, please indicate.
Note 3: The title and responsible position of a certified public Accountant firm or affiliated enterprise shall be specified if the experience related to the current position has been held during the previous disclosure period.
Note 4: Director Qiu,Li-qing's qualification as supervisor of the company: from June 26, 2003 to June 26, 2008, as director: since June 26, 2018.
Note 5: Representative Lai, Ju-Ting's qualification as director of Dinghong Investment Co., Ltd.: since June 26, 2018.
Note 6: Li,Zong-ying's qualification as independent director of the Company: since June 26, 2018.
Note 7: Zhuang,Wen-jing's qualification as independent director of the Company: since June 26, 2018
Note 8: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.
The chairman of the Company also serves as the president at the same time is to improve the operating efficiency and execution of decision-making; however, in order to implement corporate governance, the Company has increased the number of independent directors' superior to the statutory board to enhance the functions of the Board of Directors and strengthen the supervision function.

The Company currently has the following specific measures:
(1). The current four independent directors have expertise in the fields of financial accounting, computer information, Internet of Things industry technology, and product design, and can effectively play their supervisory functions.
(2). Arrange for each director to participate in professional courses of external organizations such as Taiwan Corporate Governance Association, to enhance the effectiveness of the Board of Directors.
(3). Independent directors can fully discuss and make recommendations for the Board of Directors in various functional committees to implement corporate governance.
(4). More than half of the directors of the Board of Directors do not concurrently serve as employees or managers.

1. 1-1 Major shareholders of the institutional shareholders

Date: as of April 26, 2020

Name of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding ratio
Dinghong Investment Co., Ltd.	Zenglu, Min-hua	73.75%
	Zeng, Song-zhu	16.75%
Dingcheng Investment Co., Ltd.	Zeng, Song-ling	94.40%
	Liu, Chun-Hsun	4.00%

Note 1: If the supervisor is the representative of the institutional shareholder, he/she shall fill in the name of the institutional shareholder.

Note 2: Fill in the name of the major shareholder of the institutional shareholder (the top ten shareholders) and its share proportion. If the major shareholder is the institutional shareholder, then fill in the second table below.

1. (2) Professional qualifications and independence analysis of directors and supervisors:

Criteria / Names (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Zeng, Song-zhu			✓					✓	✓			✓		✓	✓	0
Zeng, Song-ling			✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	0
Zenglu, Min-hua			✓	✓				✓	✓		✓	✓		✓	✓	0
Qiu, Li-qing			✓	✓				✓	✓	✓		✓	✓	✓	✓	0
Dinghong Investment Co., Ltd. Representative: Zheng, Wen-xiang			✓			✓	✓	✓	✓			✓	✓	✓		0
Dinghong Investment Co., Ltd. Representative: Cai, Xue-liang			✓			✓	✓	✓	✓			✓	✓	✓		0
Dinghong Investment Co., Ltd. Representative: Yuan, Qi-bin			✓			✓	✓	✓	✓			✓	✓	✓		0
Dinghong Investment Co., Ltd. Representative: Lai, Ru-ding			✓			✓	✓	✓	✓			✓	✓	✓		0
Dingcheng Investment Co., Ltd. Representative: Zeng, Hui-juan			✓			✓	✓	✓	✓	✓		✓		✓		0
Chen, Shui-jin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chen, Jian-nan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li, Zong-ying			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Zhuang, Wen-jing			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: the number of column shall be adjusted according to actual demands.
Note 2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.Management Team:

Date: as of April 26, 2020

Title (Note 1)	Nationality	Name	Selection Date	Gender	Shareholding		Shares held by spouses and minor children		Shareholdings in the name of others		Primary experience(Note 2)	Current part-time position in The or other enterprise	Other managers, directors or supervisors within the relations of spouse or parents			Remark (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation	
President	Taiwan	Zeng, Song-zhu	1994.09.01	Male	48,664,715	16.28%	8,477,819	2.84%	0	0%	13th MBA Program for entrepreneur, National Chengchi University	1.Please refer to page 94 for concurrent positions in our Company's affiliated enterprises. 2.Director of Cheng Shin Rubber Ind., Co., Ltd.	Vice-President	Zeng, Shang, Yuan	Father-son	
Senior Vice-President	Taiwan	Zheng, Wen-xiang	1998.05.01	Male	366,240	0.12%	0	0%	0	0%	Institute MBA, Dayeh University	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Senior Vice-President	Taiwan	Chen, Cheng-Pin	2004.01.01	Male	134,838	0.05%	1,388	0.00%	0	0%	Department of Machinery, Southern Taiwan University of Science and Technology	None	None	None	None	
Senior Vice-President	Taiwan	Yuan, Qi-bin	2004.01.01	Male	140,184	0.05%	151	0.00%	0	0%	Institute MBA, Dayeh University	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Senior Vice-President	Taiwan	Cai, Xue-liang	2004.01.01	Male	130,115	0.04%	0	0%	0	0%	Department of Finance of EMBA, National Chung Hsing University\	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Senior Vice-President	Taiwan	Lai, Ru-ding	2007.09.01	Male	133,763	0.04%	0	0%	0	0%	Institute MBA, Dayeh University	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Senior Vice-President	Taiwan	Hsu, Shih-Yan (Note 4)	2011.01.01	Male	162,968	0.05%	0	0%	0	0%	Institute MBA, Dayeh University	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Senior Vice-President	Taiwan	Zeng, Chin-Cheng	2012.05.01	Male	108,789	0.04%	0	0%	0	0%	Department of Mechanical Engineering, Nanya Institute of Technology	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Vice-President	Taiwan	Wang Long-Jin	2002.06.01	Male	3,889	0%	1,290	0.00%	0	0%	MBA of Industrial Relations, Dayeh University	None	None	None	None	

Vice-President	Taiwan	Li, Po-Lin	2002.06.01	Male	23,938	0.01%	0	0%	0	0%	Department of industrial design National Cheng Kung University	None	None	None	None	
Vice-President	Taiwan	Lai, Tung-Sha	2010.05.01	Male	3,042	0%	1,207	0.00%	0	0%	Department of Mechanical Engineering, National Pingtung Polytechnic Institute	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Vice-President	Taiwan	Chang, Chen-Yung	2010.05.01	Male	20,075	0.01%	0	0%	0	0%	Department of English, National Chengchi University	None	None	None	None	
Vice-President	Taiwan	Wu, Yu-Fan	2010.05.01	Male	3,991	0%	2,415	0.00%	0	0%	Department of industrial design, Daye University	None	None	None	None	
Vice-President	Taiwan	Wu, Min-Fang	2012.09.01	Male	3,788	0%	0	0%	0	0%	Department of Mechanical Engineering Lunghwa University of Science and Technology	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Vice-President	Taiwan	Chang, Wen-Chie	2014.10.01	Male	11,000	0%	45	0.00%	0	0%	Department of Industrial Management National Cheng Kung University	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Vice-President	Taiwan	Tang, Chia-Hung	2016.08.16	Male	2,000	0%	0	0%	0	0%	Department of Electrical Engineering, Shu-Teh Junior College of Technology	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	
Vice-President	Taiwan	Zeng, Shang, Yuan	2018.02.01	Male	7,606,000	2.54%	600,000	0.20%	0	0%	Master of Marketing Management, University of La Verne, California, USA	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	President	Zeng, Song-zhu	Father-son	
Vice-President	Taiwan	Tsai, Wei-Hsing	2018.10.01	Male	2,100	0%	0	0%	0	0%	Department of Industrial Engineering, Dayeh University	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	None	None	None	

Note 1: All the information of President, Deputy President, Vice-President and the Supervisor of each department and branch and those titles are equal to President, Senior Vice-President or Vice-President should be disclosed.
Note 2: the title and responsible position should be specified if he/she has relevant experience in the current position, such as previous employment in a certified public accounting firm or affiliated enterprise during the previous period.
Note 3: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.
The chairman of the Company also serves as the president at the same time is to improve the operating efficiency and execution of decision-making; however, in order to implement corporate governance, the Company has increased the number of independent directors' superior to the statutory board to enhance the functions of the Board of Directors and strengthen the supervision function.
The Company currently has the following specific measures:
(1). The current four independent directors have expertise in the fields of financial accounting, computer information, Internet of Things industry technology, and product design, and can effectively play their supervisory functions.
(2). Arrange for each director to participate in professional courses of external organizations such as Taiwan Corporate Governance Association, to enhance the effectiveness of the Board of Directors.
(3). Independent directors can fully discuss and make recommendations for the Board of Directors in various functional committees to implement corporate governance.
(4). More than half of the directors of the Board of Directors do not concurrently serve as employees or managers.
Note 4: Hsu, Shih-Yan, Senior Vice-President, retired on July 16, 2019.

3. Compensation of General Director, Independent Director, President, and Senior Vice-President in the Most Recent Year:

(1) Compensation of general directors and independent directors:

Unit: NTD 1,000

Title	Name	Compensation of directors								The proportion of the total amount of A, B, C and D on the profit after tax (Note 10)		Relevant Compensation of Part-Time Employees								The proportion of the seven items A, B, C, D, E, F and G total amount on the profit after tax (Note 10)		Whether or not to receive reinvestment enterprise Compensation from outside the subsidiary (Note 11)
		Reward (A) (Note 2)		Pension (B)		Remuneration of director(C) (Note 3)		Service execution expenses(D) (Note 4)				Salary, rewards, and special expenses (E)(Note 5)		Pension (F)		Employee's remuneration (G) (Note 6)						
		The Company	All the companies in financial reports(Note 7)	The Company	All the companies in financial reports (Note 7)	The Company	All the companies in financial reports (Note 7)	The Company	All the companies in financial reports (Note 7)	The Company	All the companies in financial reports (Note 7)	The Company	All the companies in financial reports (Note 7)	The Company	All the companies in financial reports (Note 7)	The Company		All the companies in financial reports (Note 7)		The Company	All the companies in financial reports (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Director	Zeng, Song-zhu	0	0	0	0	24,619	24,619	1,446	1,446	1.04%	1.04%	2,741	2,741	0	0	3,397	0	3,397	0	1.29%	1.29%	None
Director	Dinghong Investment Co., Ltd.	0	0	0	0	32,826	32,826	0	0	1.31%	1.31%	0	0	0	0	0	0	0	0	1.31%	1.31%	None
Director Director Director Director Director Director Independent director	Zeng, Song-ling Zenglu, Min-hua Qiu, Li-qing Dinghong Investment Co., Ltd. Representative: Zheng, Wen-xiang, Cai, Xue-liang, Yuan, Qi-bin, Lai Ru-ding Dingcheng Investment Co., Ltd. Dingcheng Investment Co., Ltd. Representative: Zeng, Hui-juan Chen, Shui-jin Chen, Jian-nan Li, Zong-ying Zhuang, Wen-jing	3,600	3,600	0	0	32,826	32,826	775	775	1.49%	1.49%	10,040	10,040	0	0	13,212	0	13,212	0	2.42%	2.42%	無

1. Please describe the payment policy, system, standards, and structure of independent directors' remuneration. Please also explain the correlation with the amount of remuneration according to the responsibilities, risks, time invested and other factors:
   The payment of the remuneration of independent directors of the Company is based on the provisions of Article 34 "Director remuneration payment method" of the Articles of Incorporation, along with the assessment of the Company's annual revenue, total assets and its responsibilities, risks, investment time, and other factors. It also refers to the standards of the same industry and is approved by the Board of Directors to ensure the reasonableness of the salary.
2. Except as disclosed in the preceding table, the remuneration paid by the directors of the Company in recent years for the services provided by all the companies in the financial report (such as consultants for non-employees, etc.) : None.

* Please provide information about general directors (who are not independent directors) and independent directors separately

Compensation Scale

Range of compensation	Name of directors			
	The total compensation of the first four ones (A+B+C+D)		The total compensation of the first seven ones (A+B+C+D+E+F+G)	
	The Company (Note 8)	All the companies in financial reports（I）(Note 9)	The Company (Note 8)	All the companies in financial reports（J）(Note 9)
Below NTD 1,000,000	Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin. Lai, Ru-ding. Zeng, Hui-juan. Chen, Shui-jin. (Independent) Chen, Jian-nan. (Independent) Li, Zong-ying. (Independent) Zhuang, Wen-jing (Independent)	Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin. Lai, Ru-ding. Zeng, Hui-juan. Chen, Shui-jin. (Independent) Chen, Jian-nan. (Independent) Li, Zong-ying. (Independent) Zhuang, Wen-jing (Independent)	Chen, Shui-jin. (Independent) Chen, Jian-nan. (Independent) Li, Zong-ying. (Independent) Zhuang, Wen-jing (Independent)	Chen, Shui-jin. (Independent) Chen, Jian-nan. (Independent) Li, Zong-ying. (Independent) Zhuang, Wen-jing (Independent)
NTD 1,000,000 (included) ～2,000,000				
NTD 2,000,000 (included) ～3,500,000			Zeng, Hui-juan.	Zeng, Hui-juan.
NTD 3,500,000 (included) ～5,000,000				
NTD 5,000,000 (included) ～10,000,000	Zeng, Song-ling. Zenglu, Min-hua Qiu, Li-qing Dingcheng Investment Co. Ltd.	Zeng, Song-ling. Zenglu, Min-hua Qiu, Li-qing Dingcheng Investment Co. Ltd.	Zeng, Song-ling. Zenglu, Min-hua Qiu, Li-qing Dingcheng Investment Co. Ltd. Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin. Lai, Ru-ding.	Zeng, Song-ling. Zenglu, Min-hua Qiu, Li-qing Dingcheng Investment Co. Ltd. Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin. Lai, Ru-ding.
NTD 10,000,000 (included) ～15,000,000				
NTD 15,000,000 (included) ～30,000,000	Zeng, Song-zhu. Dinghong Investment Co. Ltd.	Zeng, Song-zhu. Dinghong Investment Co. Ltd.	Dinghong Investment Co. Ltd.	Dinghong Investment Co. Ltd.
NTD 30,000,000 (included) ～50,000,000			Zeng, Song-zhu.	Zeng, Song-zhu.
NTD 50,000,000 (included) ～100,000,000				
Over NTD 100,000,000				
Total amount	15	15	15	15

Note 1:The names of directors should be listed separately (the names of shareholders and representatives of legal persons should be listed separately) and the amounts paid should be disclosed in a summary manner. If a director is concurrently the President or Senior Vice-President, he or she shall fill in this form and the following tables (3-1) or (3-2).

Note 2: It refers to the remuneration of directors in recent years (including directors' salary, post pay, severance pay, various bonuses, awards, etc.).

Note 3: The amount of directors' remuneration allocated by the Board of Directors in the latest year shall be indicated.

Note 4: Refers to the relevant business execution expenses of directors in recent years (including transportation fees, special expenses, various allowances, accommodation fees, car allocation, etc.). In the case of the provision of housing, motor vehicles and other means of transport or for personal expenses, the nature and cost of the assets, rent, oil and other payments actually or at fair market prices provided shall be disclosed. In addition, if there is a driver, please note the relevant remuneration paid to the driver by the Company, but the remuneration is not included.

*The Company provides a car for chairman at an annual rent of NTD 1,157 thousand.

Note 5: it refers to the salary, position bonus, severance pay, various bonuses, travel fees, special expenses, various allowances, accommodation fees, car allocation and other physical provision, etc., received by the directors and part-time employees (including the part-time President, Senior Vice-President, other managers and employees) in recent years. In the case of the provision of housing, motor vehicles and other means of transport or for personal expenses, the nature and cost of the assets, rent, oil and other payments actually or at fair market prices provided shall be disclosed. In addition, if there is a driver, please note the relevant remuneration paid to the driver by the Company, but the remuneration is not included. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including the acquisition of employee stock warrants, the restriction of employee rights to new shares and participation in the subscription of shares in cash increase, shall also be included in the remuneration.

Note 6: where a director concurrently serves as an employee(Including President, Senior Vice-President, other managers and employees)in the most recent year and receives employee remuneration (including stock and cash), it shall disclose the amount of employee remuneration distributed by the Board of Directors in the most recent year. If the amount cannot be estimated, the proposed amount of distribution this year shall be calculated according to the proportion of the actual amount of distribution last year, and the part 3 of Appendix 1 shall be filled in.

Note 7: the total amount of remuneration paid to the directors of the Company by all companies (including the Company) in the consolidated report shall be disclosed.

Note 8: the Company shall pay each director the total amount of remuneration and disclose the name of the director in the Remuneration Scale.

Note 9: the total amount of remuneration paid to each director of the Company by all companies (including the company) in the consolidated report shall be disclosed, and the names of directors shall be disclosed in the Remuneration Scale.

Note 10:After-tax net profit means the after-tax net profit of the most recent year; Where IFRS has been applied, after-tax profit means the after-tax profit of the most recent annual Independent or Independent financial report.

Note 11: a.This column shall clearly indicate the amount of remuneration received by the directors of the Company in connection with the reinvestment business outside the subsidiaries.

.b. Where any director of the Company receives remuneration related to investment in a business other than a subsidiary, the remuneration received by the director of the Company for investment in a business other than a subsidiary shall be incorporated into column I of the remuneration scale and the column name shall be changed to "All Re-investment Businesses".

.c. Remuneration refers to the remuneration and compensations (including remuneration of employees, directors, and supervisors) and business execution expenses paid to the directors of the Company by serving as the director, supervisor or manager of the reinvestment undertakings other than the subsidiaries of the Company

＊ **The content of remuneration disclosed in this table is different from the concept of Income Tax Law. Therefore, the purpose of this table is to disclose information and not for taxation.**

(2) Compensation of president and senior vice-president: (summary of disclosure of name with the remuneration scale)

Unit: NTD 1,000

Title	Name	Salary (A) (Note 2)		Pension (B)		Reward and special expenses (C) (Note 3)		Employee's compensation (D) (Note 4)				The proportion of the total amount of A, B, C and D on the profit after tax (Note 8)		Whether to receive reinvestment business compensation outside the subsidiary corporation (Note 9)
		The Company	All the companies in financial reports (Note5)	The Company	All the companies in financial reports (Note 5)	The Company	All the companies in financial reports (Note 5)	The Company		All the companies in financial reports (Note 5)		The Company	All the companies in financial reports (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Zeng, Song-zhu	16,450	16,450	0	0	0	0	21,111	0	21,111	0	1.50%	1.50%	None
Senior Vice-President	Zheng, Wen-xiang													
Senior Vice-President	Chen, Cheng-Pin													
Senior Vice-President	Yuan, Qi-bin													
Senior Vice-President	Cai, Xue-liang													
Senior Vice-President	Lai, Ru-ding													
Senior Vice-President	Hsu, Shih-Yan													
Senior Vice-President	Zeng, Chin-Cheng													

* Disclosure should be made of any position equivalent to President or Senior Vice-President(e.g. President, CEO, director, etc.), regardless of title.

Compensation Scale

Range of compensation	President and Senior Vice President's name	
	The Company (Note 6)	All the companies in financial reports (Note 7) (E)
Below NTD 1,000,000	Hsu, Shih-Yan	Hsu, Shih-Yan
NTD 1,000,000 (included)～2,000,000		
NTD 2,000,000 (included)～3,500,000		
NTD 3,500,000 (included)～5,000,000	Chen, Cheng-Pin.	Chen, Cheng-Pin.
NTD 5,000,000 (included)～10,000,000	Zeng, Song-zhu Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin Lai, Ru-ding. Zeng, Chin-Cheng	Zeng, Song-zhu Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin Lai, Ru-ding. Zeng, Chin-Cheng
NTD 10,000,000 (included)～15,000,000		
NTD 15,000,000 (included)～30,000,000		
NTD 30,000,000 (included)～50,000,000		
NTD 50,000,000 (included)～100,000,000		
Over NTD 100,000,000		
Total amount	8	8

Note 1:The names of the President and Senior Vice-President shall be shown separately, and the amounts paid shall be disclosed in a summary manner. If the director is also the President or deputy President, he or she shall fill in this and the above tables (1-1).

Note 2:Salary, position bonus and severance pay of the President and Senior Vice-President of the most recent year shall be indicated.

Note 3:It refers to the awards, various bonuses, travel fees, special expenses, various allowances, accommodation fees, car allocation and other physical provision, etc., received by the President and Senior Vice-President in recent years. In the case of the provision of housing, motor vehicles and other means of transport or for personal expenses, the nature and cost of the assets, rent, oil and other payments actually or at fair market prices provided shall be disclosed. In addition, if there is a driver, please note the relevant remuneration paid to the driver by the Company, but the remuneration is not included. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including the acquisition of employee stock warrants, the restriction of employee rights to new shares and participation in the subscription of shares in cash increase, shall also be included in the remuneration.

Note 4:The amount of employee remuneration (including stock and cash) for the President and vice-Presidents in the most recent year approved by the Board of Directors shall be listed. If the amount cannot be estimated, the proposed amount for this year shall be calculated in proportion to the actual amount allocated last year, and the part 3 of Appendix 1 shall also be filled in. After-tax net profit means the after-tax net profit of the most recent year; Where IFRS has been used, after-tax profit is the after-tax profit of the most recent annual Independent or Independent financial report.

Note 5:The total amount of remuneration paid to the President and Senior Vice-President of the company (including the Company) in the consolidated report shall be disclosed.

Note 6:The total amount of remuneration paid by the Company to each President and Senior Vice-President shall be disclosed by the name of the President and Senior Vice-President in the correct remuneration scale.

Note 7:The total amount of remuneration paid to each President and Senior Vice-President of the Company by all companies (including the Company) in the consolidated report shall be disclosed, and the names of the President and Senior Vice-President shall be disclosed in the correct remuneration scale.

Note 8:After-tax net profit means the after-tax net profit of the most recent year; Where IFRS has been used, after-tax profit means the after-tax profit of the most recent annual Independent or Independent financial report.

Note 9:

a. This column shall clearly indicate the amount of remuneration received by the President and Senior Vice-President of the Company in connection with the reinvestment business outside the subsidiaries or parent company (if none, please fill in "none")

b. Where any President and Senior Vice-President of the Company receives remuneration related to investment in a business other than a subsidiary or parent company, the remuneration received by the President and Senior Vice-President of the Company for investment in a business other than a subsidiary or parent company shall be incorporated into column E of the remuneration scale and the column name shall be changed to "Parent Company and All Re-investment Businesses".

c. Remuneration refers to the remuneration and compensations (including remuneration of employees, directors and supervisors) and business execution expenses paid to the President and Senior Vice-President of the Company by serving as the director, supervisor or manager of the reinvestment undertakings other than the subsidiaries of the Company.

＊The content of remuneration disclosed in this table is different from the concept of Income Tax Law. Therefore, the purpose of this table is to disclose information and not for taxation.

(3). The manager's name of distributing employee's compensation and the distribution situation:

December 31, 2019
Unit: NTD 1,000

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total amount	The ratio of total amount on the profit after tax (%)
Manager	President	Zeng, Song-zhu	0	51,144	51,144	2.04%
	Senior Vice-President	Zheng, Wen-xiang				
	Senior Vice-President	Chen, Cheng-Pin				
	Senior Vice-President	Yuan, Qi-bin				
	Senior Vice-President	Cai, Xue-liang				
	Senior Vice-President	Lai, Ru-ding				
	Senior Vice-President	Hsu, Shih-Yan				
	Senior Vice-President	Zeng, Chin-Cheng				
	Vice-President	Wang Long-Jin				
	Vice-President	Li, Po-Lin				
	Vice-President	Lai, Tung-Sha				
	Vice-President	Chang, Chen-Yung				
	Vice-President	Wu, Yu-Fan				
	Vice-President	Wu, Min-Fang				
	Vice-President	Chang, Wen-Chie				
	Vice-President	Tang, Chia-Hung				
	Vice-President	Zeng, Shang, Yuan				
	Vice-President	Tsai, Wei-Hsing				

Note 1: Independent names and titles should be disclosed, but the distribution of profits can be disclosed by summary.

Note 2: This is the amount of employee remuneration(including stock and cash) approved by the Board of Directors to be distributed to managers in the most recent year. If the amount cannot be estimated, the proposed amount of this year will be calculated in proportion to the actual amount of distribution last year. After-tax net profit means the after-tax net profit of the most recent year; Where IFRS has been used, after-tax profit means the after-tax profit of the most recent annual Independent or Independent financial report.

Note 3:In accordance with the Order Tai-Cai-Zheng-San-Zi No. 0920001301 issued by the FSC on March 27, 2003, the scope of application for managers is as follows:

(1) President and equivalent to president
(2) Senior vice-president and equivalent to senior vice-president
(3) Vice-president and equivalent to vice-president
(4) Head of financial department
(5) Head of accounting department
(6) Other persons who have the right to manage business and sign for the Company

Note 4: If the director, president, and senior vice-president have received employee remuneration (including stock and cash), they should complete this form in addition to the part 2 of the Appendix 1.

4.Comparison of Compensation for Directors, Supervisors, President and Senior Vice Presidents in the Most Recent Two Fiscal Years and compensation Policy for Directors, Supervisors, President and Senior Vice Presidents

(1).Payment of the total compensation of directors, supervisors, Presidents and Senior Vice-Presidents in the proportion of net profit after tax:

	2019	2018	Explanation
The Company	5.74%	6.77%	The compensation paid by all the companies in the consolidated statement to the Company will not be distributed to the representative of legal person.
All the companies in the consolidated statement	5.74%	6.77%	

(2).The policy of payment to directors, supervisors, Presidents and Senior Vice-Presidents of the Company, standard and combination of compensation payment, procedures for setting compensation, and its relevance to business performance and future risks:

1) Compensation for directors of the Company shall be paid in accordance with article 32 and article 34 of the Articles of Incorporation and shall be approved by the Compensation Committee.

2) The compensation of the President and Senior Vice-Presidents of the Company shall be paid in accordance with the Company's salary management regulations, relevant rules and regulations, and in accordance with the standards of the industry, and shall be subject to the approval of the Compensation Committee to ensure the competitiveness of the remuneration so as to achieve the purpose of motivation and talent retention.

iii. Implementation of Corporate Governance

1.Board of Directors:

The Board meeting was held 7 times in recent years (A). The attendance of directors is as follows:

Title	Name (Note1)	Actual attendance (B)	Commissioned attendance	Actual attendance ratio [B/A] (Note 2)	Remarks
Chairman	Zeng, Song-zhu	7	-	100%	
Director	Zeng, Song-ling	7	-	100%	
Director	Zenglu, Min-hua	7	-	100%	
Director	Qiu, Li-qing	7	-	100%	
Director	Dinghong Investment Co., Ltd. Representative: Zheng, Wen-xiang	7	-	100%	
Director	Dinghong Investment Co., Ltd. Representative: Cai, Xue-liang	7	-	100%	
Director	Dinghong Investment Co., Ltd. Representative: Yuan, Qi-bin	6	1	86%	
Director	Dinghong Investment Co., Ltd. Representative: Lai, Ru-ding	7	-	100%	
Director	Dingcheng Investment Co., Ltd. Representative: Zeng, Hui-juan	7	-	100%	
Independent director	Chen, Shui-jin	7	-	100%	
Independent director	Chen, Jian-nan	7	-	100%	
Independent director	Li, Zong-ying	7	-	100%	
Independent director	Zhuang, Wen-jing	7	-	100%	

Other matters to be recorded:

1. If the operation of the board of directors is in any of the following circumstances, the date, duration, content of the bill, the opinions of all independent directors and the Company's handling of the opinions of independent directors shall be specified:
   (1) Items specified in Article 14-3 of Securities Exchange Act. (Please refer to Page 45 to 51).
   (2) Other than the foregoing matters, other matters decided by the Board of Directors upon objection or reservation of independent directors and recorded or written statement: None
2. The directors' names, contents, reasons for avoidance and voting participation shall be specified in the execution of the avoidance of interest proposals by directors: None
3. An TWSE/TPEx-listed company should disclose information about the self-assessment (or peer review) of the Board of Directors, including the cycle, period, scope, method, and content of the evaluation (Note 3), and fill out the implementation of the board's evaluation in Appendix 2 (2).
4. The objectives of strengthening the functions of the Board of Directors in the current and recent years (e.g. setting up Audit Committee, enhancing transparency of information, etc.) and evaluation of implementation:
   (1) The Company has formulated the "Performance Evaluation Method for Board of Directors".
   (2) The Company has established independent directors and established an audit committee.
   (3) Execute in accordance with the "Procedures for Board of Director" and "Organization Rules of Audit Committee".

Note 1: Directors and supervisors who are legal persons shall disclose the names of shareholders and their representatives.

Note 2: (1) If a director or supervisor leaves office before the end of the year, the date of departure shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings of the Board of Directors and the actual number of attendances.

(2) Before the end of the year, if a director or supervisor is re-elected, the new or old directors and supervisors shall be listed and the former directors and supervisors shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Board of Directors and the actual number of attendances.

Note 3: Evaluation cycle, period, scope, method, and content of the self-assessment (or peer review) of the Board of Directors of the Company:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
1. Internal performance evaluation should be performed once a year. 2. External performance evaluation should be performed at least every three years. 3. When the external performance evaluation is conducted in the year, the internal performance evaluation operation may be exempted.	1. The year under evaluation is from January 1 to December 31. 2. The Company starts the evaluation from 2020.	The scope includes performance evaluation of the Board of Directors, individual board members, and functional committees.	The methods of evaluation include internal self-evaluation of the Board of Directors, self-evaluation of board members, peer evaluation, appointment of external professional institutions, experts, or other appropriate methods.	1. Performance evaluation of the Board of Directors: including at least the degree of participation in the Company's operations, the quality of the board's decision-making, the composition and structure of the Board of Directors, the selection and continuous training of directors, internal control, etc. 2. Performance evaluation of individual directors: including at least the grasp of Company goals and tasks, the recognition of directors' responsibilities, the degree of participation in Company operations, internal relationship management and communication, the professional and continuous training of directors, internal control, etc. 3. Performance evaluation of the functional committee: the degree of participation in the Company's operations, the functional awareness of the functional committee, the decision-making quality of the functional committee, the composition of the functional committee and the selection of members, internal control, etc.

2. Implementation of the evaluation of Board of Directors:

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Evaluation Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Content (Note 5)
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: Refers to the cycle of Board evaluations, such as: Once a year.

Note 2: Refers to the period covered by the Board evaluation, such as: evaluation of Board performance between January 1, 2019 and December 31, 2019.

Note 3: The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.

Note 4: The evaluation method includes internal self-evaluation by the Board of Directors, self-assessment by directors, peer evaluation, and entrusting external professional institutions and experts or using other appropriate methods for performance evaluation.

Note 5: According to the scope of evaluation, evaluation items must at least include the following items:

(1) Board performance evaluation: At least includes level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued development, and internal controls.

(2) Individual director performance evaluation: At least includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.

(3) Functional committee performance evaluation: Participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

※The Company starts the evaluation from 2020.

3. Audit Committee:

The Audit Committee was held for 6 times (A) in recent years and the attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Commissioned attendance	Actual attendance rate (%) [B/A] (Note)	Remarks
Independent director	Chen Shui-jin	6	-	100%	
Independent director	Chen Jian-nan	6	-	100%	
Independent director	Li Zong-ying	6	-	100%	
Independent director	Zhuang Wen-jing	6	-	100%	

Other matters to be recorded:

1. In case of any of the following situations in the operation of the Audit Committee, the date, period, contents of the Board of Directors' proposal, the resolution results of the Audit Committee and the Company's handling of the opinions of the Audit Committee shall be stated.

(1) The items specified in Article 14-5 of Securities Exchange Act:

Date of Audit Committee	Content of the Bill	Resolutions of the Audit Committee	The Company's Treatment of the Audit Committee's Opinions
2019.01.25	1. Review the amendments to the Company's " operational procedures for acquisition and disposal of assets". 2. Review the formulation of the Company's "procedures for related party transaction management". 3. Review the Company's loan. 4. Review the case of Merida & Centurion Germany GmbH establishing the " the operational procedures for acquisition and disposal of assets". 5. Review the Company's investment in Merida & Centurion Germany GmbH.	Agreed by all members present	It was agreed and passed by all the directors present on January 25, 2019
2019.03.22	1. Review the Company's operating report for the year 2018. 2. Review the Company's independent and consolidated financial statements for the year 2018. 3. Review the Company's surplus distribution plan for the year 2018. 4. Review the case of the Company's "statement of internal control system" for the year 2018. 5. Review the amendments to the Company's "internal control system". 6. Review the case of the Company's derivative commodity operation. 7. Review the Company's loan. 8. Review the amendments to the Company's " Procedures for Lending Loans to Others and Endorsement & Guarantee". 9. Review the case of the Company's investment in the establishment of "Merida Bicycle (Vietnam) Co. Ltd." 10. Review the assessment of the independence and suitability of the Company's CPA. 11. Review the Company's CPA audit fees for the year 2018.	Agreed by all members present	It was agreed and passed by all the directors present on March 22, 2019
2019.05.10	1. Review the Company's loan. 2. Review the amendments to the Company's Procedures for Lending Loans to Others and Endorsement & Guarantee 3. Review the replacement of the Company's audit CPA. 4. Review the case where Merida Bicycle (China) Co. Ltd. entrusted a loan to Merida Bicycle (Jiangsu) Co. Ltd. 5. Review the case of acquiring assets by Merida & Centurion Germany GmbH, a subsidiary of the Company.	Agreed by all members present	It was agreed and passed by all the directors present on May 10, 2019

	6. Review the Company's investment amendments to Merida & Centurion Germany GmbH.		
2019.08.09	1. Review the Company's loan. 2. Review the Company's consolidated financial statements for the second quarter of 2019.	Agreed by all members present	It was agreed and passed by all the directors present on August 9, 2019
2019.09.02	Review the case where Merida Bicycle (China) Co. Ltd. entrusted a loan to Merida Bicycle (Jiangsu) Co. Ltd.	Agreed by all members present	It was agreed and passed by all the directors present on September 2, 2019
2019.11.08	1. Review the Company's loan. 2. Review the formulation of the Company's 2020 annual audit plan. 3. Review the case of the Company's formulation of " Performance Evaluation Method for Board of Directors ". 4. Review the case where Merida Bicycle (Shandong) Co. Ltd. entrusted a loan to Merida Bicycle (Jiangsu) Co. Ltd. 5. Review the case of the Company's cash capital increase in Stians Sport AS. 6. Review the Company's suspension of investment in Merida Bicycle (Vietnam) Co. Ltd. 7. Review the case of the Company's guarantee amount for Merida & Centurion Germany GmbH [1]. 8. Review the case of the Company's guarantee amount for Merida & Centurion Germany GmbH [2].	Agreed by all members present	It was agreed and passed by all the directors present on November 8, 2019

(2) Except for the foregoing matters, other matters that are not approved by the Audit Committee but agreed by more than two-thirds of all the directors: None.

2. The execution of an independent director's avoidance of an interest proposal shall state the name of the independent director, the content of the proposal, the reasons for the avoidance of interest and the situation of voting: None.

3. Communication between independent directors and internal auditors and Accountants (including important matters, methods and results of communication on Company's financial and business conditions):

Date	Content	Method	Result
2019.03.22	1. The audit results of the financial reports and its adjustments. 2. Discussion on the issues found in the financial report auditing process. 3. Explain the key audit matters (KAM). 4. Update the latest laws and regulations. 5. The impact of the legislation of economic substance in tax haven. 6. Explain the new version of the Company's governance blueprint specifications.	Briefing Session	No other opinions
2019.11.28	1. The change in the application of new technology to audit. 2. Review financial report of the third quarter of 2019; report the information analyzed and sorted. 3.Major transactions in the year of 2019. 4.The scope, method, and time for auditing the 2019 financial report. 5. Explain the key audit matters (KAM). 6. Update the latest laws and regulations. 7. Discuss how to optimize and finish the self-edited financial report within the time limit. 8. The impact of the legislation of economic substance in tax haven.	Briefing Session	No other opinions

Note :

1. If an independent director leaves office before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate(%) shall be calculated based on the number of meetings of the Audit Committee and the actual attendance during his/her term of office.
2. Before the end of the year, if there is an independent director reelected, the new and former independent directors shall be listed, and the date of the new or reelected independent director shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated based on the number of meetings of the Audit Committee and the number of actual attendances.

4. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has stipulated "Code of Practice for Corporate Governance" and announced it on the official website.	None
2.Corporate Ownership Structure and Shareholders' Rights and Interests (1) Does the Company have internal operating procedures for dealing with shareholders' suggestions, doubts, disputes and lawsuits and implement them in accordance with the procedures? (2) Does the Company have a list of the major shareholders and the final controllers of the major shareholders who actually control the Company? (3) Does the Company establish, implement risk control and firewall mechanisms between interested enterprises? (4) Does the Company have internal regulations that prohibit insiders from buying and selling securities using unpublished information in the market?	✓ ✓ ✓ ✓		(1) The Company has formulated the "Measures for the Management of Shareholding Operations" and has dedicated personnel to properly handle matters related to shareholder' rights and interests in accordance with the procedures. (2) The Company may at any time have a list of the major shareholders and the final controllers of the major shareholders of the company under actual control. (3) The rights and obligations between the Company and the related enterprises are clearly divided. In addition to establishing relevant operating procedures, auditors also regularly carry out audits. (4) The Company has formulated "Procedures for the Prevention of Insider Trading Management" to establish confidential operations and prohibition measures before major internal information affecting stock prices is disclosed to the public.	None

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
3. Composition and Duties of the Board of Directors (1) Does the Board of Directors formulate a pluralistic approach to membership and implement it?	✓		(1) The Company has stipulated in the "Code of Practice for Corporate Governance" that the composition of the Board of Directors should consider diversification, and formulate appropriate diversification policies with regard to its own operations, operating types, and development needs. The Company's Board of Directors includes 3 female directors and 4 independent directors. In addition, the board members have expertise in the fields of bicycle industry, financial accounting, computer information, Internet of Things industry technology, and product design, in order to specifically implement the policies and policies for the diversity of board members.	(1) None
(2) Does the company voluntarily set up other functional committees besides Compensation Committee and Audit Committee according to law?		✓	(2) The Company has set up a Compensation Committee and an Audit Committee, and has carried out relevant business in accordance with the Company's "Organizational Rules of the Compensation Committee" and "Organizational Rules of the Audit Committee".	(2) The Company's various salary management regulations, important decision-making, and management regulations, approved by the Compensation Committee and the Audit Committee, are submitted to the Board of Directors for resolution and implemented by the management team. There are no obstacles.
(3) Does the Company have a performance evaluation system for the Board of Directors and its evaluation methods, which are evaluated annually and regularly; The Company also report the results of the performance evaluation to the Board of Directors and apply them to the remuneration of individual directors and the reference for nomination renewal?	✓		(3) The company has established "Performance Evaluation Method for Board of Directors ". Starting from 2020, the annual evaluation results will be completed before the end of the first quarter of the following year.	(3) None
(4) Does the Company evaluate the independence of Accountant on a regular basis?	✓		(4) The Company evaluates the independence of Accountant in the first quarter of each year and submits it to the Board of Directors. For the assessment, please refer to page 54-55.	(4) None

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
4. Does a TWSE/TPEx Listed Company allocate qualified and appropriate number of corporate governance personnel, and designate corporate governance supervisor to be responsible for corporate governance related affairs (including but not limited to providing directors and supervisors with the necessary information to carry out business, assisting directors and supervisors to comply with the laws, handling the relevant matters of the meetings of the Board of Directors and shareholders' meetings according to law, making the minutes of the Board of Directors and shareholders' meetings, etc.)?	✓		(1) The Company has set up personnel to act as the contact window for corporate governance affairs. (2) The Company and its correspondent banks, manufacturers, customers and shareholders all have special departments.	None
5. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), and set up stakeholder zones on its website, and properly respond to stakeholders' concerns on important issues of corporate social responsibility?	✓		The "Stake holders" section has been set up on the Company's website, and the relevant departments have responded appropriately to the opinions of the stakeholders.	None
6. Does the Company appoint a professional stock agency to handle the affairs of the shareholder' meeting?	✓		In order to protect the rights and interests of shareholders to participate in the shareholders' meeting, the Company appoints an independent and professional stock agency to handle the relevant affairs of the shareholders' meeting.	None
7. Information Disclosure (1) Does the Company set up a website to disclose financial business and corporate governance information? (2) Does the Company adopt other ways of disclosure of information(e.g. setting up English websites, appointing special persons to be responsible for the collection and disclosure of Company information, implementing the spokesperson system, placing Company websites in the process of legal person's presentation, etc.)? (3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal	✓ ✓	 ✓	(1) The "Investor Information" section has been set up on the Company's website to expose financial business and corporate governance information. (2) The Company has set up an English website and designated a person to be responsible for the collection and disclosure of information on Chinese and English websites. The Company has established a spokesperson system to coordinate with Company policies and the need for a unified external presentation. (3) The Company publishes and declares quarterly financial reports within the time limit according to law.	None

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?				
8. Does the Company have any other important information that is helpful to understand the operation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	✓		(1) Employee's rights. Employee care: refer to page 74-v. Labor Relations. (2) Investor Relations: The Company has established a spokesperson system to interact with the investing public. The Chinese and English websites also designate special persons to collect, disclose and process information. (3) Supplier Relations: Our Company has always maintained good relations with suppliers. (4) Rights of Stakeholders: Stakeholders have to communicate and suggest with relevant personnel of the Company. In order to to safeguard their legitimate rights and interests. (5) Further education of directors and supervisors: The Company always encourages directors to take part in further education, but for the sake of considering personal time and other factors, it is not mandatory. The Company provides relevant regulations for directors at any time. The management team also regularly gives business and related briefings to directors. [For further education of directors, please refer to MOPS]. (6) Implementation of risk management policies and risk measurement standards: The Company has formulated various management regulations in accordance with the law as the basis for the implementation of various departments, and cooperated with internal audits to carry out various risk management and assessment. (7) Implementation of customer policy: The company has a customer telephone service line, company website and discloses relevant information at any time to interact	None

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Summary	
			with the outside world. (8) Purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for directors, supervisors and key employees.	

9. Please state the improvement of the corporate governance assessment issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in recent years, and put forward priorities and measures for strengthening the assessment of those who have not yet improved. (Those who are not included in the Company are not required to fill in)

(1). Improvements in recent years:

1) The company shall take a case-by-case vote on the bills of the shareholders' regular meeting and record the consent, objection and abstention of the shareholders in each bill in the proceedings.
2) The shareholders' regular meeting adopts electronic voting.
3) The company shall simultaneously upload the English version of the notice of the meeting 30 days before the meeting of the shareholders' regular meeting.
4) The "Code of Practice for Corporate Governance" shall be disclosed on the Company's website.
5) The "Code of Integrity Operation" and "Code of Ethical Conduct" shall be disclosed on the Company's website.
6) The "Code of Practice on Corporate Social Responsibility" shall be disclosed on the Company's website.
7) The Company's annual report discloses future R&D plans and estimated R&D costs.
8) Directors and supervisors are required to study for a specified period of time.
9) The prescribed number of hours for the independent director's further education.
10) Upload the annual report and annual financial report of the shareholder' meeting in English 7 days before the shareholders'' meeting.
11) The establishment of performance evaluation method for Board of Directors (including self-assessment or peer review), which starts implementing from 2020.

(2).Those who have not yet improved put forward priorities and measures for strengthening:

1) The company shall upload the brochure and supplementary information of the shareholders' meeting 30 days before the meeting of the shareholders' regular meeting.
2) The Company uploads its annual report 16 days before the shareholders' regular meeting.
3) Prepare and announce interim financial reports in English.
4) Regularly host the legal person's meeting.

Note 1: Operational conditions, whether checked yes or no should be specified in the Summary column.

5. Composition, Responsibilities and Operation of the Compensation Committee:

(1).The composition of Compensation Committee:

1) On July 5, 2018, the Company's 4th Compensation Committee was approved by the resolution of Company's Fifth Board of Directors in 2018. Mr. Chen Shui-jin, , Mr. Chen, Jian-Nan, Mr. Lin, Fu-Shing and other three persons were appointed to serve as members. Their term of office began on July 5, 2018 and expired on June 25, 2021 with the current board of directors.

2) The 4th First Compensation Committee Meeting was held on August 30, 2018. The members present unanimously elected Chen Shui-jin as convener.

3) Information of Compensation Committee members:

Identity (Note 1)	criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Compliance with independence (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Chen, Shui-jin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent director	Chen, Jian-nan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Lin, Fu-Hsing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: the number of column shall be adjusted according to actual demands.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.:

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

(2).Responsibilities of Compensation Committee:

To evaluate the remuneration policies and systems of the company's directors, supervisors, and managers in a professional and objective manner, and to make recommendations to the Board of Directors for their decision making. Functions and powers are as follows:

1).Review this Code regularly and propose amendments.

2).To formulate and regularly review the policies, systems, standards, and structure of remuneration for directors, supervisors, and managers of the Company.

3).To regularly evaluate the achievement of the performance goals of the Company's directors, supervisors, and managers, and to review the content and amount of their Independent remuneration.

(3)Operation of Compensation Committee:

1) Term of office of the current Board of Directors: from July 5, 2018 to June 25, 2021.

2) The Compensation Committee was held for 3 times (A) in 2019. Membership and attendance are as follows:

Title	Name	Actual attendance (B)	Commissioned attendance	Actual attendance rate (%) [B/A]	Remarks
Convener	Chen, Shui-jin	3	-	100%	
Member	Chen, Jian-nan	3	-	100%	
Member	Lin, Fu-Hsing	3	-	100%	

Other matters to be recorded:

1. If the Board of Directors fails to adopt or amend the recommendations of the Compensation Committee, it shall state the date, duration, content of the bill, the results of the resolutions of the Board of Directors and the treatment of the Company's opinions on the Compensation Committee (if the Board of Directors adopts a proposal that the remuneration is better than that of the Compensation Committee, it shall state the differences and reasons): None.
2. If a member has objections to the resolution of the Compensation Committee or reservations and has a record or written statement, the date, duration, content of the proposal, the opinions of all members and the treatment of the opinions of the members shall be specified.: None
3. The discussion and resolution results of the Compensation Committee, and the Company's response to members' opinions:

Date of the Committee	Content	Result	Company's response to members' opinions
2019.01.24	1. Review the Company's year-end bonus for the employees for the year 2018. 2. Review the amendments to the Company's employee functional salary.	Agreed by all members present.	It was agreed and passed by all the directors present on January 25, 2019
2019.03.20	1. Review the Company's employee remuneration and director and supervisor remuneration distribution for the year 2018. 2. Review the Company's salary adjustment for the year 2019.	Agreed by all members present.	It was agreed and passed by all the directors present on March 22, 2019
2019.08.30	1. Review the Company's remuneration distribution plan for directors and supervisors for the year 2018. 2. Review the Company's employee compensation plan for the year 2018.	Agreed by all members present.	It was agreed and passed by all the directors present on September 2, 2019

Note:

1.If a member of the Compensation Committee leaves before the end of the year, the date of departure shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings of the Compensation Committee and its actual attendance during the service period.

2.If there is a new member of the Compensation Committee elected before the end of the year, the new member or the former member of the Compensation Committee shall be listed and the new member or the date of reelection and reelection shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated based on the number of meetings of the Compensation Committee and the actual attendance during his/her term of office.

6. Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies":

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Summary (Note 2)	
1. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations based on the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	✓		(1) The Company has formulated the Code of Practice on Corporate Social Responsibility and published it on its website, in order to manage environmental, social and corporate governance issues related to the Company's operations and to implement corporate social responsibility and sustainable development goals. (2) The relevant management stipulated by the Company all adopt precautionary policies to reduce the losses caused by risks. In addition, the potential risks that may affect the Company's achievement of goals and social responsibilities are also evaluated, processed, and controlled; the implementation of the relevant departments is regularly check to comply with the regulations of the management regulations.	None
2. Does the Company set up special (part-time) units to promote corporate social responsibility, which are authorized by the Board of Directors to deal with by senior management and report to the Board of Directors?	✓		2. The corporate social responsibility responsible unit of the Company shall be held concurrently by the president's office, responsible for planning and promotion.	None
3. Environmental issues (1) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company stipulates relevant operating procedures for air pollution, waste water and waste disposal according to law.	None
(2) Is the Company committed to improving the utilization efficiency of resources and using recycled materials with low impact on the environment?	✓		(2) The Company is committed to the utilization of various resources, the implementation of waste, garbage classification, reduction, recycling and reprocessing by the manufacturer, to reduce the impact of environmental pollution.	
(3) Does the Company assess the potential risks and opportunities of the climate change for the company now and in the future, and take relevant countermeasures?		✓	(3) The Company has not yet assessed the potential risks and opportunities of climate change for the company now and in the future, and has taken climate-related countermeasures.	
(4) Does the Company calculate greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction,	✓		(4) The Company has calculated greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated relevant implementation policies for energy saving and	

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Summary (Note 2)	
greenhouse gas reduction, water use reduction or other waste management?			carbon reduction, greenhouse gas reduction, water use reduction or other waste management, please refer to pages 74-3 Energy Saving and Environmental Protection Policy	
4. Social issues (1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? (2) Does the Company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect operating performance or results in employee compensation (3) Does the Company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees? (4) Does the Company establish an effective career development training program for employees?	✓ ✓ ✓ ✓		(1) In accordance with the relevant labor laws and regulations, the Company has formulated relevant management provisions such as "Rules of Work", "Measures for Punishment of Complaints against Sexual Harassment in the Work place" and "Employee Appointment and Dismissal" to protect employees' rights and interests. (2) The Company has formulated and implemented reasonable employee welfare measures, please refer to page 74-v. of the labor relations. (3) 1) The Company provides annual physical examination for employees, and the Safety & Hygiene Div. regularly holds work safety education and training, and arranges relevant personnel to participate in external professional education and training and obtain professional certificates. 2) The Company has signed a monthly on-site service contract with doctors with professional certificates of occupational medicine to provide staff health services such as staff health education and medical consultation. (4) 1) Considering the need of talent development, the Company has formulated an annual education and training program, which includes: management function training for cadres at all levels, professional function training for employees at all positions, law and regulation promotion related to employees, general function training, field multi-functional training, etc. 2) In order to strengthen their functional development and market competitiveness, the supervisors of each competent unit of the Company may arrange the courses offered by external professional	None

Evaluation items	Operation situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Summary (Note 2)	
(5) Regarding health, safety, and privacy of customers, as well as marketing and labeling of products and services, has the Company complied with relevant laws and international standards, and formulated relevant consumer protection policies and appeal procedures? (6) Does the Company formulate supplier management policies to require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor human rights?	✓ ✓		training institutions according to the needs of employees (5) The Company's customer health and safety, customer privacy, and marketing and labeling of product and service are all in compliance with the relevant laws and international standards of domestic and exporting countries. The Company's privacy for customers all abides by the Personal Data Protection Act, and there is a special area for stakeholders on the Company's website. In addition, a customer service hotline is provided to protect consumer rights and smooth the appeal channel. (6) The Company conducts evaluations on suppliers and makes transaction contracts with suppliers. When a supplier violates customer requirements or relevant laws and international standards of the exporting country, the Company may terminate or cancel the contract terms at any time in an effort to comply with environmental protection, occupational safety and health or labor and human rights issues. Suppliers abide by the terms of the contract and cooperate well.	
5. Does the Company refer to international standards or guidelines to prepare corporate social responsibility reports to expose the Company's non-financial information? Whether the above-mentioned report obtained the confirmation or assurance opinion from the third-party?		✓	Although the Company is not currently within the scope of legal regulations that should prepare a corporate social responsibility report, the Company is currently referring to the international standards or guidelines to prepare the report in due course.	None
6.If a Company has its own code of corporate social responsibility in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its operation and the codes: The Company's Code of Corporate Social Responsibility (CSR) is disclosed on the Company's website. There is no difference between the operation and content of the Code.				
7.Other important information to help understand the operation of corporate social responsibility: In order to safeguard the rights and interests of consumers, our company has set up Chinese and English websites and set up consumer service lines, and designated special persons to be responsible for collection and service of various information.				

Note 1: If "Yes" is checked, please explain the important policies, strategies, measures, and implementation conditions adopted; If "No", please explain the reason and illustrate the related policies, strategies, and measures to be adopted in the future.
Note 2: Where a Corporate Social Responsibility Report has been prepared by the Company, the Summary may be replaced by reference to CRS Report and the index page.
Note 3: The principle of materiality means that the issues of environmental, social, and corporate governance will have a significant influence on the Company's investors and other stakeholders.

7. Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies":

Evaluation items	Operation situation (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Summary	
1. Formulating Integrity Management Policies and Programs (1)Does the Company formulate the integrity management policy approved by the Board of Directors, and has stated in the regulations and external documents the policies and practices of integrity management, as well as commitment from the board and senior management to actively implement the management policy?	✓		(1) 1)The Company has formulated the Code of Integrity Management and published it on its website. 2)Our business philosophy: under the guidance of honest and strong business mind, we will create unlimited competitiveness and give back to our customers. 3)To deepen the corporate culture of integrity management and improve the business operation structure.	None
(2)Does the Company establish an evaluation mechanism for the risk of dishonesty, and regularly analyze and evaluate the business activities with higher risks in the business scope, and formulate relevant prevention measures accordingly, which at least covers the second paragraph of Article 7 of " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies "?	✓		(2) The Company requires its directors, managers, employees, and appointees etc., in the course of engaging in commercial activities, must comply with the conduct of the second paragraph of Article 7 of the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". In addition, in daily business activities, the Company ensures the implementation of the dishonesty assessment mechanism through the establishment of an effective accounting system and internal control system, along with the implementation of the audit system.	
(3)Does the Company clearly define the operating procedures, behavior guidelines, disciplinary punishment, and appeal system to prevent dishonesty, and implement and regularly review and revise?	✓		(3) Although the Company has not formulated a special chapter on the plan to prevent dishonesty, but considering the management regulations of various business activities, the auditors will regularly check the implementation of the relevant systems to ensure the integrity of business operations.	
2. Implementation of Integrity Management (1) Does the Company evaluate the integrity records of its clients and specify the terms of integrity in its contracts with the clients?	✓		(1) Before the transaction, the Company shall evaluate the credit records of the clients. All transactions shall be conducted in accordance with the relevant management	None

Evaluation items	Operation situation (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Summary	
			regulations of the Company. Internal auditors shall also audit all transactions from time to time to prevent illegal behaviors.	
(2) Does the Company set up a dedicated unit affiliated to the Board of Directors to promote the integrity of the enterprise and report regularly (at least once a year) to the Board of Directors on its implementation on the dishonest prevention policy, program, and results?		✓	(2) The Company has not yet set up a dedicated unit to promote the integrity of business operations, which is responsible for the audit and performance of the integrity of business responsibility by the departments in accordance with their responsibilities. The internal auditors also audit transactions from time to time, and the audit records are regularly reported to the supervisor, the Audit Committee and the Board of Directors.	
(3) Does the Company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them?	✓		(3) The Company's "Procedures for Board of Directors", "Procedures for the Prevention of Insider Trading Management", "Code of Integrity Management", "Code of Ethical Conduct" and various management provisions specify the principle of avoidance of interests of directors, supervisors, managers and employees, and internal auditors do not audit from time to time.	
(4) Does the Company establish an effective accounting system and internal control system for the implementation of integrity management, draft related audit plan by the internal auditing units, or entrusted to the Accountants for further audit?	✓		(4) To ensure the implementation of the honest operation, the Company has established an effective accounting system and internal control system; internal auditors also regularly check the implementation of relevant systems to ensure the implementation of integrity management and report to the Board of Directors.	
(5) Does the Company conduct internal and external education and training on a regular basis?	✓		(5) The Company informs directors, members of Audit Committee, insiders and relevant management units of relevant training courses such as corporate governance and integrity management at any time.	
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate	✓		(1) In addition to reporting to the head of the Company, employees of the company can announce the reporting of	

Evaluation items	Operation situation (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Summary	
person for follow-up? (2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases, take follow-up measures after the investigation, and adopt other relevant confidential mechanism? (3) Does the company provide proper whistleblower protection?	 ✓ ✓		pipeline mailboxes and telephone calls on the Company's website, which shall be handled by a special management project. (2) Upon receipt of the information provided by the informant, the Company will assign a special person to investigate and handle the case. The process and the information will be kept confidential before and after the investigation. Whistleblower will not be improperly punished. (3) Same as the above.	None
4. Enhancing Information Disclosure (1) Does the Company disclose the contents of its Code of Integrity Management and promote its effectiveness on its website and MOPS?	✓		(1) The Company has stipulated Code of Integrity Management and published it to the Company's website.	None
5. If a Company has its own code of integrity management in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its operation and the codes: None.				
6. Other important information that will help us to understand the integrity management of the Company (e.g. when the Company reviews and amends its Code of Integrity Management): The Company's purchasing and sales units hold regular purchasing and sales meetings to invite manufacturers and customers to discuss various topics to avoid involving dishonest behavior.				

Note 1: The statements shall be made in Summary column no matter if Y or N is checked in Operation situation column.

8. If the Company has established a code of corporate governance and related regulations, it shall disclose its inquiry methods:

   It has been published in Company's website: http://www.merida.tw

9. Other important information that can enhance the understanding of the operation of corporate governance should be disclosed together:

   The Company's financial and business related information is timely disclosed on the Company's website, and regularly or irregularly disclosed on "MOPS" in accordance with the regulations of the competent authorities.

10. Implementation of Internal Control System:

(1).Internal Control Statement

MERIDA INDUSTRY CO., LTD.

Internal Control Statement

Date：March 24,2020

Based on the results of our self-assessment, the Company's internal control system for 2019 is hereby declared as follows:

1. The company knows that it is the responsibility of the board of directors and managers of the company to establish, implement and maintain the internal control system. The company has established this system, which aims to ensure the effectiveness and efficiency of operation (including profit, performance, and asset security), reliability, timeliness, transparency and compliance with relevant norms and regulations.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to the change of environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once the deficiencies are identified, the Company will take corrective action.
3. The Company judges whether the design and implementation of the internal control system is effective according to the judgment items of the effectiveness of the internal control system stipulated in the Standards for Publicly Held Companies to Internal Control Systems (hereinafter referred to as "Standards"). The internal control system adopted in the "Standards" judges that the project is a process of management control and divides the internal control system into five elements: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision of operations. Each component element also includes several items. For the above items, please refer to the provisions of the "Standards".
4. The Company has adopted the above-mentioned judgment items of internal control system to evaluate the effectiveness of the design and implementation of internal control system.
5. Based on the results of the foregoing assessment, the Company considers that the design and implementation of its internal control system (including supervision and management of its subsidiaries) on 31 December 2019, including the understanding of the effectiveness of operations and the extent to which efficiency objectives have been achieved, are reliable, timely, transparent and in compliance with relevant norms and regulations and the compliance with relevant internal control systems, are effective and reasonably ensuring that the above objectives are achieved.
6. This statement will be the main content of the annual report and the public instructions of the Company and will be made to the public. If any of the above-mentioned contents are false or concealed, they will be involved in the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This statement has been approved by the Board of Directors of our Company on March 24, 2020. Of the 13 directors present, 0 have objections. The rest agree with the contents of this statement and make this statement.

MERIDA INDUSTRY CO., LTD.

Chairman: Zeng, Song-zhu

President: Zeng, Song-zhu

Note 1:If the design and implementation of the internal control system of the public issuing company has significant deficiencies in the year, an additional explanatory paragraph shall be added in paragraph 4 of the internal control system declaration to list and explain the significant deficiencies found in the self-assessment, as well as the improvement actions and situations taken by the Company before the balance sheet date.

Note 2:The date of declaration is "the end of fiscal year".

(2).Audit report on the internal control system by the entrusted Accountant: None.

11. Penalties imposed by the Company and its internal personnel in accordance with the law, penalties imposed by the Company for violation of the internal control system for its internal personnel, major deficiencies and improvements in recent years and up to the date of publication of the annual report: None.

12. Major Resolutions of Shareholders' Meeting and Board Meetings:

(1) Shareholders' regular meeting: held on June 25, 2019.

1). Important resolutions and implementation:

A. Passed the recognition of Business Report, Independent and Consolidated Financial Statements of 2018.
Implementation: It has been published on MOPS according to the resolution of shareholders' meeting.

B. Passed the recognition of distribution of 2018 profits
Implementation: In the proposal for distribution of 2018 profits, cash dividend was NTD 3.5 per share. According to the 2nd Board Resolution of 2019, August 14, 2019 was set as the base date for distribution, and the distribution was completed on September 6, 2019.

C. Passed the amendment to "Procedures for the Acquisition and Disposal of Assets".
Implementation: As amended by the resolution of the shareholders' meeting, it has been published on the MOPS and the Company's website and processed according to the amended Procedures.

D. Passed the amendment to "Procedures for Lending Loans to Others and Endorsement & Guarantee"
Implementation: As amended by the resolution of the shareholders' meeting, it has been published on the MOPS and the Company's website and processed according to the amended Procedures.

(2) Board of Directors' Meeting:

1) The 1st Board of Directors' meeting of 2019 was held on January 25,2019.

A. The Company's year-end bonus payment plan of employees for 2018
Resolution: all the directors and independent directors present agree to adopt it.

B. The Company's staff salary structure adjustment plan
Resolution: all the directors and independent directors present agree to adopt it.

C. Amendment to the organizational rules of the compensation commission of the Company
Resolution: all the directors and independent directors present agree to adopt it.

D. Amendment to the "Procedures for the Acquisition or Disposal of the Assets"
Resolution: all the directors and independent directors present agree to adopt it.

E. Stipulation of the "Procedures for the procedures for related party transaction management"
Resolution: all the directors and independent directors present agree to adopt it.

F. Review of the Company's Fund Lending

Resolution: all the directors and independent directors present agree to adopt it.

G. Review the case of Merida & Centurion Germany GmbH establishing the " Procedures for the Acquisition or Disposal of the Assets "
Resolution: all the directors and independent directors present agree to adopt it.

H. Plant expansion plan of Merida & Centurion Germany GmbH
Resolution: all the directors and independent directors present agree to adopt it.

I. Additional investment in Merida & Centurion Germany GmbH
Resolution: all the directors and independent directors present agree to adopt it.

2) The 2nd Board of Directors' meeting of 2019 was held on March 22, 2019.

A. Report on internal audit of the Company.

B. The Company's operating report for the year 2018.

C. The Company's business plan report for the year 2018.

D. The Company's reinvestment operation overview report.

E. Report on the operational status of different areas of the group.

F. Employee remuneration and distribution of directors and supervisors in 2018.
Resolution: all the directors and independent directors present agree to adopt it.

G. Recognition of the Company's annual business report for 2018.
Resolution: all the directors and independent directors present agree to adopt it.

H. Recognition of the Company's independent and consolidated financial statements for 2018.
Resolution: all the directors and independent directors present agree to adopt it.

I. Recognition of the Company's proposal for distribution of 2018 profits.
Resolution: all the directors and independent directors present agree to adopt it.

J. Amendment to "Procedures for Lending Loans to Others and Endorsement & Guarantee" of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

K. Review of the company's internal control system statement for 2018.
Resolution: all the directors and independent directors present agree to adopt it.

L. Amendments to the documents of the Company's internal control system.
Resolution: all the directors and independent directors present agree to adopt it.

M. Fund Lending of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

N. The Company Invested in the Merida Bicycle (Vietnam) Co., Ltd.
Resolution: all the directors and independent directors present agree to adopt it.

O. The independence and competency assessment of accountant.

Resolution: all the directors and independent directors present agree to adopt it.

P. Audit fees of accountant of 2019 of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

Q. Employee's salary increase in 2019.
Resolution: all the directors and independent directors present agree to adopt it.

R. Personnel change of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

S. Date, place, agenda and related matters of the Company's shareholders' regular meeting in 2019.
Resolution: all the directors and independent directors present agree to adopt it.

T. The period, place and related matters of acceptance of the right to nominate at the 2019 shareholders' regular meeting of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

3) The 3rd Board of Directors' meeting of 2019 was held on May 10, 2019.

A. Report on internal audit of the Company.
B. Consolidated financial statements report for the first quarter of 2019.
C. Overview report of the Company's investment business in the first quarter of 2019.
D. Report on the operational status of different areas of the group.
E. Formulate standard operating procedures in response to directors' requests.
Resolution: all the directors and independent directors present agree to adopt it.
F. The Company's Fund Lending.
Resolution: all the directors and independent directors present agree to adopt it.
G. Amendment to "Procedures for Lending Loans to Others and Endorsement & Guarantee" of the Company.
Resolution: all the directors and independent directors present agree to adopt it.
H. Change the custodian of the Company's seals.
Resolution: all the directors and independent directors present agree to adopt it.
I. Change the Company's Accountants.
Resolution: all the directors and independent directors present agree to adopt it.
J. Merida Bicycle (China) Co. Ltd. entrusted loan to Merida Bicycle (Jiangsu) Co. Ltd.
Resolution: all the directors and independent directors present agree to adopt it.
K. The Company's endorsement & guarantee case for Merida Bicycle (Jiangsu) Co., Ltd.
Resolution: all the directors and independent directors present agree to adopt it.

L. Acquisition of assets by Merida & Centurion Germany GmbH, a subsidiary of the Company.
Resolution: all the directors and independent directors present agree to adopt it.
M. The Company's investment amendments to Merida & Centurion Germany GmbH.
Resolution: all the directors and independent directors present agree to adopt it.

4) The 4th Board of Directors' meeting of 2019 was held on June 25, 2019.

A. The schedule finalization of the earnings payment of cash dividends on common stock in 2018 of the Company.
Resolution: all the directors and independent directors present agree to adopt it.
B. Capital increase of the Company to Miyata Cycle Co. Ltd.
Resolution: all the directors and independent directors present agree to adopt it.
C. Personnel change of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

5) The 5th Board of Directors' meeting of 2019 was held on August 9, 2019.

A. Report on internal audit of the Company.
B. Consolidated financial statements report for the second quarter of 2019.
C. Overview report of the Company's investment business in the second quarter of 2019.
D. Report on the operational status of different areas of the group.
E. The Company's Fund Lending
Resolution: all the directors and independent directors present agree to adopt it.
F. Establishment of a branch of Merida Bicycle (Shandong) Co. Ltd.
Resolution: all the directors and independent directors present agree to adopt it.

6) The 6th Board of Directors' meeting of 2019 was held on September 2, 2019.

A. Remuneration of directors and supervisors in 2018
Resolution: all the directors and independent directors present agree to adopt it.
B. Remuneration of employees in 2018.
Resolution: all the directors and independent directors present agree to adopt it.
C. Merida Bicycle (China) Co. Ltd. entrusted loan to Merida Bicycle (Jiangsu) Co. Ltd.
Resolution: all the directors and independent directors present agree to adopt it.

7) The 7th Board of Directors' meeting of 2019 was held on November 8, 2019.

A. Report on internal audit of the Company.
B. Report on the Company's purchase of director and manager liability insurance.
C. Consolidated financial statements report for the third quarter of 2019.
D. Overview report of the Company's investment business in the third

quarter of 2019.

E. The Company’s Fund Lending.
Resolution: all the directors and independent directors present agree to adopt it.

F. Proposal to adopt the Company’s 2020 audit plan.
Resolution: all the directors and independent directors present agree to adopt it.

G. The Company’s formulation of " Performance Evaluation Method for Board of Directors ".
Resolution: all the directors and independent directors present agree to adopt it.

H. The Company’s amendment of “Organizational Rules for Audit Committee”.
Resolution: all the directors and independent directors present agree to adopt it.

I. The actual investment expenditures added by the Company in accordance with Statute for Industrial Innovation may be classified as undistributed surplus reduction.
Resolution: all the directors and independent directors present agree to adopt it.

J. Merida Bicycle (Shandong) Co. Ltd. entrusted loan to Merida Bicycle (Jiangsu) Co., Ltd.
Resolution: all the directors and independent directors present agree to adopt it.

K. The Company's cash capital increase in Stians Sport AS.
Resolution: all the directors and independent directors present agree to adopt it.

L. The Company's suspension of investment in Merida Bicycle (Vietnam) Co. Ltd.
Resolution: all the directors and independent directors present agree to adopt it.

M. The Company's guarantee amount for Merida & Centurion Germany GmbH [1].
Resolution: all the directors and independent directors present agree to adopt it.

N. The Company's guarantee amount for Merida & Centurion Germany GmbH [2].
Resolution: all the directors and independent directors present agree to adopt it.

8) The 1st Board of Directors’ meeting of 2019 was held on January 20, 2020.

A. The Company’s year-end bonus payment plan of employees for 2019.
Resolution: all the directors and independent directors present agree to adopt it.

B. Employee ’s Salary Increase
Resolution: all the directors and independent directors present agree to adopt it.

C. The Company’s fund lending.
Resolution: all the directors and independent directors present agree to adopt it.

D. The Company's joint guarantee for Merida Bicycle (Jiangsu) Co. Ltd.

Resolution: all the directors and independent directors present agree to adopt it.

9) The 2nd Board of Directors' meeting of 2020 was held on March 24, 2020.

A. Report on internal audit of the Company.
B. Report on the implementation of the Company's "Plan to Improve the Ability of Self-compiling Financial Reporting".
C. The Company's business report for 2019.
D. Annual business plan report of the Company for 2020.
E. Overview report of the Company's investments.
F. Report on the operational status of different areas of the group.
G. Employees' remuneration and directors' remuneration distribution in 2019.
   Resolution: all the directors and independent directors present agree to adopt it.
H. Recognition of the company's business report for 2019.
   Resolution: all the directors and independent directors present agree to adopt it. 。
I. Recognition of the Company's independent and consolidated financial statements for 2019.
   Resolution: all the directors and independent directors present agree to adopt it.
J. Recognition of the company's earnings distribution in 2019.
   Resolution: all the directors and independent directors present agree to adopt it. 。
K. The Company's "Internal Control System Statement" review for 2019
   Resolution: all the directors and independent directors present agree to adopt it.
L. Amendment to the Articles of Incorporation
   Resolution: all the directors and independent directors present agree to adopt it.
M. Amendment to the "rules for election of directors".
   Resolution: all the directors and independent directors present agree to adopt it.
N. The Company's fund lending.
   Resolution: all the directors and independent directors present agree to adopt it.
O. The Company's employee salary increase program for 2020.
   Resolution: all the directors and independent directors present agree to adopt it. 。
P. The independence and competency assessment report of the Company's Accountant.
   Resolution: all the directors and independent directors present agree to adopt it.
Q. Audit fees of Accountant of 2020 of the Company.
   Resolution: all the directors and independent directors present agree to adopt it.
R. Date, place, agenda and related matters of the Company' s shareholders' regular meeting in 2020.
   Resolution: all the directors and independent directors present agree to adopt it.

S. The period, place, and related matters of acceptance of the right to nominate at the 2020 shareholders' regular meeting of the Company.
Resolution: all the directors and independent directors present agree to adopt it.

13. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

14. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Chief Accountant, Internal Audit and R&D: None.

iv. Audit Fee

The Company's public accounting fees shall be submitted to the Board of Directors for approval after being examined and approved by the Audit Committee.

Name of accounting firm	Name of Accountant	Audit period	Remarks
Deloitte & Touche	Shu-Chin Chiang	Since January 1, 2016	
	Done-Yuin Tseng	Since the first quarter of 2019	Internal adjustment of the firm

Note: If there is any replacement of Accountants or accounting firms in our company this year, please indicate the period of audit and the reasons for replacement in the notes.

Unit: NTD 1,000

Items / Remuneration scale		Audit fee	Non-audit fee	Total amount
1	Below 2,000			
2	2,000 (included)～4,000		✓	
3	4,000 (included)～6,000	✓		
4	6,000 (included)～8,000			
5	8,000 (included)～10,000			✓
6	Over 10,000 (included)			

(1) In case the non-audit expenses of the Accountant's affiliated firm and its affiliated enterprises is more than 1/4 of the audit expenses, it shall disclose the amount of audit and non-audit expenses and the content of non-audit services

Unit: NTD 1,000

Name of firm	Name of Accountant	Audit fee	Non-audit fee					Audit period	Remarks
			System Design	Business Registration	Human Resourse	Others (Note 2)	Total		
Deloitte & Touche	Shu-Chin Chiang	5,650						2019/1/1~ 2019/12/31	
	Done-Yuin Tseng								
Deloitte & Touche	Yu-Yeh Kang			338		2,050	2,388		Provision of services for country by country report, master file, and transfer pricing report.

Note 1: In case of changing accountants or accounting firms during the current year, please indicate the audit period, explain the reason for the replacement (in the remarks column), and disclose the audit and non-audit fees paid.

Note 2: For the non-audit fee, please list separately according to the service provided. If the amount of "others" service reaches 25% of the total amount of non-audit fee, the service provided should be listed in the remarks column.

(2) If the audit fees paid in the replacement year are less than those paid in the previous year, the amount, proportion, and reasons of the reduction shall be disclosed: None.

(3) If the audit fee is reduced by more than 10% compared with the previous year, the reduction amount of the audit fee should be disclosed: None

v. Replacement of Accountant

1. Regarding the former Accountant:

<table>
<tr><td>Replacement date</td><td colspan="4">On May 10, 2019, the Company passed the resolution of the 3rd Board of Directors in 2019.</td></tr>
<tr><td>Reasons and statement of the replacement</td><td colspan="4">Internal adjustment of Accountant’s firm</td></tr>
<tr><td rowspan="3">Note that the appointee or Accountant terminates or does not accept the appointment</td><td colspan="2">Persons concerned / Condition</td><td>Accountant</td><td>Appointer</td></tr>
<tr><td colspan="2">voluntary termination of appointment</td><td colspan="2" rowspan="2">Accountant’s firm writes to our company</td></tr>
<tr><td colspan="2">No further acceptance (continuation) of appointment</td></tr>
<tr><td>Opinions and reasons for the issuance of a review report beyond the unqualified opinions in the recent two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Objection to the issuer</td><td rowspan="4">Yes</td><td>None</td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td>None</td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td>None</td><td colspan="2">Audit scope or steps</td></tr>
<tr><td>None</td><td colspan="2">Others</td></tr>
<tr><td>No</td><td colspan="3"></td></tr>
<tr><td colspan="4">Notes:</td></tr>
<tr><td>Other disclosure (items to be disclosed in items 1 (4) to(7), paragraph 6 of article 10, of the Standard)</td><td colspan="4">None</td></tr>
</table>

2. Regarding the successor Accountant:

Name of accounting firm	Deloitte & Touche
Name of Accountant	Shu-Chin Chiang, Done-Yuin Tseng
Date of Appointment	On May 10, 2019, the Company passed the resolution of the 3rd Board of Directors in 2019.
Advisory matters and results on accounting treatment or accounting principles for specific transactions and possible issuance of financial reports prior to appointment	None
Written opinions of successor Accountants on different opinions of former Accountants	None

3. The former Accountant’s reply to item 1 and item 3, paragraph 6 of article 10 of this Standard: None.

vi. Reports evaluating the independence and suitability of the Certified Public Accountant (CPA)

According to Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the relevant regulations of “The Norm of Professional Ethics for Certified Public Accountant of the Republic of China”, the Company has assessed the independence of the CPA and submitted the result to the Company’s second meeting of the Board of Directors in 2020:

<u>Independence & Suitability Assessment Report of CPA</u>
<u>of MERIDA INDUSTRY CO., LTD.</u>

Date of assessment: March 24, 2020

The assessment items are as follows:

(1) Whether the Accountant of our company is qualified as an Accountant to carry out accounting business.
∨ Yes ☐ No

(2) Does the Accountant of the company hold any shares in the Company?
☐ Yes ∨ No

(3) Does our Accountant borrow money from the Company?
☐ Yes ∨ No

(4) Whether the Accountant of our Company has a relationship with our Company for joint investment or benefit sharing?
☐ Yes ∨ No

(5) Does the Accountant of the Company serve us two years before the start of the certification or within one year after the termination of the partnership?
☐ Yes ∨ No

(6) Does the Accountant of our Company work part-time, such as the person in charge, director, supervisor, manager, or staff of our Company and receive fixed salaries?
☐ Yes ∨ No

(7) Does the Accountant of the Company have any affiliation with the management of the Company, such as spouse, relative in-law, relation within second generation, etc.?
☐ Yes ∨ No

(8) Does the Accountant of our Company have any management functions related to the decision-making of our Company?
☐ Yes ∨ No

(9) Whether the Accountant of the Company directly or indirectly implies some relationship or solicits business personnel by means of inducement.
☐ Yes ∨ No

(10) Whether the Accountant of the Company receives commissions in connection with any business of the Company.
☐ Yes ∨ No

(11) Whether the Company's Accountant has signed with the Company in advance the amount of payment, payment method, etc.
∨ Yes ☐ No

(12) Whether the Accountant's fee is charged and based on the achievement of a discovery or result.

☐ Yes ∨ No

(13) Does the Accountant of the Company have knowledge of the relevant industries?

∨ Yes ☐ No

(14) Whether the Company's Accountant performs the financial statement audit in accordance with Generally Accepted Auditing Standards and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.

∨ Yes ☐ No

(15) The Accountant of the Company shall keep confidential the matters entrusted to it without the consent of the Company. No leakage shall be allowed except in accordance with the professional standards or regulations prescribed by law.

∨ Yes ☐ No

(16) The Accountant of the Company shall not have any adverse intention to the Company or any third party by virtue of the secrets obtained from its business.

☐ Yes ∨ No

vii. Chairman, President and the manager who is in charge of the financial or accounting affairs that have worked in accounting firm or its related corporate within the past year: None.

viii. The transfer of shareholder's equity and the change of pledge of shares of directors, managers, and shareholders whose share-holding ratio exceeds 10percent in the past year and up to the date of the publication of the Annual Report

1.Change of Shareholding Rights of Directors, Supervisors, Managers and Major Shareholders

Unit: share

Title (Note 1)	Name	2019		As of April 26, 2020	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman and President	Zeng, Song-zhu	0	0	0	0
Director	Zeng, Song-ling	0	0	0	0
Director	Zenglu, Min-hua	(300,000)	0	430,000	0
Director	Qiu, Li-qing	0	0	0	0
Director	Dinghong Investment Co., Ltd. Representative: ZhengWen-xiang Cai,Xue-liang Yuan,Qi-bin Lai,Ru-ding	0	0	0	0
Director	Dingcheng Investment Co., Ltd. Representative: Zeng, Hui-juan	0	0	0	0
Independent director	Chen, Shui-jin	0	0	0	0
Independent director	Chen, Jian-nan	0	0	0	0
Independent director	Li, Zong-ying	0	0	0	0
Independent director	Zhuang, Wen-jing	0	0	0	0
Senior Vice-President	Zheng, Wen-xiang	0	0	0	0
Senior Vice-President	Chen, Cheng-pin	0	0	0	0
Senior Vice-President	Cai, Xue-liang	0	0	0	0
Senior Vice-President	Yuan, Qi-bin	0	0	0	0
Senior Vice-President	Lai, Ru-ding	0	0	0	0
Senior Vice-President	Hsu, Shih-Yan (Note 1.(3))	0	0	0	0
Senior Vice-President	Zeng, Chin-cheng	0	0	0	0
Vice-President	Wang, Long-jin	0	0	0	0
Vice-President	Li, Po-lin	0	0	0	0
Vice-President	Lai, Tung-sha	0	0	0	0
Vice-President	Chang, Chen-yung	0	0	0	0
Vice-President	Wu, Yu-fan	0	0	0	0
Vice-President	Wu, Min-Fang	0	0	0	0
Vice-President	Chang, Wen-chie	0	0	0	0
Vice-President	Tang, Chia-hung	0	0	0	0
Vice-President	Zeng, Shang, Yuan	0	0	60,000	0
Vice-President	Tsai, Wei-sing	0	0	0	0
Major shareholder	Zeng, Song-zhu	0	0	0	0

Note 1:

(1) Shareholders holding more than 10% of the total shares of the company shall be designated as major shareholders and listed separately.

(2) The following table shall also be filled in if the relative party of equity transfer or equity pledge is an interested party.

(3) Hsu, Shih-Yan (Senior Vice-President) retired on July 16, 2019.

2. Information on Equity Transfer of Directors, Supervisors, Managers and Major Shareholders:

Name (Note 1)	Reasons for equity transfer (Note 2)	Date of transaction	Trading counterparties	The relationship between the counterpart of the transaction and the Company, directors, supervisors and shareholders holding more than 10% of shares	Number of shares	Transaction price
Zenglu, Min-hua	Gift	2019.12.26	Yang, Chia-yun	Mother-in-law and daughter-in-law	300,000	0

Note 1: List the names of directors, supervisors, managers, and shareholders who hold more than 10% of the shares.
Note 2: Fill in the acquisition or disposal.

3. Information on Equity Pledge of Directors, Supervisors, Managers and Major Shareholders: None.

ix. Relationship among the Top Ten Shareholders:

April 26, 2020 Unit: share

Name (Note 1)	The person's shareholding		The shareholding of the spouse or under aged children		Shareholdings in the name of others		The name and relations of the top ten shareholders whose relations with each other is spouse or the relatives within the second generation (Note 3)		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
Zeng, Song-zhu	48,664,715	16.28	8,477,819	2.84	0	0	Zenglu, Min-hua Zeng, Shang, Yuan	Spouse Father-son	
Cathay Life Insurance	13,834,414	4.63	0	0	0	0	None	None	
Chunghwa Post Co. , Ltd.	13,397,100	4.48	0	0	0	0	None	None	
Zenglu, Min-hua	8,477,819	2.84	48,664,715	16.28	0	0	Zeng, Song-zhu Zeng, Shang, Yuan	Spouse Mother-son	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	7,640,000	2.56	0	0	0	0	None	None	
Zeng, Shang, Yuan	7,606,000	2.54	600,000	0.20	0	0	Zeng, Song-zhu Zenglu, Min-hua	Father-son Mother-son	
Dingcheng Investment Co., Ltd. Chairman: Zeng Song-ling	7,314,925	2.45	0	0	0	0	None	None	
Fubon Life Insurance	6,538,000	2.19	0	0	0	0	None	None	
Cathay Investment Special Account fully entrusted by the new labor pension fund for the second time in 2018	5,963,144	1.99	0	0	0	0	None	None	
Zeng, Song-ling	5,692,934	1.90	0	0	0	0	None	None	

Note 1: All the top ten shareholders shall be listed, and the names of the legal shareholders and their representatives shall be listed separately if they are institutional shareholders.

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in the name of oneself, spouse, minor child or other person.

Note 3: The shareholders listed above, including legal persons and natural persons, shall disclose their relationship with each other in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

x. Shares held by directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise

March 31, 2020 Unit: share; %

Affiliated Companies (Note)	Investment of the Company		Investments directly or indirectly controlled by directors, supervisors, and managers		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Merida Bicycles Ltd..	481,763	81.31	0	0%	481,763	81.31
Stians Sport AS.	198,000	75.00	0	0%	198,000	75.00
MERIDA International (B.V.I) Ltd.	42,500,000	100.00	0	0%	42,500,000	100.00
Merida Benelux B.V	766,126	60.00	0	0%	766,126	60.00
Merida & Centurion Germany GmbH	Not issue shares	51.00	0	0%	Not issue shares	51.00
Merida Polska Sp. z.o.o.	100	74.07	0	0%	100	74.07
Specialized Bicycle Components, Inc.	3,409,982	35.39	0	0%	3,409,982	35.39
Merida Slovakia s.r.o.	Not issue shares	30.00	0	0%	Not issue shares	30.00
Merida Czech s.r.o.	Not issue shares	45.00	0	0%	Not issue shares	45.00
SAIL & SURF Produktions-und Handelsgesellschaft m.b.H.	Not issue shares	40.00	0	0%	Not issue shares	40.00
Merida Bikes SWE, S.A.	448	36.36	0	0%	448	36.36
Miyata Cycle Co., Ltd.	1,400	70.00	0	0%	1,400	70.00
Merida Italy S.r.l.	Not issue shares	27.27	0	0%	Not issue shares	27.27
Merida Korea Inc.	76,560	40.00	0	0%	76,560	40.00
WideDoctor (International) Enterprise Co., Ltd.	690,000	25.56	0	0%	690,000	25.56

Note: Investment accounted for using equity-method.

IV. Capital Overview

i. Capital and Shares、Bonds、Global Depository Receipts、Employee Stock Options、Status of New Shares Issuance in Connection with Mergers and Acquisitions

1. (1). Source of Capital Stock

Unit: NTD; share

Month /Year	Issuance price	Authorized capital stock		Paid-in capital stock		Remarks		
		Number of stocks	Amount	Number of stocks	Amount	Source of capital stock	Using property other than cash as the equity contribution	Others
Sept./ 2014	10	300,000,000	3,000,000,000	298,983,800	2,989,838,000	Capitalization of retained earnings NTD 142,373,240 Effective date of FSC: July,16, 2014 File No.: Chin-Kuan-Cheng-Fa-Tzu No. 1030027086, July 16, 2015; Effective date of Ministry of Economics: September 3, 2014 File No.: Ching-Shou-Shang-Tzu No. 10301182700, September 3, 2014;	None	None

Note 1: Information for the year ending on the date of publication of the annual report shall be provided.
Note 2: The date and document number of effectiveness (approval) shall be indicated in the capital increase.
Note 3: Where shares are issued for less than par value, they shall be marked in a prominent manner.
Note 4: Where the share proceeds are offset by monetary claims or technologies, the types and amounts of the offset shall be stated.
Note 5: Private placement shall be marked in a prominent manner.

(2) Types of stock issued:

Unit: share

Stock type	Authorized stock			Remarks
	Outstanding stock (Note)	Unissued stock	Total share	
Common stock	298,983,800	1,016,200	300,000,000	TWSE listing

Note: Please indicate whether the stock belongs to TWSE or TPEx Listed Companies (if it is restricted to TWSE or TPEx Listed traders, it should be noted).

2. Status of Shareholders:

Date: as of April 26, 2020

Status / Amount	Governmental agencies	Financial institutions	Other legal persons	Independents	Foreign institutions and outsiders	Total amount
Number of persons	4	17	271	23,655	355	24,302
Number of shares	7,623,450	42,527,514	14,480,351	119,983,100	114,369,385	298,983,800
Shareholding ratio	2.55%	14.23%	4.84%	40.13%	38.25%	100.00%

Note: TWSE(TPEx) primary listing companies and Emerging Stocks on the TPEx companies should disclose the shareholding ratio from the investment of Mainland Area enterprise; "Mainland Area enterprise" means a juristic person, group, or other institution of the Mainland Area, or a company in which the same have invested in a third jurisdiction in accordance with Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

3. Shareholding Distribution Status:(common stock)

Date: as of April 26, 2020

Shareholding grading	Number of shareholders	Number of shares	Shareholding ratio (%)
1 to 999	18,311	1,202,229	0.40%
1,000 to 5,000	4,849	8,717,677	2.92%
5,001 to 10,000	452	3,323,368	1.11%
10,001 to 15,000	158	2,001,005	0.67%
15,001 to 20,000	72	1,285,425	0.43%
20,001 to 30,000	88	2,190,314	0.73%
30,001 to 50,000	72	2,832,401	0.95%
50,001 to 100,000	74	5,528,507	1.85%
100,001 to 200,000	65	9,621,768	3.22%
200,001 to 400,000	61	17,657,486	5.91%
400,001 to 600,000	26	12,784,508	4.27%
600,001 to 800,000	13	8,975,861	3.00%
800,001 to 1,000,000	11	9,980,027	3.34%
1,000,001 above	50	212,883,224	71.20%
Total amount	24,302	298,983,800	100.00%

4. List of Major Shareholders:

Date: as of April 26, 2020

Shares / Name of major shareholders	Number of shares	Shareholding ratio (%)
Zeng, Song-zhu	48,664,715	16.28%

5. Market Price, Net Worth, Earnings, and Dividends per Share in the Last Two Years:

Unit: NTD

Items			2018	2019	As of March 31, 2020（Note 8）
Market price per share (Note 1)	Highest		167.50	203.00	177.00
	Lowest		104.00	137.00	85.50
	Average		134.71	173.61	129.16
Net worth per share (Note 2)	Before distribution		42.65	46.09	47.36
	After distribution		39.15	Earnings distribution for 2019 is subject to the resolution of the shareholders' meeting	-
Earnings per share (Note 3)	Weighted average stock number		298,983,800	298,983,800	298,983,800
	Earnings per share	Before retrospective adjustment	5.72	8.37	1.57
		After retrospective adjustment	-	-	-
Dividend per share	Cash dividend	Special stock	-	-	-
		Common stock	NTD 3.5 per share	Earnings distribution for 2019 is subject to the resolution of the shareholders' meeting	-
	Free allotment of share	Surplus allocation of share	-	-	-
		Capital reserve allocation of share	-	-	-
	Cumulative unpaid special dividend (NTD 1,000), (Note 4)		-	-	-
Analysis of return on investment	Capital and profit ratio (Note 5)		23.55	20.74	-
	Cash dividend yield (Note 6)		38.49	Earnings distribution for 2019 is subject to the resolution of the shareholders' meeting	-
	Cash dividend reproductive rate (Note 7)		2.60%	Earnings distribution for 2019 is subject to the resolution of the shareholders' meeting	-

*If there is a transfer of surplus or capital reserve into equity allocation, the market price and cash dividend adjusted retrospectively according to the number of shares issued shall be disclosed.

Note 1: List the highest and lowest market prices of common stock in each year, and calculate the average market prices of each year according to the turnover value and volume of each year.

Note 2: Please fill in the column by referring to the number of shares issued at the end of the year and the distribution according to the resolution of the shareholders' meeting of the following year.

Note 3: If there is a need for retrospective adjustment due to the situation of free allotment, the earnings per share before and after adjustment shall be shown.

Note 4: Where conditions for the issuance of equity securities stipulate that dividends accrued in the current year are accrued in the surplus year, the accrued dividends accrued in the current year shall be disclosed separately.

Note 5: Capital and profit ratio=Average closing price/earnings per share for the current year.

Note 6: Cash dividend yield＝average closing price per share/cash dividend per share for the current year.

Note 7: Cash Dividend Reproductive Rate= Cash dividend per share/average closing price per share for the current year.

Note 8: The net value of each share and earnings per share shall be provided with the data checked by the Accountant in the latest quarter up to the date of publication of the annual report; the remaining columns shall be filled in with the data of the year up to the date of publication of the annual report.

6. Dividend policy and implementation status:

(1). Dividends policy:

Regarding net profit after the annual final accounts, in addition to paying profit-seeking enterprise income tax according to the laws and making up loss of previous years, 10% from the balance shall be allocated as legal reserve. However, when legal reserve has reached the Company's paid-in capital, it will not be allocated and shall allocate or reverse special reserve according to the laws. If there is still surplus, add cumulative undistributed earnings in previous years and make them distributable earnings. The Board of Directors shall prepare an earning distribution motion and submit it to the shareholders' meeting for further apportioning shareholders dividends and bonus.

Shareholders' total dividends shall be 10% to 80% of distributable earnings in that year. Wherein, cash dividends shall not be less than 10% of shareholders' total dividends.

(2).Proposed dividend payment by the shareholders' meeting:

The proposal for distribution of 2019 profits was proposed from 2019 total unappropriated earnings. Total number of outstanding common shares was 298,983,800. Cash dividend per share is NTD 4.2, rounding down to the nearest dollar, totaling NTD 1,255,731,960. Each common shareholder will be entitled to receive the cash dividends in dollar amount. The fractional parts would be turned to MERIDA Employee Welfare Committee. Subject to the approval of the General Shareholders' Meeting, the Board of Directors is authorized to determine ex-dividend and distribution date for the cash dividends.

7. Impact of the proposed stock dividend distribution by the shareholders' meeting on business performance and earnings per share: It just proposed cash dividends at this Shareholders' Meeting and the Company does not need to prepare 2020 financial forecasts, so it is not applicable.

8. Employees' compensation and directors & supervisors' compensation:

(1) Percentage or Range of Employees' compensation and Directors' compensation under the Articles of Incorporation:

If the Company has earned annual profit, no less than 5% shall be allocated for remuneration of employees and no more than 5% for remuneration of directors. However, if the company still has cumulative loss, make-up amount shall be retained in advance.

Employees' remuneration may be given by shares or cash and directors' remuneration shall be given by cash. It shall be done by the board of directors with more than two thirds of directors' attendance and the consent resolution by over half of attended directors and shall be reported to shareholders' meeting.

The objects granted with employee remuneration may include employees of subsidiary companies that comply with certain conditions, setting of which is decided by board of directors.

(2) The basis of the estimate of employees' and directors' compensation, the basis of calculating number of shares where stock bonuses are paid, as well as accounting treatment in case of deviation between the amount of actual payment and the estimate.

1) The basis of the estimate of employees' compensation and directors' compensation: According to Article 32 in the Articles of Incorporation of

Merida and passed a resolution at the 2nd board meeting in 2020. In 2019, Merida's income before tax was NTD 3,471,976,661 before deducting the 2019 employees' compensation and directors' compensation. The employees' compensation was distributed by 6% of the above amount, totaling NTD 208,318,600, and the directors' compensation was distributed by 2.6% of the above amount, totaling NTD 90,271,393, which has been distributed in full in cash.

2) The basis of calculating number of shares where Stock compensation are Paid: 2019 employees' compensation has been estimated in full in cash, so it is not applicable.

3) Accounting treatment in case of deviation between the amount of actual payment and the estimate: After the fiscal year end, if the compensation amount changes materially prior to the official release of the annual independent financial report approved by the Board of Director, the changes shall be adjusted as part of the previous fiscal year. Else if the remuneration amount changes materially after the official release of the annual independent financial report, the changes shall be adjusted as part of the current fiscal year.

(3) 2019 compensation approved in the Board of Directors meeting:

1) Employees' compensation and directors' & supervisors' compensation in the form of cash or stock:

A. Employees' compensation: NTD 208,318,600.
B. Directors' compensation: NTD 90,271,393.
C. Distributed in full in cash.

2) The amount of any employee compensation distributed in stocks; and the size of this amount as a percentage of the net income stated in the independent financial reports or Independent financial reports for the current period; and the size of this amount as a percentage of the total employee compensation： 2019 employees' compensation approved in the Board of Directors Meeting has been distributed in full in cash, so it is not applicable.

(4) 2018 actual distribution of employees' and directors' & supervisors' compensation (including number of shares, monetary amount, and stock price):

1) Employees' compensation: NTD 167,530,415, distributed in full in cash.

2) Directors' & supervisors' compensation: NTD 72,596,513.

3) The actual amounts of employees' compensation and directors'& supervisors' compensation were paid the same with the amounts recognized in the financial statements.

9. The Company's re-purchase of shares of the Company: None.

10. Handling of corporate bonds: None.

11. Handling of special stock: None.

12. Handling of GDR: None.

13: Handling of employee stock option certificates: None.

14. Handling of acquisition or assignment of new shares: None.

ii. Financing Plans and Implementation

As of March 31, 2020, the implementation of the previous issuance or private placement of securities has not been completed or completed in the last three years, and the planned benefits have not yet been shown: None.

V. Operational Highlights

i. Business Activities

1. Business scope:

(1).Business engagement:

1) Manufacturing, assembly, sale and external processing of bicycles and their parts.
2) Manufacturing, assembly and sale of machine bicycles and their parts.
3) Manufacturing, assembly and sale of e-bikes and their parts.
4) The output, input and sale of the speedometer.
5) Manufacture, assembly and sale of fitness bikes and their parts.
6) Import and export of related products and equipment.
7) Entrusting the construction company to build the rental and sale business of the national residential and commercial buildings.
8) C805050 Industrial Plastic Products Manufacturing Industry.
9) CC01080 Electronic Parts and Components Manufacturing Industry.
10) CC01050 Manufacturing Industry of Data Storage and Processing Equipment.
11) CA01990 Other basic industries of non-ferrous metals (zinc, aluminum, magnesium, copper, titanium alloy smelting and forging, die casting, extrusion, extension)
12) CA02990 Other metal products manufacturing industries (zinc, aluminum, magnesium, copper, titanium alloy hammer and forging, die casting, extrusion, stretching).
13) ZZ99999 Except for licensing business, business that is not prohibited or restricted by law may be operated.

(2).Main products and business proportion:

Items	Rate (%)
Complete bikes	93.78%
Bicycle frame and components	6.22%

(3) New products planned to be developed:

1) Triathlon bicycle (Time Warp)

The third-generation triathlon racing bike "Time Warp" is a road racing bike that emphasizes fluid dynamics. Its body is like a sharp blade, which is like a racing machine that will travel through time. Riding Time Warp to participate in competitions will definitely make contestants stand out in the fierce competition. The focus of the new generation of "Time Warp" is that it is the exclusive racing bike of Team Bahrain McLaren. Therefore, excellent performance is absolutely necessary. Its frame can meet the specific geometry required by racing road bikes, and its weight also meets the specifications of International Cycling Union (U.C.I.). In terms of commercial sales, it meets the largest demand of the triathlon market. Therefore, we have adopted a highly modular design in vehicle design, including handlebar assembly, the storage space for maintenance tools, Seat post fixation assembly, hidden brake mechanism, and integrated electric derailleur charger, turning the bike into a perfect racing weapon!

2) High-capacity electric vehicle (e One-sixty High Capacity)

Electric assisted bicycles have become a new trend in the bicycle markets of Europe and the United States. The increasing sales also confirm that electrification is one of the important developments of bicycles in the futures. “e One-sixty High Capacity” adopts a high-torque electric battery setting to make the vehicle have excellent performance on off-road climbing. While trampling easily, people may tend to extend the cycling trip, and thus increasing the demand for the electric energy capacity of e-bikes. In order to meet the needs of consumers, we will successively launch battery packs with different capacities to greatly increase the mileage, and thus relieve the pressure of consumers from panic, allowing people to ride "e One-sixty High Capacity" on rugged mountain slopes without worrying about the lack of power.

2. Industry Overview:

(1).Relation among up-, mid-and downstream:

1).Upstream/raw materials: iron, aluminum, and carbon fiber yarn, etc.

2).Midstream/ including structural systems, control systems, shock absorbers, braking systems, etc.: frame, front fork, handlebar, hubs, tire, brake, transmission, and other components.

3).Downstream/ complete bike: assembly, sales of bike & components as well as after-sales services for consumers.

(2).Competition of products:

Looking back to 2019, the overall export of Taiwan's bicycle maintained a positive growth, supported by the annual growth of e-bikes of more than 124%. Due to the trade barriers in Europe and the United States and the some reversed orders, bicycle exports still experienced a slight decline, indicating that while the demand for e-bikes in the major markets has increased significantly, some traditional bicycles have indeed been replaced. This phenomenon should be the trend in the future where the consumption of the products is increasing or decreasing. Due to the rise of shared bicycles in the past three years in the form of rental in China, the Chinese market has a huge impact on the overall bicycle industry chain. Shared bicycles not only substantially replace the traditional bicycle, but also suppress the consumption of middle-end and high-end bicycles. However, the current operation of shared bikes has greatly decayed and the overall market will be reversed from the bottom, especially for the middle-end and high-end bicycle markets, which have taken the lead in slowly recovering.

3. Research and Development:

(1).R&D expenditure invested in the latest year and up to the publication date of the annual report:

Unit :NTD

2019	As of March 31, 2020
61,174,017	19,650,037

(2) Technologies or products successfully developed:

a. ONE-TWENTY(120): won the 27th (2019) Taiwan Excellence Gold Award.

b. Time Warp TT: won the 27th (2019) Taiwan Excellence Silver Award.

c. eONE-SIXTY: won the 28th (2020) Taiwan Excellent Award and was nominated for the Taiwan Excellence Gold and Silver Awards.

d. MISSION CX: won the 28th (2020) Taiwan Excellent Award and was nominated for the Taiwan Excellence Gold and Silver Awards.

4. Long-term and Short-term Development Plan:

(1).Short-term plan:

We expect that the high-end bikes market in China will continue to recover in 2020. As for the European and American markets, the demand for high-end bikes and e-bikes will offset with each other. The demand for the e-bikes in the Company's own brand channel will continue to grow. In response to the demand for orders in the new year and to deal with the interference (variables) of COVID-19, the Group will promptly revise its production and sales targets and adjust manpower and production lines to ensure the maintenance of raw materials and production capacity.

(2). Medium and Long-term Development Plan:

Affected by COVID-19, the bicycle market is facing the situation of "first squatting and then jumping, shorter-term pain for long-term gain". We estimate that in the next 5 to 10 years, the demand for medium-end and high-end bicycles in the global bicycle market (including high-end road sports bikes, mountain bikes, urban recreational bikes, and e-bikes ...) will show a growing trend. We will maintain the market demand for middle-end and high-end bicycles, and timely adjust the development, manufacturing, and sales services for the bikes; At the same time, we will lay out the channels in the emerging markets to maintain market share and stable profitable growth.

ii. Market and Sales Overview

1. Market Analysis:

(1) Information of sales in different regions:

Regions	Ratio (%)
Europe	54.76%
America	25.78%
Others	19.46%

(2) Market share:

Compared with the data of Taiwan Bicycle Association (TBA), the number and amount of bicycles exported by the Company's Taiwan factory in 2019 accounted for 27% and 30% of the total exports of Taiwan's bicycle industry. In addition, the Company exported more than 236,000 e-bikes in 2019, with an export value of more than USD 380 million, and accounted for 37% and 44% of the number and value of total exports of Taiwan's bicycle industry. In 2019, the number and value of e-bikes exported by the Company (Taiwan factory) accounted for 22% and 42% of the total number and value of the group's annual sales (including bicycles).

(3) Future supply and demand, growth, and competitive niches:

1) Since the sales of recreational bicycles are susceptible to weather, the sales price is related to the purchasing power of consumers and the degree of market maturity (saturation).Mature markets (such as Europe and the United States) provide the annual growth momentum of about 0 to 5% for high consumption, price and volume respectively. Emerging markets (such as mainland China, Latin America, Asia, Africa, New Zealand, Australia and eastern Europe, etc.) continue to have relatively large growth in the overall economy and national income, improve living standards and purchasing power. In terms of the demand for medium and high-end bicycles and e-bikes, these countries started late and the market share is low. It is expected that in the next few years under reasonable supply and demand conditions, there is still room for price and volume growth.

2) Under the influence of market demand growth and high competition in industry, the Company adheres to its own brand and products in broad sense, pays attention to the positioning of the global middle and high-grade bicycle market, keeps developing and innovating constantly, maintains a good product life cycle, with the best product strength and sports marketing endorsement, promotes brand and product image, ensuring that the Company could become one of the main suppliers of high-end bicycles and high-end e-bikes in the global market, as well as the first brand of high-end (variable speed) bicycles in the mainland market.

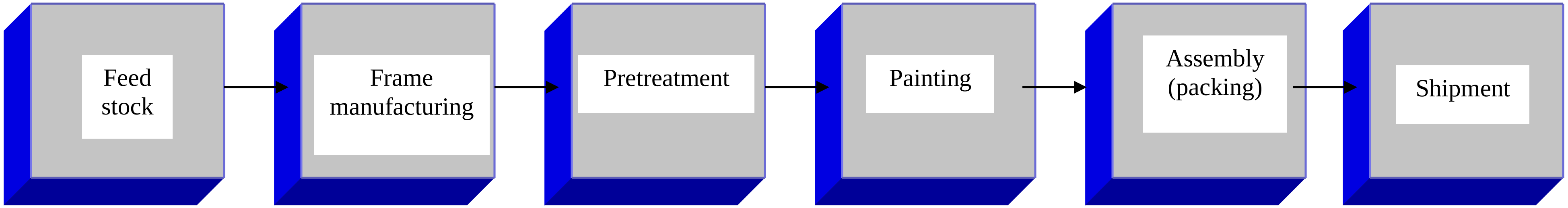
(4) Advantages, disadvantages, and counter measures of future development:

1) Advantages and countermeasures: Due to long-term adherence to the brand production and marketing policy focusing on the global middle and high-grade bicycle market, from product development, production, distribution and sales channels, the global market has a clear positioning, and its multi-brands in the major markets are supported and affirmed by consumers, and enjoy a certain degree of popularity and market share; Based on this good and stable foundation, we will strive to create demand, guide the innovation of popular product research and development, as well as the improvement of production management and technology, and continue to expand brand marketing services, production capacity and channel layout in order to pursue sustainable growth.

2) Disadvantages and countermeasures: global weather, political, economic and environmental uncertainties (such as COVID-19), as well as unfriendly intra-industry competition (such as counterfeiting, export by changing the origin, price destruction) and other factors, imply the threat of product, supply & demand, and market marketing, while the volatility of exchange rates of major international currencies (such as the US dollar against the Japanese currency, the Taiwanese dollar, etc.) also poses uncertain risks and impacts on costs and returns. When identifying the unfavorable factors affecting production, marketing and profitability, the operating departments of the Company (Group) should integrate the resources and supply chains of the Group's factories and the partners of the strategic alliances' brands and channels, actively anticipate and evade them, so as to effectively utilize resources, opportunities, transform risks and threats, and create maximum operating benefits.

2. Production Procedures of Main Products:

(1) Major products: bicycle
(2) Use: for transportation, relaxation, and sports
(3) The production and manufacturing processes are as follows:



3. Supply of major raw materials:

Major raw materials	Source of supply	Supply condition
Transmission assembly	Foreign and domestic manufacturers	Good
Flywheel set	Foreign and domestic manufacturers	Good
Front fork components	Foreign and domestic manufacturers	Good
Chain wheels and crank arms	Foreign and domestic manufacturers	Good
Motor of e-bikes	Foreign and domestic manufacturers	Good
Carbon fiber frame components	Foreign and domestic manufacturers	Good
Brake components	Foreign and domestic manufacturers	Good
Hubs	Foreign and domestic manufacturers	Good
Tire material	Foreign and domestic manufacturers	Good
Shock absorber components	Foreign and domestic manufacturers	Good
Battery	Foreign and domestic manufacturers	Good

4. Major Suppliers and Clients for More Than 10% in the Last Two Years:

Major Suppliers in the Last Two Calendar Years

Unit: NTD 1,000

Items	2018				2019				As of the first quarter of 2020 (Note 2)			
	Name	Amount	Percentage of annual net purchase (%)	Relation with issuer	Name	Amount	Percentage of annual net purchase (%)	Relation with issuer	Name	Amount	Percentage of annual net purchase (%) as of the first quarter (%)	Relation with issuer
1	M3001	4,088,173	19.45	Non-related party	M3001	4,426,292	19.43	Non-related party	M3001	742,300	17.34	Non-related party
2	Others	16,932,621	80.55	-	Others	18,352,538	80.57	-	Others	3,538,443	82.66	-
	Net purchase	21,020,794	100.00		Net purchase	22,778,830	100.00		Net purchase	4,280,743	100.00	

Note 1: List the names of suppliers and the amount and proportion of their purchases over 10% of the total purchases in the last two years. However, if the contract stipulates that the name of the supplier or the object of the transaction is an individual and non-related party, it may be coded.

Note 2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

Major Clients in the Last Two Calendar Years

Unit: NTD 1,000

Items	2018				2019				As of the first quarter of 2020 (Note 2)			
	Name	Amount	Percentage of annual net sales (%)	Relation with issuer	Name	Amount	Percentage of annual net sales (%)	Relation with issuer	Name	Amount	Percentage of annual net sales as of the first quarter (%)	Relation with issuer
1	0301	16,541,284	63.98	Invested company valued at equity	0301	19,272,511	68.24	Invested company valued at equity	0301	2,835,118	53.94	Invested company valued at equity
2	Others	9,311,658	36.02	-	Others	8,970,703	31.76	-	Others	2,420,503	46.06	-
	Net sales	25,852,942	100.00		Net sales	28,243,214	100.00		Net sales	5,255,621	100.00	

Note 1: List the names of suppliers and the amount and proportion of sales over 10% of the total sales in the last two years. However, if the contract stipulates that the name of the supplier or the object of the transaction is an individual and non-related party, it may be coded.

Note 2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

5. Production in the Last Two Years:

Unit: Set/ NTD 1,000

Major products \ Year	2018			2019		
	Capacity	Production volume	Output	Capacity	Production volume	Output
Bicycle	1,890,000	967,127	14,986,596	1,790,000	773,740	12,170,934
E-bike		133,058	5,106,726		239,420	10,455,239
Frame and components	-	-	1,094,872	-	-	1,078,913
Total amount	1,890,000	1,100,185	21,188,194	1,790,000	1,013,160	23,705,086

Note 1:Capacity refers to the amount of production that a company can produce under normal operation using existing production equipment after measuring factors such as necessary shutdown and holidays.

Note 2: If the production of each product is substitutable, the production capacity may be calculated together with notes.

6. Shipments and Sales in the Last Two Years

Unit: Set/NTD 1,000

Sales Value / Year / Major commodities (or sectors)	2018				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Production volume	Output	Production volume	Output	Production volume	Output	Production volume	Output
Bicycle	27,509	276,277	980,202	17,750,359	22,507	206,639	793,097	14,596,619
E-bikes	308	16,967	144,491	6,235,346	494	35,092	236,067	11,799,586
Frame and components	-	26,244	-	1,664,737	-	29,225	-	1,726,628
Service revenue	-	3,369	-	-	-	2,245	-	-
Return and discount of sales	-	(4,775)	-	(115,582)	-	(3,565)	-	(149,255)
Total amount	27,817	318,082	1,124,693	25,534,860	23,001	269,636	1,029,164	27,973,578

iii. Human Resources

Year		2018	2019	As of April 30, 2020
Number of employees	Supervisors	154	168	170
	Staff	551	711	708
	Employee	1,650	1,658	1,719
	Total	2,355	2,537	2,597
Average years of service		7.91	9.22	9.27
Average age		36	38	38
Distribution of academic qualifications %	PhD	0	0	0
	Master	3%	3%	3%
	Junior college	20%	25%	24%
	Senior high school	42%	39%	39%
	Below senior high school	35%	33%	34%

iv. Environmental Protection Expenditure

1. As of the most recent year and the date of publication of the annual report, the losses suffered due to the pollution of the environment (including compensation and environmental protection audit results that violate environmental laws and regulations, the date of punishment, the number of the official document, the related provisions, the content of the laws and regulations, and the punishment), as well as the current and future estimated amounts and the disclosure of the corresponding measures, further explanation should be made if the amounts cannot be reasonably estimated: None.

2. Future countermeasures and possible expenditures:

   (1) The Company aims at environmental protection, zero pollution and workplace safety, zero disaster. It replaces high pollution with low pollution for raw materials in each process, complies with environmental laws and regulations, and applies for environmental protection permits to ensure compliance with environmental emission standards and reduce environmental pollution. Improve machinery, equipment, and environmental safety to ensure labor safety and prevent injury and illness.

   (2) Environmental protection and health enforcement measures are as follows:

   1) The new staff carries out education and training on environmental protection, safety, and health, to promote the safety concept and environmental protection and clean production awareness.

   2) Continuous pursuit of high efficiency of wastewater treatment and improvement of the quality of effluent water, the establishment of source control raw material records, application system for process discharge, the use of waste liquid as adjusting agent for wastewater treatment plant, and the reduction of wastewater reagent use.

   3) Set up special areas for resource recovery, improve waste storage sites, implement garbage classification, and reduce waste production.

   4) Regular implementation of environmental protection testing, industrial and safety monitoring, annual regular outsourcing testing of water quality (discharge water, drinking water), waste gas, monitoring of operating area noise, dust, and organic solvents.

   5) The Occupational Safety and Health Management Committee shall be convened regularly every three months to review the automatic inspection and safety and health audit, the preventive measures against the hazards of machinery, equipment or raw materials, materials, the occupational disaster investigation report, health management, occupational disease prevention and health promotion and other related operation.

   6) Specialized departments of environmental protection and occupational safety and health:
   According to the industry scale, there are specialized departments and relevant occupational safety and health management personnel in the Occupational Safety and Health Office, which is directly under the President and responsible for environmental protection and occupational safety and health. In addition, professional nurses and on-site service doctors promote staff health management and health promotion, and set up nursing rooms in the factory to improve friendly workplace.

   7) In response to environmental protection, energy conservation and carbon reduction, a number of energy conservation policies. All newly

added and replaced lamps are replaced with energy-saving LED lamps. Frequency conversion and energy saving is the priority when purchasing air conditioners, and the mechanism to control the indoor temperature up to 28℃ when using air conditioners. The newly added air compressor is converted to variable frequency energy saving type, and the operators check the leakage of the equipment every day. Change the dry dust collector to wet dust collector, reduce particulate emissions.

8) Greenhouse gas inventory: The Company is not an industry in which the EPA announces annual greenhouse gas emissions of 25,000 metric tons of carbon dioxide equivalent.

3.Energy saving and environmental protection policies:

(1) Bicycle parking is set up in the factory to encourage employees to commute to work by bicycle instead of motorcycle.
(2) Bicycle products are certified by carbon footprint, and carbon labels are used to convey the information of the product's carbon footprint to consumers, providing reference for purchase, encouraging changes in consumption behavior and lifestyle, and making joint efforts to reduce vehicle emissions.
(3) Electronic production process instructions encourage staff to print less, use double-sided or multi-page printing function, set up paper recycling bins beside photocopiers to reduce the impact of paper consumption on trees and ecology.
(4) For many years in a row, we have organized large-scale bicycle riding activities to promote the most energy saving, carbon reduction and environmental protection bicycle activities, and encouraged the use of bicycles as a means of short-range transportation.
(5) In combination with the concept of environmental protection, we have been cultivating children' interest and hobby in bicycles since childhood. We have organized a bicycle DIY summer camp to provide them with more professional bicycle knowledge.
(6) The "Air Quality Purification Zone" in Changhua County covers an area of 2.62 hectares. It maintains, manages, plants, and cleans the whole environment. It absorbs polluted gases through the physiological characteristics of plants, reduces dust and suspended particulates, purifies air quality, and fulfills corporate social responsibilities and obligations.
(7) The boiler will be changed from heavy oil to liquefied petroleum gas from 2019. The items of air pollution prevention and control are nitrogen oxides (NOx) and sulfur oxides (SOx). The total amount of pollution emissions throughout the year is zero tons to avoid environmental impacts around the plant.
(8) Recyclable waste is sorted and placed centrally. Recycling is outsourced and done regularly. The total weight of waste in 2019 was 320.01 metric tons, a decrease of 7.3% from 2018.
(9) The total discharge of wastewater in 2019 was 78,489 cubic meters, and there was no penalty for water resources in 2019.
(10) The water consumption in 2019 was 125,248 metric tons, and the water consumption in 2018 was 114,819 metric tons.

v. Labor Relations

1. Employee Welfare Measures, Training, Retirement System, Labor Agreements,

Measures and Implementation of Employee Rights and Interests:

(1) Employee welfare measures

1) Year-end bonus will be paid every year before Spring Festival. The basic number of days is 60 days, and the actual number of days and amount paid depends on the operating performance of the current year.
2) Bonus will be paid before Dragon Boat Festival and Mid-Autumn festival every year. The actual amount will be determined by the operating performance of the year.
3) Rewards will be paid if sales volume and sales value reach record on a monthly and annual basis.
4) The Company shall allocate no less than 5% of its annual profit to its employees.
5) Set up Employee Welfare Committee, organize various staff activities and travel.
6) The Company shall grant paid leaves to employees in accordance with “Labor Standards Act” and “Enforcement Regulations Governing National Holidays and Holidays”.

(2) Education and training

1) In line with the Company’s development goals and the purpose of employees’ lifelong learning, the Company has formulated educational training management regulations and in-service training management methods to cultivate talents at all levels, inspire employees’ knowledge and skills, and improve work efficiency.
2) The Company’s staff education and training includes new staff training, in-plant education and training, out-plant education, and training.
3) The in-service training of our employees includes assigning study at public expense and applying for self-study.

(3) Retirement system and implementation:

1) The Company’s pension system, which is governed by the “Labor Pension Act”, is a government defined pension plan, in which 6% of the employee's monthly salary is allocated to the Independent account of the labor insurance bureau.
2) The Company’s “Labor Standards Act” pension system is to determine the benefits and retirement plan and the payment of employees' pension based on the service life and the average salary 6 months prior to the approved retirement date. The Company shall allocate 6% of the total monthly salary to the employee retirement fund, which shall be deposited in a special account of the Bank of Taiwan in the name of the Supervisory Committee on Retirement Reserves. The Labor Fund Utilization Bureau of the Ministry of Labor invests the planned assets in domestic (foreign) equity securities, debt securities and bank deposits by means of self-use and entrusted operation. The minimum income allocated to the annual final accounts of the Labor Retirement Fund shall not be less than that calculated by the local bank’s two-year fixed deposit interest rate, however, it shall be in accordance with the provisions of the methods for the custody and utilization of the income and expenditure of the Labor Retirement Fund.
3) The Company shall, before the end of each year, estimate the retirement amount of the employees under the retirement conditions specified in Article 53 or item 1 of paragraph 1 of Article 54 of the Labor Standards

Act within the next year, and fully allocate the pension by the end of the following march.

4) In addition, the Company shall, in accordance with the regulations on employee retirement, set aside 4% of the salary of appointed managers for the pension of employees each month.

5) The reinvestment business Merida & Centurion Germany GmbH, Merida Benelux B.V and Merida Polska Sp.z.o.o have not formulated a retirement policy, but only pay annuities and various insurance according to local decrees. MERIDA Bicycle (CHINA) Co.,Ltd., MERIDA Bicycle (Shandong) Co.,Ltd. and MERIDA Bicycle (Jiangsu) Co.,Ltd. pay basic pension insurance premiums for their local employees on a monthly basis according to the regulations of the local government, and hand them to the relevant departments of the local government for overall arrangement and payment of retirement pensions for retired employees, all of which are defined retirement schemes. MERIDA International (B.V.I)Ltd., MERIDA Industry (H.K.) Co. Ltd. and MERIDA International (SAMOA)Ltd. are holding companies, which do not require a retirement scheme and system.

(4) Other important labor-management agreements: None.

(5) Measures to safeguard employees' rights and interests:

1) Establish corporate Labor Union to safeguard the rights and interests of employees.

2) Conduct labor-management conferences in accordance with relevant regulations to reinforce the relations between employees and employers.

3) In accordance with the Labor Standard Act, Employment Service Act, Gender Equality in Work Act, Sexual Harassment Prevention Act and related decrees, the Company's "Rules of Work" are formulated and submitted to the competent authorities for approval and implementation, so as to implement the guidelines for the rights and obligations of both employers and employees. Formulate relevant management regulations, such as "Measures for Labor Retirement Management", "Measures for Staff Retirement Management", "Measures for Prevention and Treatment of Sexual Harassment in the Workplace", "Measures for Complaints and Punishment Management" to safeguard employees' rights and interests.

2. Losses due to labor disputes in recent years and up to the date of publication of annual reports: None.

3. Current and potential future losses from labor disputes: None.

vi. Important Contracts:

Nature of contracts	Parties concerned	Starting and ending date of contract	Main contents	Restriction terms
Fleet sponsorship contract	BMTCT Bahrain WorldTour Cycling Team W.L.L.	2017.01.01 ∫ 2019.12.31	Sponsorship of professional cycling teams Bahrain-Merida Pro Cycling Team	None
Fleet sponsorship contract	BWTCT Bahrain WorldTour Cycling Team S.P.C.	2020.01.01 ∫ 2021.12.31	Sponsorship of professional cycling teams Bahrain-McLaren Team	None

VI. Financial Information

i. Five-Year Condensed Balance Sheet and Condensed Income Statement

1. (1) Consolidated Condensed Balance Sheet–Based on IFRS

Unit: NTD$ 1,000

Items \ Year		Financial Information over the Last Five Years (Note 1)					Financial Information Checked by Accountants as of March 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		$10,119,548	$9,026,327	$9,037,790	$10,135,851	$11,758,571	$11,709,193
Property, plant and equipment (Note 2)		2,823,624	2,575,013	2,515,796	2,342,984	2,400,791	2,452,454
Intangible assets		18,592	44,156	39,411	40,685	45,307	43,338
Other assets (Note 2)		9,397,316	9,949,986	9,352,549	10,258,587	11,476,121	11,554,855
Total assets		22,359,080	21,595,482	20,945,546	22,778,107	25,680,790	25,759,840
Current liabilities	Before distribution	6,209,964	6,102,541	6,549,326	6,740,593	7,814,104	7,026,634
	After distribution	7,854,375	7,298,476	7,147,294	7,787,036	Note 4	Note 4
Non-current liabilities		2,775,834	2,415,959	2,314,846	2,760,497	3,462,826	3,936,849
Total liabilities	Before distribution	8,985,798	8,518,500	8,864,172	9,501,090	11,276,930	10,963,483
	After distribution	10,630,209	9,714,435	9,462,140	10,547,533	Note 4	Note 4
Total equity attributable to owners of the Corporation		12,845,400	12,586,036	11,585,175	12,752,176	13,778,685	14,159,273
Common shares		2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838
Capital surplus		416,505	416,505	416,548	416,548	416,290	416,290
Retained earnings	Before distribution	9,149,457	9,444,122	8,986,413	10,115,280	11,535,606	12,006,037
	After distribution	7,505,046	8,248,187	8,388,445	9,068,837	Note 4	Note 4
Other equity		289,600	(264,429)	(807,624)	(769,490)	(1,163,049)	(1,252,892)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		527,882	490,946	496,199	524,841	625,175	637,084
Total equity	Before distribution	13,373,282	13,076,982	12,081,374	13,277,017	14,403,860	14,796,357
	After distribution	11,728,871	11,881,047	11,483,406	12,230,574	Note 4	Note 4

* If the Company has an Independent financial report, it shall prepare another condensed balance sheet and comprehensive income statement of the Independent for the latest five years.

* If the IFRS has been used for less than 5 years, the following table shall be prepared by applying the AIS for financial information: not applicable.

Note 1: The year not examined and approved by the Accountant shall be indicated.
Note 2: For assets revaluation in the current year, the date of such revaluation and the amount of appreciation shall be indicated.
Note 3: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.
Note 4: Please fill in the distribution figures above according to the resolution of the shareholders ‘meeting of the next year.
Note 5: Where financial data are notified by the competent authority to be corrected or recompiled, the corrected or recompiled figures, the situation and reasons shall be presented and indicated.

1. (2) Independent Condensed Balance Sheet–Based on IFRS

Unit: NTD$ 1,000

Items \ Year		Financial Information over the Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		$5,866,232	$5,277,626	$5,247,900	$6,323,065	$7,560,707
Property, plant and equipment		961,538	987,304	1,058,757	1,033,651	1,013,022
Intangible assets		-	-	-	-	-
Other assets		13,433,521	13,133,442	12,417,829	13,235,730	14,166,555
Total assets		20,261,291	19,398,372	18,724,486	20,592,446	22,740,284
Current liabilities	Before distribution	5,065,429	4,700,160	5,003,694	5,142,976	5,971,976
	After distribution	6,709,840	5,896,095	5,601,662	6,189,419	Note 2
Non-current liabilities		2,350,462	2,112,176	2,135,617	2,697,294	2,989,623
Total liabilities	Before distribution	7,415,891	6,812,336	7,139,311	7,840,270	8,961,599
	After distribution	9,060,302	8,008,271	7,737,279	8,886,713	Note 2
Total equity attributable to owners of the Corporation		12,845,400	12,586,036	11,585,175	12,752,176	13,778,685
Common shares		2,989,838	2,989,838	2,989,838	2,989,838	2,989,838
Capital surplus		416,505	416,505	416,548	416,548	416,290
Retained earnings	Before distribution	9,149,457	9,444,122	8,986,413	10,115,280	11,535,606
	After distribution	7,505,046	8,248,187	8,388,445	9,068,837	Note 2
Other equity		289,600	(264,429)	(807,624)	(769,490)	(1,163,049)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	12,845,400	12,586,036	11,585,175	12,752,176	13,778,685
	After distribution	11,200,989	11,390,101	10,987,207	11,705,733	Note 2

Note 1: The financial data for the period from 2015 to 2019 are certified by the Accountant.
Note 2: Please fill in the distribution figures above according to the resolution of the shareholders' meeting of the next year.

2. (1) Consolidated Condensed Statement of Comprehensive Income –Based on IFRS

Unit: Except that the earnings per share are NTD$ 1 the rest are NTD$ 1,000

Year / Items	Financial Information over the Last Five Years					Financial Information Checked by Accountants as of March 31, 2020
	2015	2016	2017	2018	2019	
Sales	$28,094,340	$22,901,472	$22,396,174	$25,852,942	$28,243,214	$5,255,621
Realized gross profit	4,794,307	3,486,451	2,762,630	3,218,229	3,736,328	870,171
Profit from operations	2,824,371	1,539,061	1,028,826	1,351,280	1,710,826	357,209
Non-operating income (expenses)	1,072,229	892,034	7,248	1,270,375	1,492,854	282,441
Net income before tax	3,896,600	2,431,095	1,036,074	2,621,655	3,203,680	639,650
Net profit at current period	3,044,990	1,915,444	798,474	1,745,837	2,500,984	495,046
Losses of discontinued unit	-	-	-	-	-	-
Net profit (loss)	3,044,990	1,915,444	798,474	1,745,837	2,500,984	495,046
Other comprehensive income (loss) for the year, net of income tax	(198,687)	(575,166)	(598,190)	47,774	(435,584)	(102,549)
Total comprehensive income for the year	2,846,303	1,340,278	200,284	1,793,611	2,065,400	392,497
Net profit attributable to owners of the corporation	3,040,275	1,918,953	797,361	1,708,835	2,502,443	470,431
Net profit attributable to non-controlling interests	4,715	(3,509)	1,113	37,002	(1,459)	24,615
Total comprehensive income attributable to owners of the corporation	2,863,567	1,385,047	195,031	1,764,969	2,093,046	380,588
Total comprehensive income attributable to non-controlling interests	(17,264)	(44,769)	5,253	28,642	(27,646)	11,909
Earnings per share	10.17	6.42	2.67	5.72	8.37	1.57

* If the Company has an Independent financial report, it shall prepare another concise balance sheet and comprehensive income statement of the Independent for the latest five years.
* If the IFRS has been used for less than 5 years, the following table shall be prepared by applying the AIS for financial information: not applicable.

Note 1: The year not examined and approved by accountant shall be indicated.
Note 2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.
Note 3: For assets revaluation in the current year, the date of such revaluation and the amount of appreciation shall be indicated.
Note 4: Where financial data are notified by the competent authority to be corrected or recompiled, the corrected or recompiled figures, the situation and reasons shall be presented and indicated.

2. (2) Independent Condensed Statement of Comprehensive Income –Based on IFRS

Unit: Except that the earnings per share are NTD$ 1, the rest are NTD$ 1,000

Items \ Year	Financial Information over the Last Five Years				
	2015	2016	2017	2018	2019
Sales	$19,799,371	$16,980,611	$18,213,043	$22,795,595	$25,004,210
Realized gross profit	2,964,475	2,214,815	1,825,250	2,123,202	2,582,969
Profit from operations	2,063,151	1,386,668	1,091,243	1,310,589	1,748,716
Non-operating income (expenses)	1,664,134	1,023,813	(102,340)	1,241,457	1,424,671
Net income before tax	3,727,285	2,410,481	988,903	2,552,046	3,173,387
Net profit at current period	3,040,275	1,918,953	797,361	1,708,835	2,502,443
Losses of discontinued unit	-	-	-	-	-
Net profit (loss)	3,040,275	1,918,953	797,361	1,708,835	2,502,443
Other comprehensive income (loss) for the year, net of income tax	(176,708)	(533,906)	(602,330)	56,134	(409,397)
Total comprehensive income for the year	2,863,567	1,385,047	195,031	1,764,969	2,093,046
Net profit attributable to owners of the corporation	3,040,275	1,918,953	797,361	1,708,835	2,502,443
Net profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the corporation	2,863,567	1,385,047	195,031	1,764,969	2,093,046
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	10.17	6.42	2.67	5.72	8.37

Note : The financial data for the period from 2015 to 2019 are certified by the Accountant.

3. Auditors' Opinions for the Last Five Years

Year	Name of accounting firm	Accountant	Audit opinion
2015	Deloitte & Touche	Te-Jun Cheng, Lie-Dong Wu	Revised clean opinion
2016	Deloitte & Touche	Shu-Chin Chiang, Lie-Dong Wu	Clean opinion
2017	Deloitte & Touche	Shu-Chin Chiang, Lie-Dong Wu	Clean opinion with the paragraphs of other matter
2018	Deloitte & Touche	Shu-Chin Chiang, Lie-Dong Wu	Clean opinion with the paragraphs of other matter
2019	Deloitte & Touche	Shu-Chin Chiang, Done-Yuin Tseng	Clean opinion with the paragraphs of other matter
First quarter of 2020	Deloitte & Touche	Shu-Chin Chiang, Done-Yuin Tseng	Review report of reserved conclusions

ii. Five-Year Financial Analysis

1. (1) Consolidated Financial Analysis –Based on IFRS

Items		Financial Analysis over the Last Five Years 2015	2016	2017	2018	2019	Financial information as of March 31,2020 (Note 1)
Financial structure (%)	Debt ratio	40.2	39.5	42.3	41.7	43.9	42.6
	Ratio of long-term capital to property, plant, and equipment	489.9	521.31	489.3	572.0	614.8	638.8
Solvency (%)	Current ratio	163.0	147.9	138.0	150.3	150.5	166.6
	Quick ratio	112.7	94.6	84.0	92.8	89.9	95.8
	Interest earned ratio (times)	179.1	108.3	39.3	52.4	74.0	40.2
Operating performance	Accounts receivable turnover (times)	14.7	12.5	13.0	12.3	11.3	8.4
	Average collection period	25	29.2	28.1	29.7	32.3	43.6
	Inventory turnover (times)	6.9	5.9	5.7	6.0	5.7	3.7
	Accounts payable turnover (times)	5.8	5.3	5.2	5.7	5.9	4.5
	Average days in sales	53	62	64	61	64	97.6
	Property, plant, and equipment turnover (times)	9.9	8.9	8.9	11.0	11.8	8.6
	Total assets turnover (times)	1.3	1.1	1.1	1.1	1.1	0.8
Profitability	Return on total assets (%)	13.9	8.8	3.9	8.2	10.5	2
	Return on stockholders' equity (%)	23.5	14.5	6.4	13.8	18.1	3.4
	Pre-tax income to paid-in capital (%)	130.3	81.3	34.7	87.7	107.1	21.4
	Profit ratio (%)	10.8	8.4	3.6	6.8	8.9	9.4
	Earnings per share (NTD$)	10.2	6.4	2.7	5.7	8.4	1.7
Cash flow	Cash flow ratio (%)	31.2	28.1	4.7	10.9	15.4	(7.9)
	Cash flow adequacy ratio (%)	117.5	127.9	94.7	87.5	67.4	54.6
	Cash reinvestment ratio (%)	(0.6)	0.4	(5.6)	0.8	0.8	(2.7)
Leverage	Operating leverage	1.1	1.2	1.3	1.2	1.2	1.2
	Financial leverage	1.0	1.0	1.0	1.0	1.0	1.1

Please explain the reasons for the recent changes in the financial ratios in the past two years (if the increase or decrease is less than 20%, it can be exempted from analysis):

1. Interest earned ratio (times): the increase of 41% is due to the increase in combined profits.
2. Return on total assets (%): the increase of 28% is due to the increase in consolidated profits.
3. Return on stockholders' equity (%): the increase of 31% is due to the increase in combined profits.
4. Pre-tax income to paid-in capital (%): the increase of 22% is due to the increase in combined profits.
5. Profit ratio (%): the increase of 31% is due to the increase in combined profits.
6. Earnings per share (NTD$): the increase of 47% is due to the increase in combined profits.
7. Cash flow ratio (%): the increase of 41% is due to the increase in net cash inflows from business activities as a result of the increase in consolidated profits.

* If a company has prepared an Independent financial report, it shall prepare a separate analysis of the Independent financial ratio of the company.

*If the IFRS has been used for less than 5 years, the following table shall be prepared by applying the AIS for financial information: not applicable.

Note 1: The Company's financial reports for 2015 to 2019 are certified by Accountants, and the financial data for the first quarter of 2020 are reviewed by Accountants.

Note 2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

Note 3: At the end of this table, the following calculation formula should be shown:

1. Financial structure
   (1) Debt Ratio =total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net amount of real estate, facilities, and equipment.
2. Solvency (%)
   (1) Current ratio =current assets/current liabilities.
   (2) Quick ratio = (current assets-inventory-payment in advance)/current liabilities.
   (3) Interest earned ratio (times)= earnings before interest and taxes/interest expenses for current period.
3. Operating performance
   (1) Accounts receivable turnover (times)(including receivables and notes receivable arising from business) is equal to net sales/average receivables (including receivables and notes receivable arising from business).
   (2) Average collection period =365/receivable turnover rate.
   (3) Inventory turnover (times) = cost of sale / average inventory.
   (4) Accounts payable turnover (times) (including accounts payable and notes payable arising from business) = sales cost/average balance of accounts payable for each period (including accounts payable and notes payable arising from business).
   (5) Average days in sales =365/inventory turnover rate.
   (6) Property, plant, and equipment turnover (times)t=net sales volume/average net amount of real estate, facilities and equipment.
   (7) Total assets turnover (times) = net sales volume/average total assets.
4. Profitability
   (1) Return on total assets (%)= [after-tax profit and loss + interest expense * (1-tax rate)] / average total assets.
   (2) Return on stockholders' equity (%)= after-tax profit/loss/total average equity.
   (3) Profit ratio (%)= after-tax profit/loss/net sales.
   (4) Earnings per share (NTD)= (profits and losses attributable to the owner of the parent Company-preferred stock)/weighted average number of issued shares.(Note 4)
5. Cash Flow
   (1) Cash flow ratio= net cash flow of business activities / current liabilities.
   (2) Cash flow adequacy ratio (%)=Net Cash Flow of Business Activities in the Last Five Years/Last Five Years (Capital Expenditure + Inventory Increase + Cash Dividend).
   (3) Cash reinvestment ratio (%)=(net cash flow of business activities -cash dividend) /(gross amount of real estate, facilities, and equipment + long-term investment + other non-current assets + operating funds). (Note 5)
6. Leverage:
   (1) Operating leverage= (Net Operating Revenue -Variable Operating Costs and Expenses) / Operating Benefits (Note 6)
   (2) Financial leverage= Operating Interest/ (Operating Interest -Interest Cost).

Note 4: When measuring the earnings per share of the previous opening, the following points should be paid special attention to:

1. The weighted average number of common shares is the basis rather than the number of issued shares at the end of the year.
2. Where there is a cash increase or treasury stock trader, the weighted average number of shares shall be calculated taking into account the period of circulation.
3. Where there is surplus to capital increase or capital reserve to capital increase, the calculation of earnings per share in previous years and half years shall be retroactively adjusted according to the proportion of capital increase, without taking into account the issuance period of such capital increase.
4. If the special shares are non-convertible cumulative special shares, the dividends (whether paid or not) of the current year shall be deducted from the after-tax net profit or increased the after-tax net loss. If the special shares are non-cumulative, the dividends of the special shares shall be deducted from the after-tax net profit in the case of the after-tax net profit; If it is a loss, no adjustment is necessary.

Note 5: Cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow of business activities refers to the net cash inflow of business activities in the statement of cash flows.
2. Capital expenditure refers to the cash flow of capital investment each year.
3. Inventory increases are counted only when the closing balance is greater than the initial balance. If the end-of-year inventory decreases, they are counted as zero.
4. Cash dividends includes cash dividend of common stock and special stock.
5. Gross real estate, plant, and equipment refer to the total amount of real estate, plant and equipment before the cumulative depreciation is deducted.

Note 6:The issuer shall differentiate the operating costs and operating expenses into fixed and variable ones according to their nature. If there are estimates or subjective judgments involved, the issuer shall pay attention to their reasonableness and maintain consistency.

Note 7: If the Company’s shares have no face value or the face value per share is not NTD 10, the previous calculation of the paid-in capital ratio shall be changed to the equity ratio of the balance sheet attributable to the owner of the parent company.

1. (2) Independent Financial Analysis–Based on IFRS

Items \ Year		Financial Analysis over the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt ratio	36.6	35.12	38.13	38.07	39.41
	Ratio of long-term capital to property, plant, and equipment	1,335.9	1,274.8	1,094.2	1,233.7	1,360.2
Solvency (%)	Current ratio	115.8	112.3	104.9	123.0	126.6
	Quick ratio	92.7	84.7	76.0	91.4	103.5
	Interest earned ratio (times)	675.0	401.0	159.8	269.9	339.3
Operating performance	Accounts receivable turnover (times)	8.6	7.5	8.9	9.6	8.2
	Average collection period	43	49	41	38	45
	Inventory turnover (times)	13.7	11.5	11.7	13.1	14.6
	Accounts payable turnover (times)	5.1	4.5	4.7	5.6	5.6
	Average days in sales	27	32	31	28	25
	Property, plant, and equipment turnover (times)	20.6	17.2	17.2	22.1	24.7
	Total assets turnover (times)	1.0	0.9	1.0	1.1	1.1
Profitability	Return on total assets (%)	15.4	9.7	4.2	8.7	11.6
	Return on stockholders' equity (%)	24.5	15.1	6.6	14	18.9
	Pre-tax income to paid-in capital (%)	124.7	80.6	33.1	85.4	106.1
	Profit ratio (%)	15.4	11.3	4.4	7.5	10
	Earnings per share (NTD$)	10.2	6.4	2.7	5.7	8.4
Cash flow	Cash flow ratio (%)	29.1	44.3	14.5	14.5	25.1
	Cash flow adequacy ratio (%)	110.2	114.0	98.9	92.4	89.3
	Cash reinvestment ratio (%)	(3.6)	3.0	(3.4)	0.9	2.7
Leverage	Operating leverage	1.0	1.0	1.1	1.1	1.0
	Financial leverage	1.0	1.0	1.0	1.0	1.0

Please explain the reasons for the recent changes in the financial ratios in the past two years (if the increase or decrease is less than 20%, it can be exempted from analysis):

1.Return on total assets (%): the increase of 33% is due to the increase in profits.
2.Return on stockholders' equity (%): the increase of 34% is attributable to the increase in profits
3.Profit ratio (%): the increase of 34% is due to the increase in profits.
4.Pre-tax income to paid-in capital (%): the increase of 24% is due to the increase in profits.
5.Earnings per share (NTD$): the increase of 46% is due to the increase in profits.
6.Cash reinvestment ratio (%): the increase of 185% is due to the increase in profits, which resulted in an increase in net cash in operating activities.

* If the IFRS has been used for less than 5 years, the following table shall be prepared by applying the AIS for financial information: not applicable.

Note 1: The Company’s financial reports for the period from 2015 to 2019 are certified by Accountants.

Note 2: The financial analysis formula should be explained in detail in Note 3 of Table 1(1).

iii. Audit Committee's review report on the 2019 financial statements and 2019 earning distribution table:

Audit Committee's Review Report

The Board of Directors of Merida prepared the Independent and Consolidated financial statements in 2019, and entrusted the accountant Shu-Chin Chiang, and the accountant Done-Yuin Tseng from Deloitte & Touche with the audit of the financial statements, who have completed the audit and worked out the audit report. The abovementioned financial statements are the operating report and proposal for distribution of gains, and no noncompliance is found after it is checked by the Audit Committee. It is hereby reported as above in accordance with the relevant provisions of Security Exchange Law and the Company Law for checking.

Yours Faithfully

2020 Annual Shareholders' Meeting

Merida Industry Co., Ltd.

Chairman of the Audit Committee

Chen Shui-Jin

Chen Shui-jin

Date：March 24, 2020

iv. Consolidated Financial Report of 2019: Please refer to Page159.

v. Independent Financial Report of 2019: Please refer to Page 98.

vi. The impacts of financial difficulties on the Financial Situation happened to the Company and its affiliated companies in recent years and before the print date of Annual Report: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

i. Analysis of Financial Status:

1. Comparison and Analysis of Financial Situation:

Unit: NTD 1,000

Items \ Year	2018	2019	Differences	
			Amount	%
Current assets	10,135,851	11,758,571	1,622,720	16.0
Funds and investment	9,748,293	10,697,707	949,414	9.7
Property, plant, and equipment	2,343,984	2,400,791	56,807	2.4
Other assets	550,979	283,175	(267,804)	(48.6)
Total assets	22,778,107	25,680,790	2,902,683	12.7
Current liabilities	6,740,593	7,814,104	1,073,511	15.9
Non-current liabilities	125,744	355,830	230,086	183
Other liabilities	2,634,753	3,106,814	472,061	17.9
Total liabilities	9,501,090	11,276,930	1,775,840	18.7
Total equity attributable to owners of the Corporation	12,752,176	13,778,685	1,026,509	8.0
Common shares	2,989,838	2,989,838	0	0.0
Capital surplus	416,548	416,290	(258)	0.0
Retained earnings	10,115,280	11,535,606	1,420,326	14.0
Other equities	(769,490)	(1,163,049)	(393,559)	51.1
Non-controlling interests	524,841	625,175	100,334	19.1
Total equity	13,277,017	14,403,860	1,126,843	8.5

2. Statement:

(1) The decrease in other assets is mainly due to the reduction of deferred tax assets.

(2) The increase in non-current liabilities is mainly due to long-term bank loans.

(3) The increase in other equities is mainly due to an increase in the exchange differences on translation of foreign financial statements caused by exchange rate fluctuations.

ii. Analysis of Financial Performance

1. Comparisons and Analysis of Financial Performance:

Unit: NTD 1,000

Items \ Year	2018	2019	Increase (decrease) of amount	Ratio of change (%)
Sales	$25,852,942	$28,243,214	$2,390,272	9.2
Cost of goods sold	22,463,953	24,423,564	1,959,611	8.7
Gross profit	3,388,989	3,819,650	430,661	12.7
Realized (unrealized) gain on transactions with subsidiaries and associates	(170,760)	(83,322)	87,438	(51.2)
Realized gross profit	3,218,229	3,736,328	518,099	16.1
Operating expenses	1,866,949	2,025,502	158,553	8.5
Non-operating income and expenses	1,270,375	1,492,854	222,479	17.5
Profit before income tax	2,621,655	3,203,680	582,025	22.2
Income tax expenses	875,818	702,696	(173,122)	(19.8)
Net profit for the year	1,745,837	2,500,984	755,147	43.3
Other comprehensive income (loss) for the year, net of income tax	47,774	(435,584)	(483,358)	(1011.8)
Total comprehensive income for the year	1,793,611	2,065,400	271,789	15.2
Net profit attributable to owners of the corporation	1,708,835	2,502,443	793,608	46.4
Net profit attributable to non-controlling interests	37,002	(1,459)	(38,461)	(103.9)
Total comprehensive income attributable to owners of the corporation	1,764,969	2,093,046	328,077	18.6
Total comprehensive income attributable to non-controlling interests	28,642	(27,646)	(56,288)	(196.5)

2. Statement:

(1) The decrease in realized (unrealized) gain on transactions subsidiaries and associates is mainly due to the increase in the inventory of the reinvested company (in response to the continued increased demand in e-bike market) and the increase in the sales gross profit margin due to the appreciation of the US dollar.

(2) The increase in non-operating income and expenses is mainly due to the continual profits made by the re-invested companies.

(3) The decrease in income tax expenses is mainly due to the increase of Taiwan’s income tax rate from 17% to 20%, resulting in recognition of income tax expenses of NTD 309,676 thousand dollars.

(4) The increase in net profit for the year is mainly due to the increase of combined sales and profits in current period.

(5) The decrease in other comprehensive income (loss) for the year is mainly due to the depreciation of the US dollar, which decreases the exchange differences on translation of foreign financial statements.

(6) The increase in total comprehensive income for the year is mainly due to the increase of combined sales and profits.

(7) The increase in net profit and total comprehensive income attributable to owners of the Corporation is mainly due to the increase of combined sales and profits in current period.

(8) The decrease in the net profit and total comprehensive income attributable to non-controlling interests is mainly due to the decrease of combined sales and profits in current period.

iii. Analysis of Cash Flow:

1. Comparison and Analysis of Cash Flow:

Items \ Year	2018	2019	Increase (decrease) of ratio (%)
Cash flow ratio (%)	10.9	15.4	41
Cash flow adequacy ratio(%)	87.5	67.4	(23)
Cash reinvestment ratio (%)	0.8	0.8	0

2. Statement:

(1) The increase in cash flow ratio is due to the increase in net cash inflows from business activities as a result of the increase in consolidated profits in 2019.

(2) The decrease in the cash flow adequacy ratio is attributed to the decrease in net cash inflows from business activities in recent five years owing to the decrease in consolidated profits.

3. Analysis of Cash Liquidity in the Next Year:

Unit: NTD 1,000

Cash balance at the beginning of the year (1)	Expected net cash flow from operating activities for the full year (2)	Expected annual cash outflow (3)	Expected cash surplus (shortfall) amount (1)＋(2)－(3)	Remedy for anticipated cash shortfall	
				Investment plan	Financing plan
3,271,253	1,505,764	1,270,310	3,506,707	-	-

iv. Major Capital Expenditure Items:

1. Major capital expenditure items and source of capital

(1) In recent years, the Company's operation has continued to rise. Although some of its factories have been expanded from 2008 to 2011, in order to meet the needs of production line business, it has been assessed that in 2013, it acquired factories adjacent to non-urban land as land for expansion and invested about NTD 200 million in additional e-bike factories and production lines, and continuously optimize the production line of e-bikes.

(2) In order to increase the production capacity of the frame production line and improve the precision and speed of tube cutting, the Company has successively updated the pretreatment equipment and purchased laser cutting machine and automatic welding machine during the period of 2017 to 2019; The Company also has continuously invested NTD 24 million to upgrade its wastewater treatment facilities in response to environmental protection and corporate social responsibility.

(3) Source of funds: payment with the Company's own funds.

2. Expected Benefits: the annual capacity of the expansion and addition of the e-bike plant is about 250,000 units, with an annual output of about NTD 12 billion; With the improvement of frame production line and equipment, the production capacity can be increased by more than 25%.

v. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

1. Since the establishment of the German subsidiary of Merida in 1988, the Company has successfully entered the European market with its own brand MERIDA. Up to now, it has invested in 13 companies in Europe; Specialized Bicycle Components, Inc. was invested in US; Miyata Cycle Co. Ltd. And Merida (Korea) Co. Ltd. were invested in Japan and Korea respectively; In addition to setting up factories in Shenzhen, Shandong, and Nantong to produce bicycles, 16 branches have been set up in mainland China to expand the domestic market. More than 60 countries around the world also have professional agents, the Company's global bicycle sales network has been completed.
2. Long-term equity investment can increase the Company's sales opportunities and generate investment benefits.

vi. Analysis of Risk Management:

1. Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

(1) The US dollar interest rate decreased in 2019, while the Japanese yen interest rate fluctuated little. In the cost of imported raw materials denominated in US dollars and Japanese dollars, the interest expense of 2019 increased by NTD 755 thousand compared with that of 2018. In 2020, due to the impact of the COVID-19, it is expected that the Fed will maintain a low interest rate policy in 2020. As such, interest expenditure on the cost of imported raw materials in U.S. dollars is expected to be level off or slightly reduced.

(2) The Company's products are exported and raw materials are purchased and imported from abroad, and the exchange rate fluctuations have a significant impact on the Company's profits and losses. In 2019, the average US dollar exchange rate slightly rises; Japanese currency exchange rate rises first and then depreciates, resulting in exchange benefits of NTD 45,202 thousand.

(3) Looking ahead to 2020, affected by COVID-19, the price of international raw materials is still hovering at a low point and the public's willingness to consume has declined, which is unfavorable for industry to raise the price. Therefore, price inflation is not expected. The Company will continue to pay close attention to international price trends and strictly control all expenses and expenditures to reduce costs.

(4) In the future, we will follow the trend of interest rate and exchange rate to comply with the relevant management regulations of our Company.

2. Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

(1) The Company is not engaged in high-risk, high-leverage investment.

(2) The Company is engaged in capital loans to others, endorsement guarantees and derivative commodity transactions in accordance with the relevant management provisions of the Company.

3. Future research & development projects and corresponding budget:

(1) Future research and development plan: continue to develop new products in the direction of new materials, new uses and new functions ("3N")

(2) Estimated R&D expenditure: full support after analyzing the R &D plan.

(3) R & D plan in the next two years:

1) Ultra-lightweight suspension mountain bike:

Expected R & D expenses NT $ 12,000 thousand.

"Ultra-lightweight suspension mountain bike" is guided by the performance of professional racing vehicles and evaluated by the needs of the consumer groups in the market. For off-road riders on long-distance forest roads or rough roads, they often worry that the power of the full suspension bikes will be absorbed by the rear shock absorber when pedaling on both feet, causing energy loss, resulting in inefficiency. Therefore, we plan to develop a shock-absorbing mechanism with low energy loss, in which the integrated rear triangle reduces one bearing, so that the frame mechanism can not only simplify and reduce weight, but also have shock-absorbing performance.

2）Electric road bike:

Expected R & D expenses of NT $ 10,000 thousand.

"Electric road bike" is a new generation of e-bike that continues the features of electric city bike and mountain bike. This bike adopts the design of the rear wheel hub motor to effectively reduce the weight of the vehicle and the complexity of the frame manufacturing process. In addition, the same frame and motor derived a total of three models, which are high-speed riding road bikes, off-road bikes with mild off-road capabilities, and city cars for daily commuting and shopping to reduce development costs and fully meet the needs of the commercial market!

3. Information on R & D:

Plans in recent years	Current progress	Research and development expenses should be reinvested	Time to complete mass production	The main influencing factors of successful R&D in the future
Ultra-lightweight suspension mountain bike	The front triangle of the frame is being designed. The integrated rear triangle of the frame is being designed.	About NTD 12 million	Graphics for the first quarter of 2020 is completed Mold for the second quarter of 2020 is completed Sample testing and calibration in the third quarter of 2020, European professional fleet evaluation Mass production in the fourth quarter of 2020.	New research and development of vehicles, in line with UCI standards, to meet market demand.
Electric road bike	The performance of the hub motor is being verified. The frame drawing is being designed. Product specification is being planned.	About NTD 10 million	Graphics for the first quarter of 2020 is completed Mold for the second quarter of 2020 is completed Sample testing and calibration in the third quarter of 2020, European professional fleet evaluation Mass production int he fourth quarter of 2020.	Multiple models with one frame, in order to expand product types, meet market demand, reduce research and development costs, and enhance competitiveness.

4. Effects of and response to changes in policies and regulations relating to corporate finance and sales:

1) In accordance with the financial laws and regulations, the Company already has the "ability of self-compiling financial reports”. We will continue to improve this ability and will propose timely amendments to adjust the design and execution of internal control operations according to the needs of financial statement preparation process management, aiming for the completeness of the preparation of financial reports.

2) The Ministry of Finance amended the using method of uniform invoice and stipulated the time to stop using electronic uniform invoices, based on the purpose of creating a friendly tax environment and promoting the electronic invoice policy. The date to stop using the invoices has extended for another year, from January 1, 2020 to January 1, 2021. The Company has finished the testing stage in order to cope with related supporting operations.

(3) The Company has been paying close attention to various important policies, financial situations, securities and regulatory laws, tax laws, financial and accounting standards and other relevant laws and regulations changes at home and abroad, in order to reduce the impact on the Company.

5. The impact of technological change and industrial change on corporate financial business and corresponding measures:

(1) The Company continues to introduce industrial technology and apply it to product development and process improvement.

(2) In order to strengthen the Company’s information security management, the Company plans to have strong management measures for various information risks, such as: device management, hardware protection, application system security monitoring, Internet access and mobile security, etc.

(3) To improve and enhance network and information system security capabilities and information governance standards through technical and management measures.

(4) The Company’s most recent annual report and as of the date of publication of the annual report have not been affected by technology affecting the Company’s financial and business affairs.

6. The Impact of Corporate Image Change on Enterprise Crisis Management and Countermeasures: None.

7. Expected Benefits, Possible Risks and Countermeasures of Mergers and Acquisitions: None.

8. Expected Benefits, Possible Risks and Countermeasures for Expansion of Plant:

(1) Expected benefits of plant expansion can be found on page 87-iv-2.

(2) Possible Risks and Countermeasures: driven by the influence of COVID-19 and the continuous growth of the global electric bicycle market, in order to meet the business needs of the production line, we should timely control the expansion scale and optimize the production line to meet the hot demand of the market in the best production scale.

9. Risks and Measures of Concentration of Purchase or Sale: None.
10. The impact, risks and countermeasures of the transfer or replacement of a large number of shares of directors, supervisors or major shareholders holding more than 10% of the shares on the Company: None.
11. The Impact, Risk and Response Measures of the Change of Operating Right on the Company: None.
12. Litigation or Non-litigation Issues: None.
13. Other Important Risks: None.

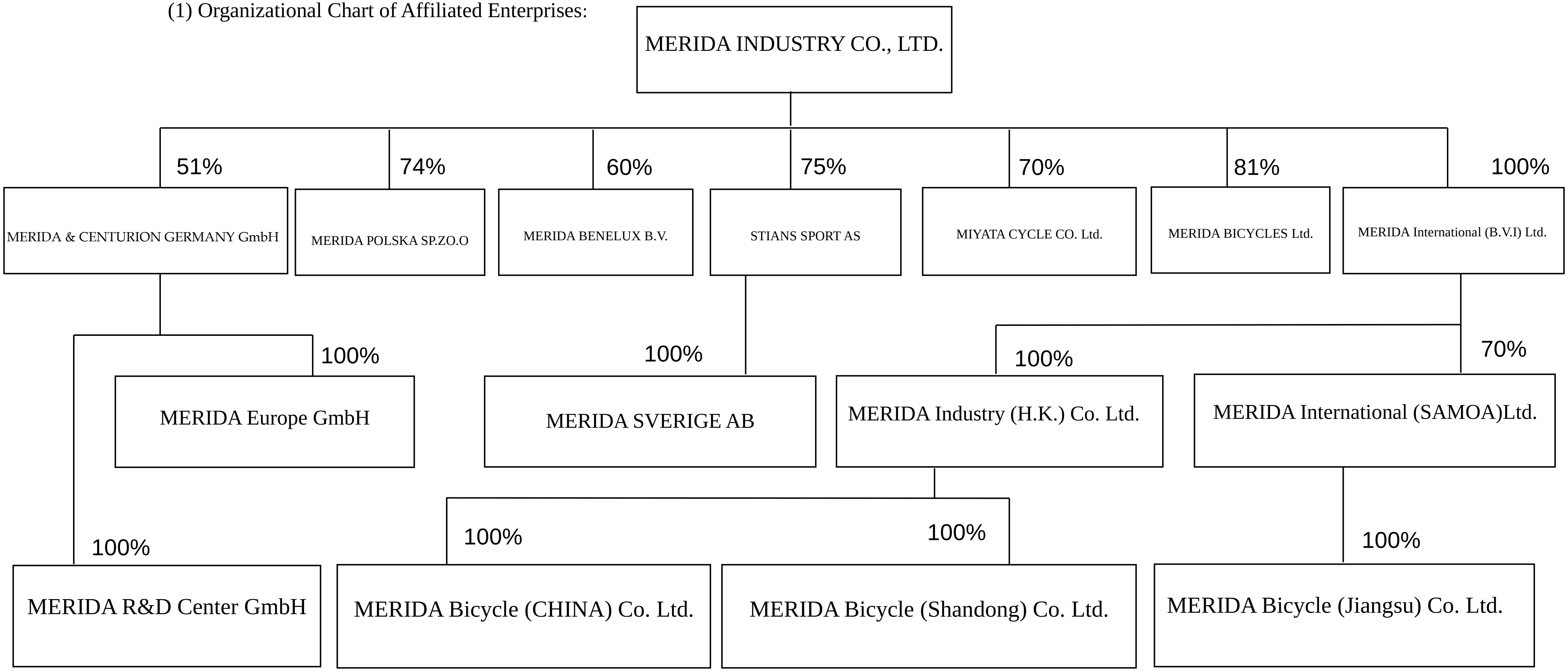
vii. Other Important Matters: None.

VIII. Special Disclosure

i. Summary of Affiliated Companies:

1.Business Report on Combined Operation of Affiliated Enterprises:

(1) Organizational Chart of Affiliated Enterprises:



(2) Basic information on affiliated enterprises

Date: as of December 31, 2019

Name of enterprise	Date of establishment	Address	Paid-in capital (thousand)	Major business contents
MERIDA &CENTURION GERMANY GmbH	September 14, 2001	BlumenstraBe 51 D-71106 Magstadt Germany.	EUR 6,000	Sales of bike and components
MERIDA Europe GmbH	February 20, 2002	BlumenstraBe 49-51 D-71106 Magstadt Germany.	EUR 25	Brand promotion and fleet management
MERIDA R&D Center GmbH	January 16, 2014	BlumenstraBe 49-51 D-71106 Magstadt Germany.	EUR 25	Design and development of bikes
MERIDA POLSKA SP.ZO.O	June 13, 2001	Ul. M.Curie-Sklodowskiej 35,41-800 Zabrze Poland.	PLN 135	Sales of bike and components
MERIDA BENELUX B.V.	June 10, 1998	Kruisweg 5, NL-7361 EB Beekbergen, The Netherlands.	EUR 3,341	Sales of bike and components
MERIDA BICYCLES Ltd.	February 28, 1995	Unit 13 Nottingham South & Wilford Industrial Estate Ruddington Lane Wilford, Nottingham, NG11 7EP U.K.	GBP 592	Sales of bike and components
MERIDA International (B.V.I) Ltd.	January 31,1997	CITCO Building P.O.Box 662, Road Town ,Tortola, British Virgin Islands.	USD 42,500	Holding company
MERIDA Industry (H.K.) Co. Ltd.	May 18, 1993	Room C, 21/F, Levin Business Centre, 169 Electric Road, North Point, Hong Kong	HKD 202,800	Investment holding
MERIDA International (SAMOA) Ltd.	April 23, 2012	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 35,000	Investment holding
MERIDA Bicycle (CHINA) Co. Ltd.	July 12, 1990	No. 278, Jiji Road, Buji, Shenzhen	RMB 69,936	Processing, manufacturing and sales of bikes, e-bikes, and components
MERIDA Bicycle (Shandong) Co. Ltd.	March 3, 2007	2388 Jinghua Avenue, Dezhou Economic Development Zone, Shandong Province	RMB 118,676	Processing, manufacturing, and sales of bikes and components
MERIDA Bicycle (Jiangsu) Co. Ltd.	June 28, 2012	No. 11 Xinxing East Road, Nantong Economic and Technological Development Zone, Jiangsu Province	RMB 219,321	Production, sales, import and export and wholesales of e-bikes, bikes, and components
Miyata Cycle Co., Ltd.	June 1, 2010	11-27 Higashida-cho Kawasaki-ku, Kawasaki-shi, kanagawa MetLife Kawasaki Building 8F	JPY 100,000	Sales of bike and components
Stians Sport AS.	June 20, 1976	Philip Pedersens vei 22,1366 Lysaker, Norway	NOK 26,400	Sales of bike and components
Merida Sverige AB	July 15, 2009	Ovre Husargatan 32, Gothenburg, Sweden	SEK1,000	Sales of bike and components

(3) The information of the same shareholders presumed to have a controlling and subordinate relationship: None.

(4) The industries covered by the business of the enterprise as a whole:

1) Manufacturing, processing, assembling, and marketing of bicycles and their components.
2) Manufacturing, processing, assembling, and marketing of e-bikes and their components.
3) Bicycle design and development, brand promotion and fleet management.
4) Overseas holding companies.

(5) Information on directors, supervisors, and Presidents of affiliated enterprises: Date: as of December 31, 2019

Name of enterprises	Title	Name or representative	Number of shares	Shareholding ratio (%)
MERIDA & CENTURION GERMANY GmbH	Shareholder Director & President Director & President	MERIDA INDUSTRY CO.,LTD. Renner Wolfgang Gerd Klose	Not issue shares	51.00 49.00 -
MERIDA Europe GmbH	Shareholder President	MERIDA & CENTURION GERMANY GmbH Renner Wolfgang	Not issue shares	100.00
MERIDA R&D Center GmbH	Shareholder President	MERIDA & CENTURION GERMANY GmbH Renner Wolfgang	Not issue shares	100.00
MERIDA POLSKA SP.Z.O.O	Shareholder President Senior Vice President	MERIDA INDUSTRY CO.,LTD Waldemar Zenon, Chrapek Ireneusz Marek, Brela	100 17 18	74.07 12.60 13.33
MERIDA BENELUX B.V.	Director Director & President	MERIDA INDUSTRY CO.,LTD. Representative: Zheng, Wen-xiang Peter Koperdraad	766,126 510,752	60.00 40.00
MERIDA BICYCLES Ltd.	Director Director & President	MERIDA INDUSTRY CO.,LTD. Representative: Zheng, Wen-xiang Christopher David Carter	481,763 110,729	81.31 18.69
MERIDA International (B.V.I) Ltd.	Chairman Director Director Director Director	MERIDA INDUSTRY CO.,LTD. Representative: Zeng, Song-zhu Chen Ying-zhou Zeng, Gui-su Cai, Xue-liang Zeng, Shang-yuan	42,500,000	100.00
MERIDA Industry (H.K.) Co. Ltd.	Shareholder Chairman Director Director	MERIDA International (B.V.I) Ltd. MERIDA INDUSTRY CO.,LTD. Representative: Zeng, Song-zhu Cai,Xue-liang Zeng, Shang-yuan	202,800,000	100.00
MERIDA International (SAMOA) Ltd.	Shareholder Shareholder Chairman Director Director Director Director Director Director	MERIDA International (B.V.I) Ltd. 1220 Company MERIDA International (B.V.I) Ltd. Representative: Zeng, Song-zhu Zeng, Gui-su Cai, Xue-liang Zeng Chin-cheng Zeng, Shang-yuan Michael Wayne Sinyard Edward Alan Mitchell	24,500,000 10,500,000	70.00 30.00
MERIDA Bicycle (CHINA) Co. Ltd.	Chairman	MERIDA Industry (H.K.) Co. Ltd. Representative: Zeng, Song-zhu	Not issue shares	100.00

	Director Director Director Director (Vice) President President of Domestic Sales Headquarters	Zeng, Shang-yuan Chen, Ying-zhou Zeng, Gui-su Cai, Xue-liang Wu, Min-Fang (left office on April 22, 2019).Tsai, Wei-sing (took office on April 22, 2019) Chang, Wen-chie		
MERIDA Bicycle (Shandong) Co. Ltd.	Chairman Director Director Director Director Supervisor Supervisor President	MERIDA Industry (H.K.) Co. Ltd. Representative: Zeng, Song-zhu Zeng, Shang-Yuan Chen, Ying-zhou Zeng, Gui-su Cai, Xue-liang Zheng, Wen-xiang Zeng, Hui-zhi Tang, Chia-hung	Not issue shares	100.00
MERIDA Bicycle (Jiangsu) Co. Ltd.	Chairman Director Director Director Director Supervisor Supervisor President	MERIDA International (SAMOA) Ltd. Representative: Zeng, Song-zhu Zeng, Chin-cheng Lai, Ru-ding Yuan, Qi-bin Chen, Si-ru Zeng, Gui-su Cai, Xue-liang Zeng, Chin-cheng (left off on July 1, 2019). Lai, Tung-sha (took office on July 1, 2019)	Not issue shares	100.00
Stians Sport AS.	Shareholder Shareholder Chairman Director & President Director Director Director Director Director	MERIDA INDUSTRY CO.,LTD. Marsti Holding AS Einar Steen-Olsen Stian Steen-Olsen Marianne Aanesen Margareth Steen-Olsen Michael Song-Chu Tseng Wen Shiang Jeng Jon Kåre Stene	198,000 66,000	75.00 25.00
Merida Sverige AB	Shareholder Chairman Director & President Director Director	Stians Sport AS. Jan Andreasson Stian Steen-Olsen Einar Steen-Olsen Margareth Steen-Olsen	10,000	100.00
Miyata Cycle Co., Ltd.	Shareholder Shareholder Director & President Director Director Director Director Supervisor	MERIDA INDUSTRY CO.,LTD. Sinanen etc. Shinichiro Takaya Zeng, Song-zhu Zheng, Wen-xiang Masato Tanaka Zeng, Shang-yuan Tahara Hiroyuki	1,400 500 100	70.00 25.00 5.00

2. Overview of Business Operation of Affiliated Enterprises:

Unit: Except that the earnings per share are NTD 1, the rest are NTD 1,000

Name of enterprises	Paid-in capital	Total assets	Total liabilities	Net values	Operating incomes	Operating gain (loss)	Benefits and losses of the current period (after tax)	Earnings per share (after tax)
MERIDA & CENTURION GERMANY GmbH	201,540	2,066,093	1,373,687	692,406	2,793,773	160,447	95,895	Not issue shares
MERIDA Europe GmbH	840	36,839	9,973	26,866	50,694	(10,508)	2,789	Not issue shares
MERIDA R&D Center GmbH	840	11,925	2,704	9,220	47,098	(1,959)	718	Not issue shares
MERIDA POLSKA SP.ZO.O	1,065	583,232	491,808	91,425	454,822	(13,644)	(18,225)	(135,001.4)
MERIDA BENELUX B.V.	112,230	314,350	329,578	(15,228)	414,993	(30,762)	(24,576)	(19.25)
Stians Sport AS.	89,900	458,116	323,953	134,163	496,993	(32,528)	(58,207)	(220.4799)
Merida Sverige AB.	3,280	68,806	66,264	2,542	344,767	(499)	(2,901)	(290.10)
Miyata Cycle Co. Ltd.	27,600	499,395	425,966	73,429	600,824	(6,228)	(8,171)	(4,085.5575)
MERIDA BICYCLES Ltd.	23,320	394,639	346,580	48,059	331,717	9,581	3,990	6.7335
MERIDA International (B.V.I) Ltd.	1,274,150	2,711,360	0	2,711,360	0	(67)	(100,424)	(2.3629)
MERIDA Industry (H.K.) Co. Ltd.	780,577	1,710,927	0	1,710,927	0	(2,157)	(25,679)	(0.1266)
MERIDA International (SAMOA) Ltd.	1,049,300	743,159	0	743,159	0	(75)	(106,779)	(3.0508)
MERIDA Bicycle (China) Co. Ltd.	301,074	583,861	126,652	457,209	1,921,707	(45,213)	(10,442)	Not issue shares
MERIDA Bicycle (Shandong) Co. Ltd.	510,900	957,373	214,889	742,483	679,075	(31,238)	(22,913)	Not issue shares
MERIDA Bicycle (Jiangsu) Co. Ltd.	944,175	1,359,563	660,160	699,403	634,987	(90,445)	(107,610)	Not issue shares

3. Statement for Consolidated Financial Report of Affiliated Enterprises: please refer to Page 160.

4. Consolidated Financial Statement of Affiliated Enterprises: please refer to Page 165 to 170.

5. Relation Report: None.

ii. Private Placement Securities in the Most Recent Years: None.

iii. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

iv. Other Necessary Supplementary Notes: None.

IX. For the Most Recent Year and up to the Date of the Publication of the Annual Report, Matters Referred to in Paragraph 2, Item 2, Article 36 of the Securities Exchange Law Occur: None.

Merida Industry Co., Ltd.

Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Merida Industry Co., Ltd.

Opinion

We have audited the accompanying financial statements of Merida Industry Co., Ltd. (the Corporation), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's financial statements for the year ended December 31, 2019 are as follows:

<u>Revenue Recognition</u>

The Corporation's operating revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. As export revenue from the sale of e-bikes for the year ended December 31, 2019 increased significantly compared to the previous year, recognition of operating revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of operating revenue, refer to Note 4.

Our audit procedures performed in respect of revenue recognition included the following:

1. We understood and evaluated the design and appropriateness of implementation of the internal controls related to the recognition of operating revenue and the operating procedures and risk related to revenue collection, and tested the effective continuous operating condition of its related procedures during the year.

2. We obtained the operating revenue sales receipts from the export of e-bikes, sampled the orders, and subsequently recognized the documents and receipt vouchers related to operating revenue. We also sampled orders with regard to the export of e-bikes and sent confirmation requests to verify the validity of the operating revenue recognized.

Inventory valuation

As of December 31, 2019, the Corporation’s inventory was NT$1,379,762 thousand. Refer to Notes 4, 5 and 9 to the financial statements for disclosures related to inventory. Inventories are stated at the lower of cost or net realizable value. As the determination of the net realizable value and estimation of the consumption of inventory based on aging is subject to estimation and judgment, inventory valuation was identified as a key audit matter.

Our main audit procedures performed in respect of the above-mentioned key audit matter were as follows:

1. We understood the process and evidence that the management used in estimating the net realizable value and the inventory obsolescence aging ratio.

2. We assessed the reasonableness of estimated selling prices, the variable sales to expense ratio and the inventory obsolescence aging ratio.

3. We checked the accuracy of inventory aging and the calculation of the net realizable value.

4. We observed the year-end inventory counts and evaluated the condition of the inventory to assess the adequacy of the provision for loss on damaged inventory.

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2019 and 2018, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT$10,440,751 thousand and NT$9,415,791 thousand, accounting for 46% of the Corporation’s total assets as of both December 31, 2019 and 2018. The share of profit of associates was NT$1,374,891 thousand and NT$1,034,660 thousand, accounting for 66% and 59% of the Corporation’s total comprehensive income for the years ended December 31, 2019 and 2018, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

MERIDA INDUSTRY CO., LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019 Amount	%	December 31, 2018 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,537,108	7	$ 1,341,802	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,078,809	5	499,695	2
Notes receivable (Notes 4 and 19)	8,705	-	16,528	-
Trade receivables (Notes 4, 8 and 19)	127,718	-	117,410	1
Trade receivables from related parties (Notes 4, 8, 19 and 26)	3,209,120	14	2,629,448	13
Other receivables (Note 26)	216,829	1	93,433	-
Inventories (Notes 4, 5 and 9)	1,379,762	6	1,621,689	8
Other current assets	2,656	-	3,060	-
Total current assets	7,560,707	33	6,323,065	31
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	92,620	-	92,620	-
Investments accounted for using the equity method (Notes 4 and 11)	13,809,163	61	12,923,527	63
Property, plant and equipment (Notes 4 and 12)	1,013,022	4	1,033,651	5
Right-of-use assets (Notes 4 and 13)	6,808	-	-	-
Investment properties (Notes 4 and 14)	35,403	-	35,971	-
Deferred tax assets (Notes 4 and 21)	188,991	2	140,661	1
Prepayments for equipment	30,455	-	39,116	-
Other non-current assets - others	3,115	-	3,835	-
Total non-current assets	15,179,577	67	14,269,381	69
TOTAL	$ 22,740,284	100	$ 20,592,446	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 15)	$ 845,965	4	$ 739,553	4
Trade payables	4,144,939	18	3,477,443	17
Trade payables to related parties (Note 26)	153,832	1	181,800	1
Other payables (Note 16)	513,100	2	458,080	2
Current tax liabilities (Notes 4 and 21)	272,744	1	251,677	1
Lease liabilities-current (Notes 4 and 13)	4,001	-	-	-
Other current liabilities - others	37,395	-	34,423	-
Total current liabilities	5,971,976	26	5,142,976	25
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	2,702,913	12	2,455,737	12
Lease liabilities-non-current (Notes 4 and 13)	2,765	-	-	-
Net defined benefit liabilities (Notes 4 and 17)	195,207	1	172,722	1
Guarantee deposits received	267	-	2	-
Credit Balance of Investments Accounted for Using the Equity Method (Notes 4 and 11)	88,471	-	68,833	-
Total non-current liabilities	2,989,623	13	2,697,294	13
Total liabilities	8,961,599	39	7,840,270	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common shares	2,989,838	13	2,989,838	15
Capital surplus				
Share premium from issuance of common shares	416,290	2	416,290	2
Capital surplus from investments accounted for using the equity method	-	-	258	-
Retained earnings				
Legal reserve	2,482,733	11	2,311,849	11
Special reserve	769,489	3	807,624	4
Unappropriated earnings	8,283,384	37	6,995,807	34
Other equity	(1,163,049)	(5)	(769,490)	(4)
Total equity	13,778,685	61	12,752,176	62
TOTAL	$ 22,740,284	100	$ 20,592,446	100

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 24, 2020)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4, 19 and 26)	$ 25,004,210	100	$ 22,795,595	100
COST OF GOODS SOLD (Notes 9, 20 and 26)	22,231,166	89	20,428,043	90
GROSS PROFIT	2,773,044	11	2,367,552	10
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(190,075)	(1)	(244,350)	(1)
REALIZED GROSS PROFIT	2,582,969	10	2,123,202	9
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	596,359	2	606,005	2
General and administrative expenses	237,894	1	206,608	1
Total operating expenses	834,253	3	812,613	3
PROFIT FROM OPERATIONS	1,748,716	7	1,310,589	6
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	64,239	-	44,455	-
Technical service and royalty income (Note 26)	46,951	-	41,954	-
Other income	35,954	-	40,643	-
Net foreign exchange gains (Note 4)	45,202	-	124,183	-
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	10,549	-	(30,716)	-
Share of profit of subsidiaries and associates (Note 4)	1,261,953	6	1,059,001	5
Interest expense	(9,381)	-	(8,626)	-
Other expenses (Note 20)	(30,796)	-	(29,437)	-
Total non-operating income and expenses	1,424,671	6	1,241,457	5
PROFIT BEFORE INCOME TAX	3,173,387	13	2,552,046	11
INCOME TAX EXPENSE (Notes 4 and 21)	670,944	3	843,211	3
NET PROFIT FOR THE YEAR	2,502,443	10	1,708,835	8

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	$ (19,797)	-	$ (10,732)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	3,959	-	4,240	-
	(15,838)	-	(6,492)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(393,559)	(2)	62,626	-
	(393,559)	(2)	62,626	-
Other comprehensive income (loss) for the year, net of income tax	(409,397)	(2)	56,134	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,093,046	8	$ 1,764,969	8
EARNINGS PER SHARE (Note 22)				
Basic	$ 8.37		$ 5.72	
Diluted	$ 8.33		$ 5.69	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 24, 2020) (Concluded)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

		Capital Surplus (Note 18)		Retained Earnings (Note 18)			Other Equity		
	Common Shares (Note 18)	Share Premium from Issuance of Common Shares	Capital surplus from Investments Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
BALANCE AT JANUARY 1, 2018	$ 2,989,838	$ 416,290	$ 258	$ 2,232,113	$ 264,429	$ 6,489,871	$ (832,116)	$ 24,492	$ 11,585,175
Effect of retrospective application	-	-	-	-	-	24,492	-	(24,492)	-
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	2,989,838	416,290	258	2,232,113	264,429	6,514,363	(832,116)	-	11,585,175
Appropriation of 2017 earnings									
Legal reserve	-	-	-	79,736	-	(79,736)	-	-	-
Special reserve	-	-	-	-	543,195	(543,195)	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(597,968)	-	-	(597,968)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,708,835	-	-	1,708,835
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,492)	62,626	-	56,134
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,702,343	62,626	-	1,764,969
BALANCE AT DECEMBER 31, 2018	2,989,838	416,290	258	2,311,849	807,624	6,995,807	(769,490)	-	12,752,176
Appropriation of 2018 earnings									
Legal reserve	-	-	-	170,884	-	(170,884)	-	-	-
Reversal of special reserve	-	-	-	-	(38,135)	38,135	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,046,443)	-	-	(1,046,443)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	(258)	-	-	(19,836)	-	-	(20,094)
Net profit for the year ended December 31, 2019	-	-	-	-	-	2,502,443	-	-	2,502,443
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(15,838)	(393,559)	-	(409,397)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,486,605	(393,559)	-	2,093,046
BALANCE AT DECEMBER 31, 2019	$ 2,989,838	$ 416,290	$ -	$ 2,482,733	$ 769,489	$ 8,283,384	$ (1,163,049)	$ -	$ 13,778,685

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 24, 2020)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,173,387	$ 2,552,046
Adjustments for:		
Depreciation expenses	68,304	76,494
Amortization expenses	866	1,844
Expected credit loss recognized (reversed) on trade receivables	(1,357)	6,780
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(10,549)	30,716
Interest expense	9,381	8,626
Interest income	(64,239)	(44,455)
Dividend income	(4,813)	(5,452)
Share of profit of associates	(1,261,953)	(1,059,001)
Loss on disposal of property, plant and equipment	2,175	654
Write-downs (reversal) of inventories	(3,300)	(12,213)
Unrealized gain on transactions with associates	190,075	244,350
Unrealized net (gain) loss on foreign currency exchange	32,705	(527)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(568,565)	62,763
Notes receivable	7,823	12,778
Trade receivables	(663,752)	(798,537)
Other receivables	7,531	18,821
Inventories	245,227	(167,323)
Other current assets	353	630
Trade payables	662,104	(36,708)
Other payables	55,582	110,705
Other current liabilities	2,972	(45,492)
Net defined benefit liabilities	2,688	3,361
Cash generated from operations	1,882,645	960,860
Interest received	59,832	41,051
Dividends received	14,497	12,217
Interest paid	(9,943)	(8,016)
Income tax paid	(447,072)	(261,206)
Net cash generated from operating activities	1,499,959	744,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of associates	(217,457)	-
Payments for property, plant and equipment	(18,939)	(44,247)
Proceeds from disposal of property, plant and equipment	-	15
Increase in refundable deposits	-	(197)
Increase in other receivables from related parties	(126,520)	(1,766)
Increase in prepayments for equipment	(17,771)	(31,269)
Net cash used in investing activities	(380,687)	(77,464)

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	**2018**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	$ 126,260	$ 4,479
Refund of (proceeds from) guarantee deposits received	265	(253)
Repayment of the principal portion of lease liabilities	(4,048)	-
Dividends paid to owners of the Corporation	(1,046,443)	(597,968)
Net cash used in financing activities	(923,966)	(593,742)
NET INCREASE IN CASH AND CASH EQUIVALENTS	195,306	73,700
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,341,802	1,268,102
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,537,108	$ 1,341,802

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 24, 2020) (Concluded)

1. GENERAL INFORMATION

Merida Industry Co., Ltd. (the "Corporation") was incorporated in September 1972 in the Republic of China ("ROC"). It manufactures and sells bicycles and related parts.

Shares of the Corporation have been listed on the Taiwan Stock Exchange ("TWSE") since September 1992.

The financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation's board of directors on March 24, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation's accounting policies:

<u>IFRS 16 "Leases"</u>

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Corporation elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

<u>The Corporation as lessee</u>

The Corporation recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Corporation elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

1) The Corporation applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Corporation accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Corporation excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.08%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 11,982
Less: Recognition exemption for short-term leases	(977)
Less: Recognition exemption for leases of low-value assets	(342)
Undiscounted amount on January 1, 2019	$ 10,663
Discounted amount using the incremental borrowing rate on January 1, 2019	$ 10,417
Lease liabilities recognized on January 1, 2019	$ 10,417

The Corporation as lessor

The Corporation does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	$ 223	$ (51)	$ 172
Right-of-use assets	-	10,468	10,468
Total effect on assets	$ 223	$ 10,417	$ 10,640
Lease liabilities - current	$ -	$ 3,970	$ 3,970
Lease liabilities - non-current	-	6,447	6,447
Total effect on liabilities	$ -	$ 10,417	$ 10,417

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Corporation shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liabilities that are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, and in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction not retranslated.

In preparing the financial statements, assets and liabilities of the Corporation's foreign operations are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated into the New Taiwan dollar at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work-in-progress and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs on the balance sheet date.

f. Investments accounted for using the equity method

The Corporation uses the equity method to account for its investments in subsidiaries and associates.

1) Investments in subsidiaries

A subsidiary is an entity (including a structured entity) that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation’s ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation’s share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation’s net investment in the subsidiary), the Corporation continues recognizing its share of further losses, if any.

Any excess of the cost of acquisition over the Corporation’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee’s financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions is eliminated in full only in the parent company’s financial statements. Profit and losses resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company’s financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

2) Investments in associates

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Corporation’s share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation’s share of equity of associates.

Any excess of the cost of acquisition over the Corporation’s share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation’s proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted from using the equity method. If the Corporation’s ownership interest is reduced due to its additional subscription of the new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation' financial statements only to the extent of interests in the associate that are not related to the Corporation.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Costs include professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivables, other receivables and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods is recognized as revenue when the goods are delivered to the customer’s specific location or when the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and bears the risks. Trade receivables are recognized concurrently.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leases

<u>2019</u>

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

<u>2018</u>

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined retirement benefit plans are determined using the projected unit credit method. Service costs and net interest on the net defined benefit liabilities are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net defined benefit liabilities represent the actual deficit in the Corporation’s defined benefit plans.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liabilities are settled or assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation’s accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 261	$ 290
Checking accounts and demand deposits	1,185,881	439,439
Cash equivalents		
Time deposits with original maturities of less than 3 months	350,966	902,073
	$ 1,537,108	$ 1,341,802
Time deposit interest rate per annum (%)	0.50-2.21	0.60-3.00

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets		
Non-derivative financial assets		
Mutual funds	$ 951,309	$ 380,169
Domestic listed shares	127,500	119,526
Financial assets at FVTPL - current	$ 1,078,809	$ 499,695

8. TRADE RECEIVABLES

	December 31	
	2019	2018
Trade receivables	$ 3,342,261	$ 2,753,638
Less: Allowance for impairment loss	(5,423)	(6,780)
	$ 3,336,838	$ 2,746,858

In principle, the payment term granted to customers is 90 days from the invoice date and D/A or O/A of 60 to 180 days. The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses, which permits the use of a lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are referenced to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables of the Corporation.

December 31, 2019

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-0.5%	3%	
Gross carrying amount	$ 3,255,549	$ 86,712	$ 3,342,261
Loss allowance (Lifetime ECLs)	(1,075)	(4,348)	(5,423)
Amortized cost	$ 3,254,474	$ 82,364	$ 3,336,838

December 31, 2018

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-0.5%	4%	
Gross carrying amount	$ 2,646,774	$ 106,864	$ 2,753,638
Loss allowance (Lifetime ECLs)	(2,432)	(4,348)	(6,780)
Amortized cost	$ 2,644,342	$ 102,516	$ 2,746,858

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 6,780	$ -
Less: Impairment loss recognized (reversed) in the current year	(1,357)	6,780
Balance at December 31	$ 5,423	$ 6,780

9. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 362,755	$ 245,699
Work in progress	412,822	508,490
Raw materials and supplies	505,882	808,085
Inventory in transit	98,303	59,415
	$ 1,379,762	$ 1,621,689

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $22,231,166 thousand and $20,428,043 thousand, respectively.

The cost of goods sold for the years ended December 31, 2019 and 2018 included reversals of inventory write-downs of $3,300 thousand and $12,213 thousand, respectively. Previous write-downs were actively reversed by the Corporation as a result of depleted inventory. The related amounts were reflected in the cost of goods sold.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Non-current		
Overseas unlisted shares	$ 89,220	$ 89,220
Domestic unlisted shares	3,400	3,400
	$ 92,620	$ 92,620

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 3,150,258	$ 3,214,605
Investments in associates	10,658,905	9,708,922
	$ 13,809,163	$ 12,923,527

a. Investments in subsidiaries

	December 31	
	2019	2018
Unlisted shares		
Merida International (B.V.I) Ltd. ("Merida B.V.I.")	$ 2,711,078	$ 2,912,131
Merida & Centurion Germany GmbH ("Merida & Centurion")	268,934	205,764
Stians Sport AS ("Stians")	66,648	-
Merida Polska Sp.z.o.o ("Merida Polska")	43,076	66,334
Miyata Cycle Co., Ltd ("Miyata")	40,990	-
Merida Bicycles Ltd. ("Merida U.K.")	19,532	30,376
	$ 3,150,258	$ 3,214,605
Credit Balance of Investments Accounted for Using the Equity Method		
Merida Benelux B.V. ("Merida Benelux")	$ 86,731	$ 68,833

The proportion of ownership and voting rights of investments in subsidiaries for the Corporation was as follows:

	December 31	
	2019	2018
Merida B.V.I.	100%	100%
Merida & Centurion	51%	51%
Stians	75%	34%
Merida Polska	74%	74%
Miyata	70%	45%
Merida U.K.	81%	81%
Merida Benelux	60%	60%

Since Merida Benelux has been continuously suffering an operating loss, equity has been negative. The Corporation continuously supports this company and recognizes the company's share of loss and credit balance of investments accounted for using the equity method.

In July 2019, the Corporation acquired 500 common shares of Miyata through cash of $23,766 thousand. After the acquisition, the shareholding proportion increased to 70%, and the Corporation obtained control over Miyata and included it in the Group's consolidated financial statements since July 1, 2019.

In December 2019, the Corporation increased its capital in Stians by acquiring 164,000 of its common shares through cash of $121,679 thousand. After the capital increase, the shareholding proportion increased to 75%, and the Corporation obtained control over Stians and included it in the Group's consolidated financial statements since December 2, 2019.

Except for Merida Benelux, all of the financial statements of the other subsidiaries have been audited. Management believes that there would not be a significant impact on the Group's consolidated financial statements had the an audit of the financial statements of Merida Benelux been audited would not result in a significant impact on the Group's consolidated financial statements.

Refer to Table 7 "Information on Investees" following the Notes to Financial Statements for the nature of activities, principal place of business and country of incorporation of the Corporation's subsidiaries.

b. Investments in associates

	December 31	
	2019	2018
Unlisted shares		
Specialized Bicycle Components, Inc. ("SBC")	$ 10,440,751	$ 9,415,791
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. ("SAIL & SURF")	92,846	90,083
Merida Bikes SWE, S.A ("Merida Bikes SWE")	57,167	70,158
Merida Czech s.r.o ("Merida Czech")	31,745	33,892
Merida Slovakia s.r.o ("Merida Slovakia")	21,178	21,432
Merida Korea Inc. ("Merida Korea")	11,202	12,820
WideDoctor (International) Enterprise Co., Ltd. ("WideDoctor")	4,016	4,319
Stians Sport AS ("Stians")	-	18,117
Merida Italy S.r.l ("Merida Italy")	-	6,219
Miyata Cycle Co., Ltd. (" Miyata")	-	36,091
	$ 10,658,905	$ 9,708,922

(Continued)

	December 31	
	2019	2018
Credit Balance of Investments Accounted for Using the Equity Method		
Merida Italy S.r.l ("Merida Italy")	$ 1,740	$ -

(Concluded)

The Corporation's proportion of ownership and voting rights of investments in associates was as follows:

	December 31	
	2019	2018
SBC	35%	35%
SAIL & SURF	40%	40%
Merida Bikes SWE	36%	36%
Merida Czech	45%	45%
Merida Slovakia	30%	30%
Merida Korea	40%	40%
WideDoctor	26%	26%
Merida Italy	27%	27%
Miyata	-	45%
Stians	-	34%

Refer to Table 7 "Information on Investees" following the Notes to Financial Statements for the nature of activities, principal place of business and country of incorporation of the Corporation's associates.

The aggregate financial information of associates is as follows:

	For the Year Ended December 31	
	2019	2018
The Corporation's share of:		
Profit for the year	$ 1,350,284	$ 1,066,133
Other comprehensive loss for the year	(252)	(174,730)
Total comprehensive income for the year	$ 1,350,032	$ 891,403

Except for Merida Italy and Merida Korea for the year ended December 31, 2019 and Merida Italy, Merida Korea, Merida Bikes SWE and WideDoctor for the year ended December 31, 2018, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of these associates which have not been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2019				
	Beginning Balance	**Additions**	**Disposals**	**Reclassifi-cations**	**Ending Balance**
Cost					
Land	$ 474,891	$ -	$ -	$ -	$ 474,891
Buildings and improvements	640,061	-	-	11,128	651,189
Machinery and equipment	263,220	513	(32,000)	24,827	256,560
Transportation equipment	2,348	-	(317)	458	2,489
Miscellaneous equipment	42,868	11,497	(13,835)	1,001	41,531
Construction in progress	4,199	6,929	-	(11,128)	-
	1,427,587	$ 18,939	$ (46,152)	$ 26,286	1,426,660
Accumulated depreciation					
Buildings and improvements	284,264	$ 16,285	$ -	$ -	300,549
Machinery and equipment	87,712	32,605	(30,044)	-	90,273
Transportation equipment	1,225	493	(317)	-	1,401
Miscellaneous equipment	20,735	14,296	(13,616)	-	21,415
	393,936	$ 63,679	$ (43,977)	$ -	413,638
	$ 1,033,651				$ 1,013,022

	For the Year Ended December 31, 2018				
	Beginning Balance	**Additions**	**Disposals**	**Reclassifi-cations**	**Ending Balance**
Cost					
Land	$ 474,891	$ -	$ -	$ -	$ 474,891
Buildings and improvements	626,834	2,294	-	10,933	640,061
Machinery and equipment	246,487	16,341	(4,268)	4,660	263,220
Transportation equipment	2,722	-	(981)	607	2,348
Miscellaneous equipment	64,933	14,098	(38,139)	1,976	42,868
Construction in progress	3,618	11,514	-	(10,933)	4,199
	1,419,485	$ 44,247	$ (43,388)	$ 7,243	1,427,587
Accumulated depreciation					
Buildings and improvements	258,767	$ 25,497	$ -	$ -	284,264
Machinery and equipment	62,018	29,518	(3,824)	-	87,712
Transportation equipment	1,694	512	(981)	-	1,225
Miscellaneous equipment	38,249	20,400	(37,914)	-	20,735
	360,728	$ 75,927	$ (42,719)	$ -	393,936
	$ 1,058,757				$ 1,033,651

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	20-60 years
Ancillary work	5-50 years
Machinery and equipment	3-15 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 2,218
Buildings	433
Transportation equipment	4,157
	$ 6,808

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ (990)
Buildings	(472)
Transportation equipment	(2,595)
	$ (4,057)

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 4,001
Non-current	$ 2,765

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.15%
Buildings	1.15%
Transportation equipment	1.04%

c. Material lease activities and terms (the Corporation is lessee)

The Corporation leases certain land, buildings and transportation equipment for product manufacturing and operational uses with lease terms of 2 to 6 years. According to the lease contract, the Corporation does not have bargain purchase options to acquire the land and buildings at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,484
Expenses relating to low-value asset leases	$ 268
Total cash outflow for leases	$ (6,800)

The Corporation leases certain office equipment and miscellaneous equipment which qualify as short-term leases and low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	December 31	
	2019	2018
Land	$ 20,309	$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	3,068	3,068
	54,307	54,307
Less: Accumulated depreciation	(18,904)	(18,336)
	$ 35,403	$ 35,971

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	55 years
Parking garages	49 years

The fair value of investment properties for the years ended December 31, 2019 and 2018 was $48,462 thousand and $48,000 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

15. SHORT-TERM BANK BORROWINGS

These refer to letters of credit due 180 days after acceptance. The range of annual interest rates on bank loans was no higher than 2.659% and 3.470% as of December 31, 2019 and 2018, respectively.

16. OTHER PAYABLES

	December 31 2019	December 31 2018
Payables for compensation to employees	$ 208,319	$ 167,530
Payables for salaries and bonuses	112,792	97,243
Payables for remuneration of directors and supervisors	90,271	72,597
Others	101,718	120,710
	$ 513,100	$ 458,080

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy. According to the regulations for employees' retirement policy, the Corporation reserves 4% of monthly salaries and wages of appointed managers as an employee retirement reserve (recognized as net defined benefit liabilities).

The amounts included in the balance sheets in respect of the Corporation's defined benefit plan were as follows:

	December 31 2019	December 31 2018
Present value of defined benefit obligation	$ 692,214	$ 654,877
Fair value of plan assets	(497,007)	(482,155)
Net defined benefit liabilities	$ 195,207	$ 172,722

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 651,149	$ (492,520)	$ 158,629
Service costs			
Current service costs	9,887	-	9,887
Net interest expense (income)	7,985	(6,059)	1,926
Recognized in profit or loss	17,872	(6,059)	11,813
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,863)	(13,863)
Actuarial loss - changes in demographic assumptions	3,654	-	3,654
Actuarial loss - experience adjustments	20,941	-	20,941
Recognized in other comprehensive income	24,595	(13,863)	10,732
Contributions from the employer	-	(8,452)	(8,452)
Benefits paid	(38,739)	38,739	-
Balance at December 31, 2018	654,877	(482,155)	172,722
Service costs			
Current service costs	8,964	-	8,964
Net interest expense (income)	7,950	(5,841)	2,109
Recognized in profit or loss	16,914	(5,841)	11,073
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,369)	(16,369)
Actuarial loss - changes in financial assumptions	38,104	-	38,104
Actuarial profit - experience adjustments	(1,938)	-	(1,938)
Recognized in other comprehensive income	36,166	(16,369)	19,797
Contributions from the employer	-	(8,385)	(8,385)
Benefits paid	(15,743)	15,743	-
Balance at December 31, 2019	$ 692,214	$ (497,007)	$ 195,207

Through the defined benefit plan under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.80%	1.25%
Expected rate(s) of salary increase	2.25%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.50% increase	$ (27,634)	$ (26,995)
0.50% decrease	$ 29,515	$ 28,871
Expected rate(s) of salary increase		
0.50% increase	$ 28,949	$ 28,518
0.50% decrease	$ (27,394)	$ (26,939)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 9,027	$ 7,932
Average duration of the defined benefit obligation	8.2 years	8.6 years

18. EQUITY

a. Common shares

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	350,000	350,000
Shares authorized	$ 3,500,000	$ 3,500,000
Number of shares issued and fully paid (in thousands)	298,984	298,984
Shares issued	$ 2,989,838	$ 2,989,838

Fully paid common shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including common shares issued in excess of par, conversion of bonds, treasury share transactions and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

Capital surplus arising from investments accounted for using the equity method, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 21.

According to the dividends policy of the Corporation, the total dividends distributed shall be 10% to 80% of the distributable retained earnings of the current year. In addition, cash dividends distributed should be at least 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings in June 2019 and 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 170,884	$ 79,736		
Appropriation to (reversal of) special reserve	(38,135)	543,195		
Cash dividends	1,046,443	597,968	$ 3.5	$ 2.0

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 24, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 250,244	
Special reserve	393,559	
Cash dividends	1,255,732	$ 4.2

The appropriation of earnings for 2019 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 24, 2020.

19. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	$ 25,004,210	$ 22,795,595

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and trade receivables (Note 8)	$ 3,345,543	$ 2,763,386	$ 1,984,778

b. Disaggregation of revenue

Refer to Statement 9 in the Statements of Major Accounting Items for information about the disaggregation of revenue.

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION EXPENSES

	Operating Costs	Operating Expenses	Non-Operating Expenses	Total
For the Year Ended December 31, 2019				
Short-term employee benefits				
Salary expenses	$ 715,071	$ 207,136	$ 13,509	$ 935,716
Labor and health insurance costs	47,588	9,345	1,799	58,732
Post-employment benefits				
Defined contribution plans	14,169	2,301	645	17,115
Defined benefit plan	8,639	2,241	193	11,073
Remuneration of directors	-	90,271	-	90,271
Other employee benefits	28,194	2,215	308	30,717
Depreciation expenses	51,570	16,166	568	68,304
Amortization expenses	-	866	-	866

	Operating Costs	Operating Expenses	Non-Operating Expenses	Total
For the Year Ended December 31, 2018				
Short-term employee benefits				
Salary Expenses	$ 641,617	$ 178,800	$ 13,256	$ 833,673
Labor and health insurance costs	45,561	8,555	1,692	55,808
Post-employment benefits				
Defined contribution plans	12,238	2,168	682	15,088
Defined benefit plan	9,344	2,328	141	11,813
Remuneration of directors	-	72,012	-	72,012
Other employee benefits	27,931	2,263	308	30,502
Depreciation expenses	56,562	19,365	567	76,494
Amortization expenses	-	1,844	-	1,844

a. As of December 31, 2019 and 2018, the Corporation had 1,121 and 1,087 employees, respectively. Among them, the number of directors not concurrently serving as employees are both 7; the basis of calculation is the same as employee benefits expenses.

b. The average employee benefits expense was NT$946 thousand and NT$877 thousand for the years ended December 31, 2019 and 2018, respectively.

c. The average employee salary expenses was NT$840 thousand and NT$772 thousand for the years ended December 31, 2019 and 2018, respectively.

d. Average employee salary expenses adjusted by 8.81%.

Employees' compensation and remuneration of directors and supervisors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Corporation's board of directors on March 24, 2020 and March 22, 2019, respectively, are as follows:

	For the Year Ended December 31			
	2019		2018	
Cash	**Accrual Rate**	**Amount**	**Accrual Rate**	**Amount**
Employees' compensation	6%	$ 208,319	6%	$ 167,530
Remuneration of directors and supervisors	2.6%	90,271	2.6%	72,597

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the TWSE.

21. TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 428,799	$ 349,723
Income tax on unappropriated earnings	27,382	-
Adjustments for prior years	11,958	18,069
	468,139	367,792
Deferred tax		
In respect of the current year	202,805	165,743
Adjustments to deferred tax attributable to changes in tax rates and laws	-	309,676
	202,805	475,419
Income tax expense recognized in profit or loss	$ 670,944	$ 843,211

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	$ 634,677	$ 510,409
Nondeductible expenses in determining taxable income	-	70
Tax-exempt income	(3,073)	4,987
Income tax on unappropriated earnings	27,382	-
Adjustments for prior years' tax	11,958	18,069
Effect of tax rate changes	-	309,676
Income tax expense recognized in profit or loss	$ 670,944	$ 843,211

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute of Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Current liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 272,744	$ 251,677

c. Changes in deferred tax assets and liabilities

	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 92,850	$ 38,014	$ -	$ 130,864
Defined benefit obligation	31,250	412	3,959	35,621
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized foreign currency exchange loss	-	6,605	-	6,605
Unrealized provision for loss on inventory	4,063	(660)	-	3,403
	$ 140,661	$ 44,371	$ 3,959	$ 188,991
Deferred tax liabilities				
Temporary differences				
Investments accounted for using the equity method	$ 2,351,526	$ 250,453	$ -	$ 2,601,979
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	3,277	(3,277)	-	-
	$ 2,455,737	$ 247,176	$ -	$ 2,702,913

	For the Year Ended December 31, 2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 37,383	$ 55,467	$ -	$ 92,850
Defined benefit obligation	24,271	2,739	4,240	31,250
Unrealized impairment loss on assets	10,623	1,875	-	12,498
Unrealized provision for loss on inventory	5,530	(1,467)	-	4,063
	$ 77,807	$ 58,614	$ 4,240	$ 140,661
Deferred tax liabilities				
Temporary differences				
Investments accounted for using the equity method	$ 1,819,972	$ 531,554	$ -	$ 2,351,526
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	798	2,479	-	3,277
	$ 1,921,704	$ 534,033	$ -	$ 2,455,737

d. Income tax assessments

The income tax returns of the Corporation through 2017 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT$)
For the Year Ended December 31, 2019			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 2,502,443	298,983,800	$ 8.37
Effect of potentially dilutive common shares:			
Employees' compensation	-	1,391,304	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	$ 2,502,443	300,375,104	$ 8.33
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,708,835	298,983,800	$ 5.72
Effect of potentially dilutive common shares:			
Employees' compensation	-	1,371,300	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	$ 1,708,835	300,355,100	$ 5.69

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. BUSINESS COMBINATIONS

Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Miyata	Sale of bicycles	July 1, 2019	25	$ 23,766
Stians	Sale of bicycles	December 2, 2019	41	$ 121,679

The acquisition of Miyata and the cash capital increase in Stians were for the purpose of expanding the Corporation’s market share in the local bicycle market. For further details, refer to the Note 25 of consolidated financial statements for the year ended December 31, 2019.

24. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The carrying amounts of the Corporation’s financial assets and liabilities that are not measured at fair value approximated their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) The Corporation’s financial assets at FVTPL, financial assets at FVTOCT are measured at fair value using Level 1 inputs.

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives	Discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2019	**2018**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 1,078,809	$ 499,695
Financial assets at amortized cost	5,102,456	4,201,597
Financial assets at FVTOCI - equity instruments	92,620	92,620

	December 31	
	2019	2018
Financial liabilities		
Financial liabilities at amortized cost	$ 5,658,103	$ 4,856,878

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivables and refundable deposits.

The balances of financial liabilities above include financial liabilities measured at amortized cost, which comprise short-term bank borrowings, notes and trade payables, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Corporation's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors and compliance with policies and exposure limits was reviewed according to the internal control policies on a continuous basis.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Corporation entered into forward foreign exchange forward contracts to hedge the exchange rate risk arising on imports and exports.

a) Foreign currency risk

The Corporation has foreign currency sales and purchases, which exposes the Corporation to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation was mainly exposed to the USD.

Assuming a 1% increase in the NTD against the USD, the pre-tax profit for the years ended December 31, 2019 and 2018 would have decreased by $25,747 thousand and $27,654 thousand, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates was 1% for the years ended December 31, 2019 and 2018.

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	$ 350,966	$ 902,073
Financial liabilities	408,787	328,277
Cash flow interest rate risk		
Financial assets	1,185,881	439,439
Financial liabilities	443,944	411,276

Sensitivity analysis

The sensitivity analysis was determined based on the Corporation's exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased by $1,855 thousand and $70 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which would cause a financial loss to the Corporation due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the Corporation would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Corporation's concentration of credit risk was mainly from the top 2 customers, which together accounted for 65% and 57% of the total trade receivables as of December 31, 2019 and 2018, respectively.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Corporation had available unutilized bank loan facilities of $4,741,316 thousand and $4,229,024 thousand, respectively.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	On Demand or Less Than 1 Year	1-2 Years	2+ Years
December 31, 2019			
Non-interest bearing liabilities	$ 4,811,871	$ -	$ -
Lease liabilities	4,051	2,615	163
Variable interest rate liabilities	443,944	-	-
Fixed interest rate liabilities	402,021	-	-
Financial guarantee liabilities	445,785	7,493	262,002
	$ 6,107,672	$ 10,108	$ 262,165

Additional information about the maturity analysis for lease liabilities.

	Less Than 1 Year	1-5 Years	5-10 Years
Lease liabilities	$ 4,051	$ 2,778	$ -

	On Demand or Less Than 1 Year	1-2 Years	2+ Years
December 31, 2018			
Non-interest bearing liabilities	$ 4,117,323	$ -	$ -
Variable interest rate liabilities	411,276	-	-
Fixed interest rate liabilities	328,277	-	-
Financial guarantee liabilities	459,882	107,503	7,678
	$ 5,316,758	$ 107,503	$ 7,678

The amounts included above for financial guarantee contracts are the maximum amounts the Corporation could be required to settle under the arrangement with an option to demand the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related Party Categories / Names

Related Party	Relationship with the Corporation
Merida Polska	Subsidiary
Merida Benelux	Subsidiary
Merida & Centurion	Subsidiary
Merida U.K.	Subsidiary
Merida International (SAMOA) Ltd. (“Merida SAMOA”)	Subsidiary
Merida Industry (Hong Kong) Co., Ltd. (“Merida Hong Kong”)	Subsidiary
Merida Bicycle (China) Co., Ltd. (“Merida China”)	Subsidiary
Merida Bicycle (Shandong) Co., Ltd. (“Merida Shandong”)	Subsidiary
Merida Bicycle (Jiangsu) Ltd. (“Merida Jiangsu”)	Subsidiary
Merida Europe GmbH	Subsidiary
Merida R&D Center GmbH	Subsidiary
Miyata	Subsidiary (became a subsidiary since July 2019)
Stians	Subsidiary (became a subsidiary since December 2019)
Merida Sverige AB	Subsidiary (became a subsidiary since December 2019)
Merida Bikes SWE	Associate
SBC Group	Associate
SAIL & SURF	Associate
Merida Czech	Associate
Merida Slovakia	Associate
Merida Korea	Associate
Merida Italy	Associate
Wide Doctor	Associate
Rai Bi Bicycle Co., Ltd.	Other
Cheng Shin Rubber Industry Co., Ltd. (“Cheng Shin”)	Other
Cheng Shin Rubber (Xiamen) Ind., Ltd. (“Cheng Shin (Xiamen)”)	Other

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associates		
SBC Group	$ 19,272,511	$ 16,442,542
Others	1,721,805	2,461,930
	20,994,316	18,904,472
Subsidiaries	2,603,333	2,085,282
Others	2,245	2,402
	$ 23,599,894	$ 20,992,156

The selling price and gross profit of the products that the Corporation sells to related parties are quoted based on the differences in the products and the acceptance of the market. The quoted price is different from that of OEM products.

c. Purchase of goods

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiaries	$ 840,830	$ 1,160,117
Others	99,131	102,098
Associates	20	173
	$ 939,981	$ 1,262,388

The purchase price is quoted based on market prices.

d. Receivables from related parties

Related Party Category/Name	December 31 2019	2018
Trade receivables		
Associates		
SBC Group	$ 1,484,798	$ 1,324,192
Others	260,397	641,388
	1,745,195	1,965,580
Subsidiaries		
Merida & Centurion	692,910	235,494
Others	771,015	428,374
	1,463,925	663,868
	$ 3,209,120	$ 2,629,448
Other receivables		
Subsidiaries		
Merida China	$ 27,355	$ 27,304
Merida Polska	114,067	24,926
Others	23,900	12,319
	165,322	64,549
Associates		
Merida Italy	37,379	-
Others	3,652	7,262
	41,031	7,262
Others	179	185
	$ 206,532	$ 71,996

The aging of receivables from related parties that were past due at the end of the reporting period was as follows (accounted for as other receivables):

	Less than 6 Months	6 Months to 1 Year	Over 1 Year	Total
December 31, 2019				
Subsidiaries				
Merida Polska	$ 6,498	$ 107,569	$ -	$ 114,067
Associate				
Merida Italy	37,379	-	-	37,379
	$ 43,877	$ 107,569	$ -	$ 151,446
December 31, 2018				
Subsidiaries				
Merida Polska	$ 19,167	$ 5,759	$ -	$ 24,926

e. Payables to related parties

Related Party Category	December 31 2019	2018
Trade payables		
Subsidiaries	$ 143,814	$ 154,265
Others	3,474	27,518
Associates	-	17
	$ 153,832	$ 181,800

f. Other transactions with related parties

1) Selling and marketing expenses - promotional and advertising expenses and others

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiaries	$ 143,814	$ 144,474
Associates	3,474	3,219
	$ 147,288	$ 147,693

2) Interest income

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Merida Benelux	$ 5,650	$ 6,977
Merida & Centurion	13,526	4,003
Others	2,268	1,263
	21,444	12,243

(Continued)

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associates		
SBC Group	$ 12,501	$ 2,040
Merida Czech	5,291	7,836
Others	9,664	6,330
	27,456	16,206
	$ 48,900	$ 28,449

(Concluded)

The Corporation receives interest from overdue trade receivables at an interest rate agreed upon in the terms of the transactions.

3) Trademark franchise and technical service revenue

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Merida China	$ 33,927	$ 33,068
Merida Shandong	9,118	6,948
Merida Jiangsu	3,232	1,938
	46,277	41,954
Associates		
Stians	674	-
	$ 46,951	$ 41,954

The Corporation entered into trademark licensing contracts with Merida China and Merida Shandong for agreement to label registered trademarks which were licensed to these companies for the bikes and electric bikes they manufacture and sell. The Corporation calculates and charges royalties for 3% of these companies' annual domestic net sales each year. Furthermore, the Corporation respectively entered into technical service contracts with Merida China, Merida Jiangsu and Merida Shandong to transfer production and management techniques to these companies. The Corporation charges technical service income at 1% of the net sales amount for each company individually every year.

g. Endorsements and guarantees

Related Party Category/Name	Item Endorsed	Amount Endorsed
December 31, 2019		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 24,500
	Bank borrowings	USD 7,250
	Bank borrowings	GBP 4,000

Related Party Category/Name	Item Endorsed	Amount Endorsed
December 31, 2018		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 3,500
	Bank borrowings	USD 25,750
	Bank borrowings	GBP 4,000

Refer to Table 2 "Financing provided to others" for the actual amount borrowed by the subsidiaries.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 110,313	$ 109,833
Post-employment benefits	491	491
	$ 110,804	$ 110,324

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2019 and 2018 were as follows:

a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials amounted to approximately $669,888 thousand and $667,609 thousand, respectively.

b. Unrecognized commitments are as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	$ 19,872	$ 12,929

c. Product liability insurance

The Corporation purchased product liability insurance over the products manufactured by the Corporation and its subsidiaries. The insured amount of the sales in USA and Canada is US$4,000 thousand and it covers accidents happening after September 18, 2000. The maximum indemnity claims for the single original cause of a liability is US$3,000 thousand. The insured amount for sales, other than those within the USA and Canada, is US$1,000 thousand, and covers accidents happening after January 7, 1999. The maximum indemnity claims for the single original cause of a liability is US$1,000 thousand.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2019			December 31, 2018		
	Foreign Currency	**Exchange Rate**	**Carrying Amount**	**Foreign Currency**	**Exchange Rate**	**Carrying Amount**
Financial assets						
Monetary items						
USD	$ 128,818	29.980	$ 3,861,964	$ 120,457	30.715	$ 3,699,839
JPY	829,524	0.2760	228,949	666,346	0.2782	185,377
Non-monetary items						
Investments accounted for using the equity method						
USD	436,184	29.980	13,076,796	396,080	30.715	12,165,606
EUR	14,722	33.59	494,512	13,444	35.20	473,244
JPY	186,233	0.2760	51,400	137,344	0.2782	38,209
POL	8,578	7.89	67,654	10,262	8.142	83,554
Financial liabilities						
Monetary items						
USD	42,939	29.980	1,287,311	30,424	30.715	934,464
JPY	2,267,008	0.2760	625,694	2,029,088	0.2782	564,492

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Losses**	**Exchange Rate**	**Net Foreign Exchange Gains**
USD	29.980	$ (44,651)	30.715	$ 3,304
JPY	0.276	11,820	0.2782	(2,920)
EUR	33.59	1,426	35.20	249
		$ (31,405)		$ 633

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments.

   The Corporation has no outstanding forward contracts as of December 31, 2019 and 2018. The net profit from trading in derivative instruments is $318 thousand and $566 thousand in 2019 and 2018, respectively.

10) Information on investees. (Table 7)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 5)

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)

   c) The amount of property transactions and the amount of the resultant gains or losses. (None)

   d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes. (Table 2)

   e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Corporation	Stians	Other receivables from related parties	Yes	$ -	$ -	$ -	3.96	For short-term financing needs	$ -	Operating capital	$ -	-	$ -	$ 5,511,474 (Note 1)	$ 6,889,342 (Note 3)
		Merida Polska	Other receivables from related parties	Yes	125,185	125,185	114,067	6.48	For short-term financing needs	-	Operating capital	-	-	-	5,511,474 (Note 1)	6,889,342 (Note 3)
		Merida Italy	Other receivables from related parties	Yes	110,497	-	37,379	4.00	For short-term financing needs	-	Operating capital	-	-	-	1,377,868 (Note 2)	6,889,342 (Note 3)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 50,000	RMB 50,000	RMB 31,800	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 68,987 (Note 4)	RMB 68,987 (Note 4)
2	Merida China	Merida Jiangsu	Other receivables from related parties	Yes	RMB 60,000	RMB 60,000	RMB 24,460	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 42,481 (Note 5)	RMB 42,481 (Note 5)

Note 1: 40% of the net assets of the Corporation in their latest financial statements.

Note 2: 10% of the net assets of the Corporation in their latest financial statements.

Note 3: 50% of the net assets of the Corporation in their latest financial statements.

Note 4: 40% of the net assets of Merida Shandong in their latest financial statements.

Note 5: 40% of the net assets of Merida China in their latest financial statements.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Merida U.K.	Subsidiary	$ 3,825,653	EUR 500 GBP 4,000	EUR 500 GBP 4,000	$ - GBP 3,882	$ -	1.28	$ 6,376,088	Yes	-	-
		Merida & Centurion	Subsidiary	3,825,653	EUR 27,000	EUR 27,000	EUR 13,400	-	6.69	6,376,088	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	3,825,653	USD 22,250	USD 7,250	USD 3,750	-	1.60	6,376,088	Yes	-	Yes

Note 1: 30% of the net assets of the Corporation in their previous year's financial statements.

Note 2: 50% of the net assets of the Corporation in their previous year's financial statements.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)
The Corporation	Mutual funds						
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	24,116	$ 250,301	-	$ 250,301
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	8,022	100,168	-	100,168
	Jih Sun Miney Market Fund	-	Financial assets at FVTPL - current	20,192	300,414	-	300,414
	Yuanta De-Bao Money Market Fund	-	Financial assets at FVTPL - current	24,903	300,426	-	300,426
	Share capital						
	Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	1,025	-	1,025
	Cheng Shin	The Corporation’s chairman is their director	Financial assets at FVTPL - current	1,146	47,895	-	47,895
	Kuei Meng	-	Financial assets at FVTPL - current	734	78,580	-	78,580
	Merida Benelux	-	Financial assets at FVTOCI - non-current	2,749	89,220	-	89,220
	SR Suntour Inc.	-	Financial assets at FVTOCI - non-current	110	3,000	-	3,000
	Taifong Golf Course	-	Financial assets at FVTOCI - non-current	30	400	-	400
	Long Jee Holdings Pte. Ltd.	-	Financial assets at FVTOCI - non-current	330	-	2	-

Note: Refer to Note 25 for information on the fair values.

TABLE 4

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Shares and Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Corporation	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	8,722	$ 90,022 (Note)	47,303	$ 490,000	31,909	$ 330,374	$ 330,000	$ 374	24,116	$ 250,301 (Note)
	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	7,243	90,019 (Note)	27,286	340,000	26,507	330,319	330,000	319	8,022	100,168 (Note)
	Yuanta Wan Tai Money Market Fund	Financial assets at FVTPL - current	-	-	6,615	100,058 (Note)	17,145	260,000	23,760	360,391	360,000	391	-	-
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	20,192	300,000	-	-	-	-	20,192	300,414 (Note)
	Yuanta De-Bao Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	24,903	300,000	-	-	-	-	24,903	300,426 (Note)

Note: The net asset values are measured as of the balance sheet date at December 31, 2019.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group	Investment accounted for using the equity method	Sale	$ (19,272,511)	(77)	O/A 60 days	$ -	-	$ 1,484,798	44	
	Merida & Centurion	Subsidiary	Sale	(1,557,201)	(6)	D/A or O/A 150 days	-	-	692,910	21	
	Stians	Subsidiary	Sale	(444,520)	(2)	T/T 14 days or D/A 120 days	-	-	228,984	7	
	Merida U.K.	Subsidiary	Sale	(309,723)	(1)	O/A 60 days	-	-	110,817	3	
	Merida Benelux	Subsidiary	Sale	(296,934)	(1)	O/A 180 days	-	-	183,015	5	
	SAIL & SURF	Investment accounted for using the equity method	Sale	(282,996)	(1)	T/T 14 days or D/A 180 days	-	-	42,240	1	
	Merida Korea	Investment accounted for using the equity method	Sale	(264,756)	(1)	O/A 120 days	-	-	-	-	
	Miyata	Subsidiary	Sale	(261,234)	(1)	O/A 90 days	-	-	74,603	2	
	Merida Bikes SWE	Investment accounted for using the equity method	Sale	(259,043)	(1)	T/T 14 days or D/A 60-120 days	-	-	35,735	1	
	Merida Polska	Subsidiary	Sale	(182,305)	(1)	O/A 150 days	-	-	164,691	5	
	Merida Czech	Investment accounted for using the equity method	Sale	(134,098)	(1)	D/A 150 days	-	-	72,541	2	
	Merida Italy	Investment accounted for using the equity method	Sale	(131,380)	(1)	D/A 90 days	-	-	93,821	3	
	Merida China	Indirectly owned subsidiary	Purchase	533,300	3	T/T 90 days	-	-	(91,211)	(2)	
	Merida Jiangsu	Indirectly owned subsidiary	Purchase	278,868	1	T/T 90 days	-	-	(28,908)	(1)	
Merida Shandong	Merida China	Associate	Sale	RMB (118,142)	(78)	T/T 90 days	-	-	RMB 644	8	
Merida Jiangsu	Merida China	Associate	Sale	RMB (66,423)	(47)	T/T 90 days	-	-	RMB 707	5	

TABLE 6

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Financial Statement Account	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	SBC Group	Investment accounted for using the equity method	Trade receivables from related parties	$ 1,484,798	13.72	$ -	-	$ 1,484,798	$ -
	Merida & Centurion	Subsidiary	Trade receivables from related parties	692,910	3.35	-	-	528,132	-
			Other receivables from related parties	7,329	-	-	-	5,105	-
	Merida Benelux	Subsidiary	Trade receivables from related parties	183,015	1.62	-	-	42,380	-
			Other receivables from related parties	3,660	-	-	-	848	-
	Stians	Subsidiary	Trade receivables from related parties	228,984	2.69	-	-	-	-
			Other receivables from related parties	2,510	-	-	-	-	-
	Merida Polska	Subsidiary	Trade receivables from related parties	164,691	1.07	-	-		-
			Other receivables from related parties	114,067	-	114,067	Continued collection	14,278	-
	Merida U.K.	Subsidiary	Trade receivables from related parties	110,817	3.41	-	-	54,172	-
Merida Shandong	Merida Jiangsu	Associate	Trade receivables from related parties	RMB 66	26.37	-	-	RMB 22	-
			Other receivables from related parties	RMB 31,887	-	-	-	RMB 12,017	-
Merida China	Merida Jiangsu	Associate	Other receivables from related parties	RMB 24,490	-	-	-	RMB 15,030	-

TABLE 7

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	As of December 31, 2019 Number of Shares (In Thousands)	As of December 31, 2019 %	As of December 31, 2019 Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
The Corporation	Share capital										
	SBC	California, United States of America	Design, development, manufacture and sale of bicycles	$ 887,013	$ 887,013	$ 3,410	35	$ 10,440,751	USD 125,692	$ 1,374,891	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,711,078	USD (3,249)	(100,424)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	31,713	-	51	268,934	EUR 2,872	50,695	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	43,076	PLN (2,262)	(13,500)	Subsidiary
	Stians	Lysaker, Norway	Sale of bicycles	151,459	29,780	198	75	66,648	NOK (17,952)	(28,970)	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	92,846	EUR 478	6,618	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	31,745	CZK (348)	(211)	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	57,167	EUR (294)	(3,699)	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	4,016	(1,186)	(303)	
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	21,178	EUR 62	644	
	Miyata	Tokyo, Japan	Sale of bicycles	103,679	79,913	1	70	40,990	JPY (29,194)	(2,850)	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	5,164	5,164	-	27	(1,740)	EUR (889)	(8,391)	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(86,731)	EUR (710)	(14,746)	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	19,532	GBP 101	3,244	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	11,202	KRW (97,669)	(1,045)	
Merida B.V.I.	Share capital										
	Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 57,125	HKD (6,509)	(Note)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 17,352	USD (3,454)	(Note)	Indirectly owned subsidiary
Stians	Share capital										
	Merida Sverige AB	Gothenburg, Sweden	Sale of bicycles	NOK 1,762	NOK 1,762	-	100	NOK 1,762	SEK (313)	(Note)	Indirectly owned subsidiary
Merida & Centurion	Share capital										
	Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 801	EUR 81	(Note)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 275	EUR 21	(Note)	Indirectly owned subsidiary

Note : Not applicable.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Cadastral District Number	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2019(Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
						Outward	Inward						
4403	Merida China	Manufacture and sale of bicycles	$ 368,154 (USD 12,280)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	$ 332,388 (USD 11,087)	$	$	$ 332,388 (USD 11,087)	$ (10,442)	100	$ (10,442)	$ 457,220	$ 1,340,226 (USD 44,707)
3714	Merida Shandong	Manufacture and sale of e-bikes and bicycles	479,680 (USD 16,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	479,680 (USD 16,000)			479,680 (USD 16,000)	(22,914)	100	(22,914)	742,502	777,172 (USD 25,923)
3206	Merida Jiangsu	Manufacture and sale of bicycles	1,049,300 (USD 35,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	494,670 (USD 16,500)			494,670 (USD 16,500)	(107,857)	70	(75,500)	488,574	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA	Accumulated investment amount from Taiwan due to disposal of companies in mainland China at the end of the current period (including sales, liquidation, dissolution, mergers and bankruptcy)	Repatriation of investment income from disposal of companies in mainland China as of the end of the current period (including sales, liquidation, dissolution, mergers and bankruptcy)
$ 1,306,738 (USD 43,587)	$ 1,370,536 (USD 45,715) (Note 2)	$ 8,642,316 (Note 3)	$ -	$ -

Note 1: The investment gain (loss) and carrying amount as of December 31, 2019 are recognized according to the financial statements audited by the Corporation's independent auditors.

Note 2: The amount includes the upper limit of the investment amount for Merida China of USD13,215 thousand, USD 16,000 thousand for Merida Shandong and USD16,500 thousand for Merida Jiangsu.

Note 3: Amounts are based on the upper limit of the investment amount regulated by the "Regulation for Screening of Application to Engage in Technical Cooperation in Mainland China"

Merida Industry Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prepared in conformity with International Financial Reporting Standard 10 "Consolidated Financial Statements". The information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Merida Industry Co., Ltd. and subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

MERIDA INDUSTRY CO., LTD.

By:

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Michael S. T. Tseng
President

March 24, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Merida Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Merida Industry Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion base on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are as follows:

Revenue Recognition

The Group's operating revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. As export revenue from the sale of e-bikes for the year ended December 31, 2019 increased significantly compared to the previous year, recognition of operating revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of operating revenue, refer to Note 4.

Our audit procedures performed in respect of revenue recognition included the following:

1. We understood and evaluated the design and appropriateness of implementation of the internal controls related to the recognition of operating revenue and the operating procedures and risk related to revenue collection, and tested the effective continuous operating condition of its related procedures during the year.

2. We obtained the operating revenue sales receipts from the export of e-bikes, sampled the orders, and subsequently recognized the documents and receipt vouchers related to operating revenue. We also sampled orders with regard to the export of e-bikes and sent confirmation requests to verify the validity of the operating revenue recognized.

Inventory valuation

As of December 31, 2019, the Group's inventory was NT$4,653,985 thousand. Refer to Notes 4, 5 and 9 to the consolidated financial statements for disclosures related to inventory. Inventories are stated at the lower of cost or net realizable value. As the determination of the net realizable value inputs and estimation of the consumption of inventory aging is subject to estimation and judgment, inventory valuation was identified as a key audit matter.

Our main audit procedures performed in respect of the above mentioned key audit matter were as follows:

1. We understood the process and evidence that the management used in estimating the net realizable value and the inventory obsolescence aging ratio.

2. We assessed the reasonableness of estimated selling prices, the variable sales to expense ratio and the inventory obsolescence aging ratio.

3. We checked the accuracy of inventory aging and the calculation of the net realizable value.

4. We observed the year-end inventory counts and evaluated the condition of the inventory to assess the adequacy of the provision for damaged stock.

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2019 and 2018, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT$10,440,751 thousand and NT$9,415,791 thousand, accounting for 41% of the Group's consolidated total assets as of both December 31, 2019 and 2018. The share of profit of associates was NT$1,374,891 thousand and NT$1,034,660 thousand, accounting for 67% and 58% of the Group's consolidated comprehensive income for the years ended December 31, 2019 and 2018, respectively.

We have also audited the parent company only financial statements of Merida Industry Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019 Amount	%	December 31, 2018 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,271,253	13	$ 3,220,019	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,078,809	4	499,695	2
Notes receivable (Notes 4 and 21)	12,474	-	16,528	-
Trade receivables (Notes 4, 8 and 21)	759,041	3	450,525	2
Trade receivables from related parties (Notes 4, 8, 21 and 28)	1,745,195	7	1,965,580	9
Other receivables (Notes 4 and 28)	110,062	-	72,981	-
Inventories (Notes 4, 5, 9 and 29)	4,653,985	18	3,852,081	17
Other current assets (Notes 4, 16 and 23)	127,752	-	58,442	-
Total current assets	11,758,571	45	10,135,851	44
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	3,400	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 12)	10,658,905	42	9,708,922	43
Property, plant and equipment (Notes 4, 13, 28 and 29)	2,400,791	10	2,342,984	10
Right-of-use assets (Notes 4 and 15)	540,505	2	-	-
Investment properties (Notes 4 and 14)	35,403	-	35,971	-
Intangible assets (Note 4)	45,307	-	40,685	-
Deferred tax assets (Notes 4 and 23)	188,991	1	140,661	1
Prepayments for equipment	30,496	-	39,116	-
Long-term prepayments for leases (Notes 4 and 16)	-	-	323,335	2
Other non-current assets	18,421	-	7,182	-
Total non-current assets	13,922,219	55	12,642,256	56
TOTAL	$ 25,680,790	100	$ 22,778,107	100

LIABILITIES AND EQUITY	December 31, 2019 Amount	%	December 31, 2018 Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 17 and 29)	$ 1,880,773	7	$ 1,645,786	7
Notes and trade payables	4,453,631	17	3,798,676	17
Trade payables to related parties (Note 28)	46,543	-	41,710	-
Other payables (Note 18)	813,144	3	775,282	3
Current tax liabilities (Notes 4 and 23)	301,936	1	274,560	1
Lease liabilities - current (Notes 4 and 15)	57,107	-	-	-
Current portion of long-term bank loans (Notes 17 and 29)	158,982	1	111,955	1
Other current liabilities - others	101,988	-	92,624	1
Total current liabilities	7,814,104	29	6,740,593	30
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 17 and 29)	355,830	1	125,744	-
Deferred tax liabilities (Notes 4 and 23)	2,702,913	11	2,455,737	11
Lease liabilities - non-current (Notes 4 and 15)	174,038	1	-	-
Net defined benefit liabilities (Notes 4 and 19)	195,207	1	172,722	1
Guarantee deposits received	33,098	-	6,294	-
Credit Balance of Investments Accounted for Using the Equity Method (Notes 4 and 12)	1,740	-	-	-
Total non-current liabilities	3,462,826	14	2,760,497	12
Total liabilities	11,276,930	43	9,501,090	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common shares	2,989,838	12	2,989,838	13
Capital surplus				
Share premiums from issuance of common shares	416,290	2	416,290	2
Capital surplus from investments accounted for using the equity method	-	-	258	-
Retained earnings				
Legal reserve	2,482,733	10	2,311,849	10
Special reserve	769,489	3	807,624	3
Unappropriated earnings	8,283,384	32	6,995,807	31
Other equity	(1,163,049)	(5)	(769,490)	(3)
Total equity attributable to owners of the Corporation	13,778,685	54	12,752,176	56
NON-CONTROLLING INTERESTS	625,175	3	524,841	2
Total equity	14,403,860	57	13,277,017	58
TOTAL	$ 25,680,790	100	$ 22,778,107	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 24, 2020

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4, 21 and 28)	$ 28,243,214	100	$ 25,852,942	100
COST OF GOODS SOLD (Notes 9, 22 and 28)	24,423,564	87	22,463,953	87
GROSS PROFIT	3,819,650	13	3,388,989	13
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	(83,322)	-	(170,760)	(1)
UNREALIZED GROSS PROFIT	3,736,328	13	3,218,229	12
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses (Note 28)	1,088,300	4	1,058,674	4
General and administrative expenses	937,202	3	808,275	3
Total operating expenses	2,025,502	7	1,866,949	7
PROFIT FROM OPERATIONS	1,710,826	6	1,351,280	5
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 28)	80,674	-	61,878	-
Other income	65,129	-	102,985	-
Net foreign exchange gains (losses) (Note 4)	78,155	-	175,345	1
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	10,549	-	(30,716)	-
Share of profit of associates (Note 4)	1,350,284	5	1,066,133	4
Interest expense	(43,874)	-	(50,987)	-
Other expenses	(48,063)	-	(54,263)	-
Total non-operating income and expenses	1,492,854	5	1,270,375	5
PROFIT BEFORE INCOME TAX	3,203,680	11	2,621,655	10
INCOME TAX EXPENSE (Notes 4 and 23)	702,696	2	875,818	3
NET PROFIT FOR THE YEAR	2,500,984	9	1,745,837	7

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	$ (19,797)	-	$ (10,732)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	3,959	-	4,240	-
	(15,838)	-	(6,492)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(419,746)	(2)	54,266	-
Other comprehensive income (loss) for the year, net of income tax	(435,584)	(2)	47,774	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,065,400	7	$ 1,793,611	7
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 2,502,443	9	$ 1,708,835	7
Non-controlling interests	(1,459)	-	37,002	-
	$ 2,500,984	9	$ 1,745,837	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 2,093,046	7	$ 1,764,969	7
Non-controlling interests	(27,646)	-	28,642	-
	$ 2,065,400	7	$ 1,793,611	7
EARNINGS PER SHARE (Note 24)				
Basic	$ 8.37		$ 5.72	
Diluted	$ 8.33		$ 5.69	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 24, 2020) (Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
		Capital Surplus (Note 20)		Retained Earnings (Note 20)			Other Equity				
	Common Shares (Note 20)	Share Premium from Issuance of Common Shares	Capital Surplus from Investments Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total
BALANCE AT JANUARY 1, 2018	$ 2,989,838	$ 416,290	$ 258	$ 2,232,113	$ 264,429	$ 6,489,871	$ (832,116)	$ 24,492	$ 11,585,175	$ 496,199	$ 12,081,374
Effect of retrospective application	-	-	-	-	-	24,492	-	(24,492)	-	-	-
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	2,989,838	416,290	258	2,232,113	264,429	6,514,363	(832,116)	-	11,585,175	496,199	12,081,374
Appropriation of 2017 earnings											
Legal reserve	-	-	-	79,736	-	(79,736)	-	-	-	-	-
Special reserve	-	-	-	-	543,195	(543,195)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(597,968)	-	-	(597,968)	-	(597,968)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,708,835	-	-	1,708,835	37,002	1,745,837
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,492)	62,626	-	56,134	(8,360)	47,774
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,702,343	62,626	-	1,764,969	28,642	1,793,611
BALANCE AT DECEMBER 31, 2018	2,989,838	416,290	258	2,311,849	807,624	6,995,807	(769,490)	-	12,752,176	524,841	13,277,017
Appropriation of 2018 earnings											
Legal reserve	-	-	-	170,884	-	(170,884)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(38,135)	38,135	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,046,443)	-	-	(1,046,443)	-	(1,046,443)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	(258)	-	-	(19,836)	-	-	(20,094)	20,094	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	107,886	107,886
Net profit for the year ended December 31, 2019	-	-	-	-	-	2,502,443	-	-	2,502,443	(1,459)	2,500,984
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(15,838)	(393,559)	-	(409,397)	(26,187)	(435,584)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,486,605	(393,559)	-	2,093,046	(27,646)	2,065,400
BALANCE AT DECEMBER 31, 2019	$ 2,989,838	$ 416,290	$ -	$ 2,482,733	$ 769,489	$ 8,283,384	$ (1,163,049)	$ -	$ 13,778,685	$ 625,175	$ 14,403,860

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors’ report dated March 24, 2020)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,203,680	$ 2,621,655
Adjustments for:		
Depreciation expenses	260,726	241,764
Amortization expenses	10,246	9,086
Expected credit loss recognized on trade receivables	3,858	7,237
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(10,549)	30,716
Interest expense	43,874	50,987
Interest income	(80,674)	(61,878)
Dividend income	(4,813)	(5,452)
Share of profit of associates	(1,350,284)	(1,066,133)
Loss on disposal of property, plant and equipment	2,310	3,127
Write-downs (reversal of write-downs) of inventories	212	(18,577)
Unrealized gain on transactions with associates	83,322	170,760
Unrealized net loss on foreign currency exchange	35,068	12,086
Amortization of long-term prepayments for leases	-	8,217
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(568,565)	62,763
Notes receivable	6,807	12,778
Trade receivables	(24,800)	(723,672)
Other receivables	(184,274)	(6,740)
Inventories	(376,793)	(346,908)
Other current assets	(18,116)	102,388
Notes and trade payables	652,414	(129,151)
Other payables	3,477	34,190
Other current liabilities	(14,316)	(23,434)
Net defined benefit liabilities	2,688	3,361
Cash generated from operations	1,675,498	989,170
Interest received	71,674	58,321
Dividends received	14,497	12,217
Interest paid	(42,562)	(49,212)
Income tax paid	(508,759)	(274,569)
Net cash generated from operating activities	1,210,348	735,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on acquisitions of associates	61,150	-
Payments for property, plant and equipment	(271,411)	(91,460)
Proceeds from disposal of property, plant and equipment	1,942	7,060
Decrease in refundable deposits	552	42
Other receivables - increase from related parties	(37,379)	-
Payments for intangible assets	(3,249)	(10,879)

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Proceeds from disposal of intangible assets	$ 83	$ -
Acquisitions of right-of-use assets	(5,962)	-
Decrease (increase) in other non-current assets	(4,430)	444
Increase in prepayments for equipment	(17,815)	(31,269)
Net cash used in investing activities	(276,519)	(126,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	27,777	187,900
Proceeds from long-term borrowings	299,601	15,672
Repayments of long-term bank loans	(111,359)	(121,621)
Increase (decrease) in refundable deposits	1,912	(1,131)
Repayment of the principal portion of lease liabilities	(50,269)	-
Dividends paid to owners of the Corporation	(1,046,443)	(597,968)
Changes in non-controlling interests	69,188	-
Net cash used in financing activities	(809,593)	(517,148)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(73,002)	(19,446)
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,234	73,271
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,220,019	3,146,748
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,271,253	$ 3,220,019

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors’ report dated March 24, 2020) (Concluded)

1. GENERAL INFORMATION

Merida Industry Co., Ltd. (the "Corporation") was incorporated in September 1972 in the Republic of China ("ROC"). It manufactures and sells bicycles and related parts.

Shares of the Corporation have been listed on the Taiwan Stock Exchange ("TWSE") since September, 1992.

The consolidated financial statements of the Corporation and its subsidiaries (the Group) are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 24, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in the People's Republic of China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.24%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 132,935
Less: Recognition exemption for short-term leases	(6,573)
Less: Recognition exemption for leases of low-value assets	(3,479)
Undiscounted amounts on January 1, 2019	$ 122,883

(Continued)

Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 117,215
Lease liabilities recognized on January 1, 2019	$ 117,215

(Concluded)

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	$ 16,963	$ (11,705)	$ 5,258
Prepayments for leases - non-current	323,335	(323,335)	-
Right-of-use assets	-	452,255	452,255
Total effect on assets	$ 340,298	$ 117,215	$ 457,513
Lease liabilities - current	$ -	$ 30,282	$ 30,282
Lease liabilities - non-current	-	86,933	86,933
Total effect on liabilities	$ -	$ 117,215	$ 117,215

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liabilities that are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 11, and Tables 8 and 9 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, and in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates, in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, work-in-progress and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates. If the Group's ownership interest is reduced due to its additional subscription of the new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any assets, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Costs include professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended uses.

Depreciation of property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is any indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, note receivables, trade receivables, other receivables and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods is recognized as revenue when the goods are delivered to the customer's specific location or when the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

o. Leases

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At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined retirement benefit plans are determined using the projected unit credit method. Service costs and net interest on the net defined benefit liabilities are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liabilities are settled or assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31 2019	December 31 2018
Cash on hand	$ 1,938	$ 2,369
Checking accounts and demand deposits	2,589,408	1,433,251
Cash equivalents		
Time deposits with original maturities of less than 3 months	679,907	1,784,399
	$ 3,271,253	$ 3,220,019
Time deposit interest rate per annum (%)	0.50-2.85	0.60-3.00

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets		
Non-derivative financial assets		
Mutual funds	$ 951,309	$ 380,169
Domestic listed shares	127,500	119,526
Financial assets at FVTPL - current	$ 1,078,809	$ 499,695

8. TRADE RECEIVABLES

	December 31 2019	December 31 2018
Trade receivables	$ 2,530,808	$ 2,440,168
Less: Allowance for impairment loss	(26,572)	(24,063)
	$ 2,504,236	$ 2,416,105

In principle, the payment term granted to customers is 90 days from the invoice date and D/A or O/A of 60 to 180 days. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables of the Group.

December 31, 2019

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-1%	3%	
Gross carrying amount	$ 2,467,201	$ 63,607	$ 2,530,808
Loss allowance (Lifetime ECLs)	(22,223)	(4,349)	(26,572)
Amortized cost	$ 2,444,978	$ 59,258	$ 2,504,236

December 31, 2018

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-2%	4%	
Gross carrying amount	$ 2,333,304	$ 106,864	$ 2,440,168
Loss allowance (Lifetime ECLs)	(19,715)	(4,348)	(24,063)
Amortized cost	$ 2,313,589	$ 102,516	$ 2,416,105

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 24,063	$ 17,566
Add: Net remeasurement of loss allowance	3,858	7,237
Less: Amounts written off	(788)	(342)
Foreign exchange differences	(561)	(398)
Balance at December 31	$ 26,572	$ 24,063

9. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 3,338,743	$ 2,274,798
Work in progress	456,346	562,935
Raw materials and supplies	735,926	954,355
Inventory in transit	122,970	59,993
	$ 4,653,985	$ 3,852,081

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $24,423,564 thousand and $22,463,953 thousand, respectively. The cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of $212 thousand and a gain from the reversal of inventory write-downs of ($18,577) thousand, respectively. The increase in the net realizable value of inventories for the year ended December 31, 2018 was due the Group's active depletion of the obsolete inventory; the related amount has been reflected in the cost of goods sold.

Inventories pledged as collateral for bank borrowings are set out in Note 29.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Non-current		
Domestic unlisted ordinary shares	$ 3,400	$ 3,400

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

		Proportion of Ownership (%)	
		December 31	
Investor	Investee	2019	2018
The Corporation	Merida International (B.V.I) Ltd. ("Merida B.V.I.")	100	100
	Merida & Centurion Germany GmbH (Merida & Centurion)	51	51
	Merida Benelux B.V. ("Merida Benelux")	60	60
	Merida Polska Sp.z.o.o ("Merida Polska")	74	74
	Merida Bicycles Ltd. ("Merida U.K.")	81	81

(Continued)

Investor	Investee	Proportion of Ownership (%) December 31 2019	2018
The Corporation	Miyata Cycle Co., Ltd. ("Miyata")	70	45
	Stians Sport AS ("Stians")	75	34
Merida B.V.I.	Merida Industry (Hong Kong) Co., Ltd. ("Merida Hong Kong")	100	100
	Merida International (SAMOA) Ltd. ("Merida SAMOA")	70	70
Merida Hong Kong	Merida Bicycle (China) Co., Ltd. ("Merida China")	100	100
	Merida Bicycle (Shandong) Co., Ltd. ("Merida Shandong")	100	100
Merida SAMOA	Merida Bicycle (Jiangsu) Ltd. ("Merida Jiangsu")	100	100

(Concluded)

Refer to Tables 8 and 9 following the Notes to Consolidated Financial Statements for information on the place of incorporation and principal places of business for each subsidiary.

In July 2019, the Corporation acquired 500 common shares of Miyata through cash of $23,766 thousand. After the acquisition, the shareholding proportion increased to 70%, and the Corporation obtained control over Miyata and included it in the Group's consolidated financial statements since July 1, 2019.

In December 2019, the Corporation increased its capital in Stians by acquiring 164,000 of its common shares through cash of $121,679 thousand. After the capital increase, the shareholding proportion increased to 75%, and the Corporation obtained control over Stians and included it in the Group's consolidated financial statements since December 2, 2019.

Except for Merida Benelux, the financial statements of the other subsidiaries have been audited. Management believes that there would not be a significant impact on the Group's consolidated financial statements had the financial statements of Merida Benelux been audited.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%) December 31 2019	2018
Merida SAMOA	30	30

Summarized financial information in respect of Merida SAMOA and subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2019	**2018**
Current assets	$ 439,556	$ 451,531
Non-current assets	962,403	1,071,512
Current liabilities	(649,942)	(526,472)
Non-current liabilities	(8,858)	(116,600)
Equity	$ 743,159	$ 879,971
Equity attributable to:		
Owners of Merida SAMOA	$ 520,211	$ 615,980
Non-controlling interests of Merida SAMOA	222,948	263,991
	$ 743,159	$ 879,971

	For the Year Ended December 31	
	2019	**2018**
Revenue	$ 636,441	$ 741,984
Net loss for the year	$ (106,779)	$ (120,017)
Other comprehensive loss for the year	(12,574)	(42,504)
Total comprehensive loss for the year	$ (119,353)	$ (162,521)
Loss attributable to:		
Owners of Merida SAMOA	$ (74,745)	$ (84,012)
Non-controlling interests of Merida SAMOA	(32,034)	(36,005)
	$ (106,779)	$ (120,017)
Total comprehensive loss attributable to:		
Owners of Merida SAMOA	$ (83,547)	$ (113,765)
Non-controlling interests of Merida SAMOA	(35,806)	(48,756)
	$ (119,353)	$ (162,521)
Net cash outflow from:		
Operating activities	$ (61,559)	$ (32,422)
Investing activities	(1,567)	35
Financing activities	34,335	10,400
Net cash outflow	$ (28,791)	$ (21,987)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Unlisted shares		
Specialized Bicycle Components, Inc. (“SBC”)	$ 10,440,751	$ 9,415,791
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	92,846	90,083
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	57,167	70,158
Merida Czech s.r.o (“Merida Czech”)	31,745	33,892
Merida Slovakia s.r.o (“Merida Slovakia”)	21,178	21,432
Merida Korea Inc. (“Merida Korea”)	11,202	12,820
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	4,016	4,319
Miyata Cycle Co., Ltd. (” Miyata”)	-	36,091
Stians Sport AS (“Stians”)	-	18,117
Merida Italy S.r.l (“Merida Italy”)	-	6,219
	$ 10,658,905	$ 9,708,922
Credit Balance of Investments Accounted for Using the Equity Method		
Merida Italy	$ 1,740	$ -

The proportion of ownership and voting rights with investments in associates for the Group was as follows:

	December 31	
	2019	2018
SBC	35%	35%
SAIL & SURF	40%	40%
Merida Bikes SWE	36%	36%
Merida Czech	45%	45%
Merida Slovakia	30%	30%
Merida Korea	40%	40%
WideDoctor	26%	26%
Miyata	-	45%
Stians	-	34%
Merida Italy	27%	27%

Refer to Table 8 “Information on Investees” following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of the Group’s associates.

The aggregate financial information of associates is as follows:

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Profit for the year	$ 1,350,284	$ 1,066,133
Other comprehensive loss for the year	(252)	(174,730)
Total comprehensive income for the year	$ 1,350,032	$ 891,403

Except for Merida Italy and Merida Korea for the year ended December 31, 2019 and Merida Italy, Merida Korea, Merida Bikes SWE and WideDoctor for the year ended December 31, 2018, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of these associates which have not been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2019						
	Beginning Balance	Acquisitions through Business Combination	Additions	Disposals	Reclassifi-cations	Effect of Foreign Currency Exchange Difference	Ending Balance
Cost							
Land	$ 475,720	$ -	$ -	$ -	$ -	$ (26)	$ 475,694
Buildings and improvements	2,175,331	5,519	163,047	(4,278)	11,128	(66,046)	2,284,701
Machinery and equipment	1,202,547	36,593	7,110	(33,115)	24,827	(35,325)	1,202,637
Transportation equipment	25,826	10,292	2,023	(1,912)	458	(703)	35,984
Miscellaneous equipment	201,775	18,301	17,849	(26,626)	1,001	(6,350)	205,950
Construction in progress	4,199	-	81,382	-	(11,128)	(2,193)	72,260
	4,085,398	$ 70,705	$ 271,411	$ (65,931)	$ 26,286	$ (110,643)	4,277,226
Accumulated depreciation							
Buildings and improvements	895,899	$ 632	$ 89,083	$ (3,708)	$ -	$ (26,709)	955,197
Machinery and equipment	678,251	18,911	90,867	(30,648)	-	(24,197)	733,184
Transportation equipment	17,618	9,856	2,695	(1,823)	-	(471)	27,875
Miscellaneous equipment	150,646	15,557	24,871	(25,500)	-	(5,395)	160,179
	1,742,414	$ 44,956	$ 207,516	$ (61,679)	$ -	$ (56,772)	1,876,435
	$ 2,342,984						$ 2,400,791

	For the Year Ended December 31, 2018						
	Beginning Balance	Acquisitions through Business Combination	Additions	Disposals	Reclassifi-cations	Effect of Foreign Currency Exchange Difference	Ending Balance
Cost							
Land	$ 475,759	$ -	$ -	$ -	$ -	$ (39)	$ 475,720
Buildings and improvements	2,169,314	-	28,335	(5,983)	10,933	(27,268)	2,175,331
Machinery and equipment	1,226,223	-	25,792	(39,435)	8,147	(18,180)	1,202,547
Transportation equipment	26,767	-	2,559	(3,435)	607	(672)	25,826
Miscellaneous equipment	245,640	-	23,260	(65,783)	1,976	(3,318)	201,775
Construction in progress	3,618	-	11,514	-	(10,933)	-	4,199
	4,147,321	$ -	$ 91,460	$ (114,636)	$ 10,730	$ (49,477)	4,085,398
Accumulated depreciation							
Buildings and improvements	816,091	$ -	$ 96,576	$ (5,566)	$ -	$ (11,202)	895,899
Machinery and equipment	618,401	-	102,939	(31,474)	-	(11,615)	678,251
Transportation equipment	18,070	-	3,092	(3,103)	-	(441)	17,618
Miscellaneous equipment	178,963	-	38,590	(64,306)	-	(2,601)	150,646
	1,631,525	$ -	$ 241,197	$ (104,449)	$ -	$ (25,859)	1,742,414
	$ 2,515,796						$ 2,342,984

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	20-60 years
Ancillary work	5-50 years
Machinery and equipment	3-15 years
Transportation equipment	4-6 years
Miscellaneous equipment	3-15 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 29.

14. INVESTMENT PROPERTIES

	December 31	
	2019	**2018**
Land	$ 20,309	$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	3,068	3,068
	54,307	54,307
Less: Accumulated depreciation	(18,904)	(18,336)
	$ 35,403	$ 35,971

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	55 years
Parking garages	49 years

The fair value of investment properties for the years ended December 31, 2019 and 2018 was $48,462 thousand and $48,000 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 327,529
Buildings	188,715
Machinery	409
Transportation equipment	21,979
Miscellaneous equipment	1,873
	$ 540,505

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ 13,125
Buildings	28,449
Machinery	139
Transportation equipment	10,660
Miscellaneous equipment	269
	$ 52,642

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 57,107
Non-current	$ 174,038

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.15%-1.64%
Buildings	1.15%-4.60%
Machinery	1.64%
Transportation equipment	0.80%-3.65%
Miscellaneous equipment	0.80%-1.64%

c. Material lease-activities and terms (the Group is lessee)

The Group leases certain, land, buildings, transportation equipment, machinery, and miscellaneous equipment for product manufacturing and operational uses with lease terms of 1 to 7 years. According to the lease contract, the Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

Merida China acquired the right to use land in the Bao’an district of Shenzhen city, mainland China for 50 years; Merida Shandong acquired the right to use land from the Dezhou Economic Development Zone in Shandong province for 50 years; Merida Jiangsu acquired the right to use land from the Nantong Economic and Technological Development Zone in Jiangsu province for 50 years. During the period of land use, the lessee enjoys land use rights, income rights, transfer and leasing rights and is responsible for the various taxes and fees payable for the use of the land. The land is used for the construction of production plants, office buildings and staff dormitories.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 19,692
Expenses relating to low-value asset leases	$ 2,688
Total cash outflow for leases	$ 72,649

The Group leases certain office equipment and miscellaneous equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. PREPAYMENTS FOR LEASES - 2018

Merida China prepaid RMB10,389 thousand and RMB620 thousand to acquire the right to use land in the Bao'an district of Shenzhen city, China. The land tenure is effective from October 1, 1990 through September 30, 2040.

Merida Shandong signed an agreement with the management committee of Dezhou Economic and Technological Development Zone in Shandong, China in November 2006 to acquire 89,434 square meters of the right to use land from the Development Zone for 50 years. The acquisition cost was RMB6,240 thousand.

Merida Jiangsu signed an agreement for the stated-owned construction land use rights with Nantong Bureau of Land And Resources in Jiangsu, China in December 2012 so as to acquire the rights of use of 154,810 square meters of land from the Nantong Economic and Technological Development Zone for 50 years. The acquisition cost was RMB73,530 thousand.

The above-mentioned land is used for constructing buildings, offices and living facilities, etc.

17. BORROWINGS

a. Short-term bank borrowings

	December 31	
	2019	2018
Line of credit borrowings	$ 922,769	$ 888,476
Letters of credit - due after 180 days of acceptance	845,965	739,553
Secured borrowings (Note 29)	112,039	17,757
	$ 1,880,773	$ 1,645,786
Rate of interest rates per annum (%)		
Line of credit borrowings	0.90-5.00	0.90-5.00
Letters of credit	No more than 2.659	No more than 3.47
Secured borrowings	2.55-4.55	2.55-3.80

b. Long-term bank borrowings

	December 31	
	2019	2018
Unsecured loans		
Bank loans (1)	$ 503,498	$ 222,677
Secured loans		
Mortgaged loans (2)	11,314	15,022
	514,812	237,699
Less: Current portion	(158,982)	(111,955)
Long-term borrowings	$ 355,830	$ 125,744

1) The bank loans were due in July 2026. As of December 31, 2019 and 2018, the effective interest rate range of the bank loans was 0.80%-3.45% and 2.46%-3.20% per annum, respectively.

2) As of December 31, 2019 and 2018, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land, buildings and inventories (see Note 29) was 2.93% per annum and 2.94% per annum, respectively. Such loans are due in September and October 2021.

18. OTHER PAYABLES

	December 31	
	2019	2018
Payables for compensation to employees	$ 208,319	$ 167,530
Payables for salaries and bonues	147,445	136,501
Payables for remuneration of directors and supervisors	90,271	72,597
Others	367,109	398,654
	$ 813,144	$ 775,282

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Merida & Centurion, Merida Benelux, Merida Polska, Merida U.K., Miyata, and Stians do not have established pension plans but pay annuity and certain types of insurance under the local regulations. Merida China, Merida Shandong and Merida Jiangsu pay a basic endowment insurance for its local employees on a monthly basis under the regulations of local governments. The related departments of the local governments have the authority to arrange and pay the employees' pensions. The aforementioned belongs to the defined contribution retirement policy.

Merida B.V.I., Merida Hong Kong and Merida SAMOA are holding companies so these companies are not required to establish a retirement policy.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute amounts equal to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy. According to the regulations for employees' retirement policy, the Corporation reserves 4% of monthly salaries and wages of appointed managers as an employee retirement reserve (recognized as net defined benefit liabilities).

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan were as follows:

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 692,214	$ 654,877
Fair value of plan assets	(497,007)	(482,155)
Net defined benefit liabilities	$ 195,207	$ 172,722

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2018	$ 651,149	$ (492,520)	$ 158,629
Service costs			
Current service costs	9,887	-	9,887
Net interest expense (income)	7,985	(6,059)	1,926
Recognized in profit or loss	17,872	(6,059)	11,813
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,863)	(13,863)
Actuarial loss - changes in demographic assumption	3,654	-	3,654
Actuarial loss - experience adjustments	20,941	-	20,941
Recognized in other comprehensive income	24,595	(13,863)	10,732
Contributions from the employer	-	(8,452)	(8,452)
Benefits paid	(38,739)	38,739	-
Balance at December 31, 2018	654,877	(482,155)	172,722
Service costs			
Current service costs	8,964	-	8,964
Net interest expense (income)	7,950	(5,841)	2,109
Recognized in profit or loss	16,914	(5,841)	11,073

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (16,369)	$ (16,369)
Actuarial loss - changes in financial assumption	38,104	-	38,104
Actuarial loss - experience adjustments	(1,938)	-	(1,938)
Recognized in other comprehensive income	36,166	(16,369)	19,797
Contributions from the employer	-	(8,385)	(8,385)
Benefits paid	(15,743)	15,743	-
Balance at December 31, 2019	$ 692,214	$ (497,007)	$ 195,207

(Concluded)

Through the defined benefit plan under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate(s)	0.80%	1.25%
Expected rate(s) of salary increase	2.25%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rate(s)		
0.50% increase	$ (27,634)	$ (26,995)
0.50% decrease	$ 29,515	$ 28,871

	December 31	
	2019	2018
Expected rate(s) of salary increase		
0.50% increase	$ 28,949	$ 28,518
0.50% decrease	$ (27,394)	$ (26,939)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	$ 9,027	$ 7,932
Average duration of the defined benefit obligation	8.2 years	8.6 years

20. EQUITY

a. Common shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	350,000	350,000
Shares authorized	$ 3,500,000	$ 3,500,000
Number of shares issued and fully paid (in thousands)	298,984	298,984
Shares issued	$ 2,989,838	$ 2,989,838

Fully paid common shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including common shares issued in excess of par, conversion of bonds, treasury share transactions and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

Capital surplus arising from investments accounted for using the equity method, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 22.

According to the dividends policy of the Corporation, the total dividends distributed shall be 10% to 80% of the distributable retained earnings of the current year. In addition, cash dividends distributed should be at least 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings in June 2019 and 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 170,884	$ 79,736		
Appropriation to (Reversal of) special reserve	(38,135)	543,195		
Cash dividends	1,046,443	597,968	$ 3.5	$ 2.0

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 24, 2020. The appropriations and dividend per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 250,244	
Special reserve	393,559	
Cash dividends	1,255,732	$ 4.2

The appropriation of earnings for 2019 are subject to the resolution of the shareholders in the shareholders' meetings to be held on June 24, 2020.

21. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	$ 28,243,214	$ 25,852,942

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and trade receivables (Note 8)	$ 2,516,710	$ 2,432,633	$ 1,729,854

b. Disaggregation of revenue

Refer to Note 32 for information about the disaggregation of revenue.

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION EXPENSES

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2019			
Short-term employee benefits	$ 996,890	$ 654,581	$ 1,651,471
Post-employment benefits			
Defined contribution plans	41,123	27,841	68,964
Defined benefit plan	8,639	2,434	11,073
Other employee benefits	33,254	116,890	150,144
Depreciation expenses	156,219	104,507	260,726
Amortization expenses	2	10,244	10,246
For the Year Ended December 31, 2018			
Short-term employee benefits	940,076	599,466	1,539,542
Post-employment benefits			
Defined contribution plans	43,924	24,162	68,086
Defined benefit plan	9,344	2,469	11,813
Other employee benefits	33,604	92,796	126,400
Depreciation expenses	170,022	71,742	241,764
Amortization expenses	2	9,084	9,086

Employees' compensation and remuneration of directors and supervisors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which have been approved by the Corporation's board of directors on March 24, 2020 and March 22, 2019, respectively, are as follows:

	For the Year Ended December 31			
	2019		2018	
Cash	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	6%	$208,319	6%	$ 167,530
Remuneration of directors and supervisors	2.6%	90,271	2.6%	72,597

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the TWSE.

23. TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 460,551	$ 382,330
Income tax on unappropriated earnings	27,382	-
Adjustments for prior years	11,958	18,069
	499,891	400,399
Deferred tax		
In respect of the current year	202,805	165,743
Adjustments to deferred tax attributable to changes in tax rates and laws	-	309,676
	202,805	475,419
Income tax expense recognized in profit or loss	$ 702,696	$ 875,818

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	$ 631,127	$ 508,700
Nondeductible expenses in determining taxable income	3,096	4,393
Others	-	(1,172)
Tax-exempt income	(3,073)	4,987
Income tax on unappropriated earnings	27,382	-
Unrecognized deductible temporary differences	(1,801)	(2,928)
Unrecognized loss carryforwards	34,007	34,093
Adjustments for prior years' tax	11,958	18,069
Effect of tax rate changes	-	309,676
Income tax expense recognized in profit or loss	$ 702,696	$ 875,818

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The tax rate applicable to the subsidiaries in China is 25%; the tax amount generated from other districst are calculated by the tax rates applicable in each relevant district.

In July 2019, the President of the ROC announced the amendments to the Statute of Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Current tax liabilities

	December 31	
	2019	2018
Current tax assets		
Advance income tax (recognized as other current assets)	$ 46,445	$ -
Current tax liabilities		
Income tax payable	$ 301,936	$ 274,560

c. Changes in deferred tax assets and liabilities

	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized intercompany profit	$ 92,850	$ 38,014	$ -	$ 130,864
Defined benefit obligation	31,250	412	3,959	35,621
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized foreign currency exchange losses	-	6,605	-	6,605
Unrealized provision for loss on inventory	4,063	(660)	-	3,403
	$ 140,661	$ 44,371	$ 3,959	$ 188,991
Deferred tax liabilities				
Temporary differences				
Investments accounted for using the equity method	$ 2,351,526	$ 250,453	$ -	$ 2,601,979
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	3,277	(3,277)	-	-
	$ 2,455,737	$ 247,176	$ -	$ 2,702,913

	For the Year Ended December 31, 2018			
	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	$ 37,383	$ 55,467	$ -	$ 92,850
Defined benefit obligation	24,271	2,739	4,240	31,250
Unrealized impairment loss on assets	10,623	1,875	-	12,498
Unrealized provision for loss on inventory	5,530	(1,467)	-	4,063
	$ 77,807	$ 58,614	$ 4,240	$ 140,661
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	$ 1,819,972	$ 531,554	$ -	$ 2,351,526
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	798	2,479	-	3,277
	$ 1,921,704	$ 534,033	$ -	$ 2,455,737

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized

	December 31	
	2019	**2018**
Loss carryforwards	$ 593,754	$ 481,901
Deductible temporary differences	39,588	48,369
	$ 633,342	$ 530,270

e. Income tax assessments

The income tax returns of the Corporation through 2017, have been assessed by the tax authorities.

24. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT$)
For the Year Ended December 31, 2019			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 2,502,443	298,983,800	$8.37
Effect of potentially dilutive common shares:			
Employees' compensation	-	1,391,304	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	$ 2,502,443	300,375,104	$ 8.33
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,708,835	298,983,800	$ 5.72
Effect of potentially dilutive common shares:			
Employees' compensation	-	1,371,300	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	$ 1,708,835	300,355,100	$ 5.69

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Miyata	Sale of bicycles	July 1, 2019	25	$ 23,766
Stians	Sale of bicycles	December 2,2019	41	$ 121,679

Acquisition of Miyata and the capital increase of Stians in cash were for the purpose of expanding the Group's market share in the local bicycle market.

b. Assets acquired and liabilities assumed at the date of acquisition

	Stians	Miyata
Current assets		
Cash and cash equivalents	$ 7,317	$ 77,599
Trade receivables	98,108	65,343
Inventories	324,460	204,598
Other current assets	6,992	12,169
Non-current assets		
Property, plant and equipment	19,110	6,648
Right-of-use assets	93,455	6480
Other non-current assets	10,450	11,269
Current liabilities		
Short-term bank borrowings	(197,255)	(57,720)
Trade and other payables	(233,074)	(60,704)
Current tax liabilities	-	(74)
Lease liabilities - current	(19,201)	(2,414)
Other current liabilities	(11,540)	(46,313)
Non-current liabilities		
Lease liabilities - non-current	(73,624)	(4,083)
Other non-current liabilities	-	(139,211)
	$ 25,198	$ 73,587

c. Goodwill arising on acquisitions

	Miyata
Consideration transferred	$ 23,766
Less: Fair value of identifiable net assets acquired	(18,397)
Goodwill recognized on acquisition	$ 5,369

Goodwill generated from the acquisition of Miyata is mainly derived from the control premium. In addition, the consideration paid by the Group includes the expected consolidated synergies, revenue growth, future market development and employee value. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Change in net value of equity due to capital increase in cash

	Stians
Consideration transferred	$ 121,679
Less: Net value of equity acquired from capital increase in cash	(101,585)
Less: Acquisition of equity from seasoned equity offering	
Change in net value of equity of associate accounted for using the equity method	$ 20,094

Change in net value is mainly derived from the capital increase in cash of Stians subscribed at a percentage different from its existing ownership percentage.

e. Net cash inflow on the acquisitions of subsidiaries

	Stians	Miyata
Consideration paid in cash	$ -	$ 23,766
Less: Cash and cash equivalent balances acquired	(7,317)	(77,599)
	$ (7,317)	$ (53,833)

f. Impact of acquisitions on the operating of the Group

The operating results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

	Stians	Miyata
Operating revenue	$ 17,688	$ 342,783
Profit (loss)	$ (21,087)	$ 3,163

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The carrying amounts of the Group's financial assets and liabilities that are not measured at fair value approximated their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) The Group's financial assets at FVTPL and financial assets at FVTOCI of December 31, 2018 are measured at fair value using Level 1 inputs.

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives	Discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31			
	2019		2018	
Financial assets				
FVTPL				
Mandatorily classified as at FVTPL	$	1,078,809	$	499,695
Financial assets at amortized cost		5,910,187		5,731,748
Financial assets at FVTOCI - Equity instruments		3,400		3,400
Financial liabilities				
Financial liabilities at amortized cost		7,742,001		6,505,447

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivables and refundable deposits.

The balances of financial liabilities above include financial liabilities measured at amortized cost, which comprise short-term and long-term bank borrowings, notes and trade payables, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors and compliance with policies and exposure limits was reviewed according to the internal control policies on a continuous basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into forward foreign exchange forward contracts to hedge the exchange rate risk arising on imports and exports.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchase, which expose the group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD.

Assuming a 1% increase in the NTD against the USD, the pre-tax profit for the years ended December 31, 2019 and 2018 would have decreased by $34,113 thousand and $37,002 thousand, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates was 1% for the years ended December 31, 2019 and 2018.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 679,907	$ 1,784,399
Financial liabilities	1,095,727	614,420
Cash flow interest rate risk		
Financial assets	2,574,964	1,433,251
Financial liabilities	1,531,003	1,269,065

Sensitivity analysis

The sensitivity analysis was determined based on the Group's exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased by $2,610 thousand and $410 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group's concentration of credit risk was mainly from customer A, which accounted for 59% and 54% of the total trade receivables as of December 31, 2019 and 2018, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized bank loan facilities of $6,379,871thousand and $5,999,295 thousand, respectively.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	On Demand or Less than 1 Year	**1-2 Years**	**2+ Years**
December 31, 2019			
Non-interest bearing liabilities	$ 5,313,318	$ -	$ -
Lease liabilities	62,210	58,317	178,115
Variable interest rate liabilities	1,254,512	11,809	264,682
Fixed interest rate liabilities	785,244	22,169	57,169
	$ 7,415,284	$ 92,295	$ 499,966

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	**1-5 Years**	**5-10 Years**
Lease liabilities	$ 62,210	$ 201,491	$ 34,941

	On Demand or Less than 1 Year	**1-2 Years**	**2+ Years**
December 31, 2018			
Non-interest bearing liabilities	$ 4,615,668	$ -	$ -
Variable interest rate liabilities	1,143,321	111,955	13,789
Fixed interest rate liabilities	614,420	-	-
	$ 6,373,409	$ 111,955	$ 13,789

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related Party Categories/Names

Related Party	Relationship with the Group
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	Associate
Miyata	Associate (became a subsidiary since July, 2019)
Stians	Associate (became a subsidiary since December, 2019)
Merida Sverige AB	Associate (became a subsidiary since December, 2019)
Merida Czech	Associate
Merida Slovakia	Associate
Merida Korea	Associate
Merida Italy	Associate
WideDoctor	Associate
Rai Bi Bicycle Co., Ltd.	Other
Cheng Shin Rubber Industry Co., Ltd. (“Cheng Shin”)	Other
Cheng Shin Rubber (Xiamen) Ind., Ltd. (“Cheng Shin (Xiamen)”)	Other
Tianjin Tafeng Rubber Industry Co., Ltd. (“Tianjin Tafeng”)	Other
Wolfgang Renner	Other

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associates		
SBC Group	$ 19,272,511	$ 16,541,791
Others	1,721,805	2,498,715
	20,994,316	19,040,506
Others	2,245	2,421
	$ 20,996,561	$ 19,042,927

The selling price and gross profit of the products that the Group sells to related parties are quoted based on the differences in the products and the acceptance of the market. The quoted price is different from that of OEM products.

c. Purchase of goods

Related Party Category	For the Year Ended December 31 2019	2018
Others	$ 231,121	$ 280,295
Associates	3,816	173
	$ 234,937	$ 280,468

The purchase price is quoted based on market prices.

d. Receivables from related parties

Related Party Category/Name	December 31 2019	2018
Trade receivables		
Associates		
SBC Group	$ 1,484,798	$ 1,324,192
Others	260,397	641,388
	$ 1,745,195	$ 1,965,580
Other receivables		
Associates		
Merida Italy	$ 37,379	$ -
Others	3,652	7,262
	41,031	7,262
Others	179	185
	$ 41,210	$ 7,447

The aging of receivables from related parties that were past due at the end of the reporting period was as follows (accounted for as other receivables)

	Overdue up 6 Mounth	Overdue More than 6 Months and Less than 1 Year	Overdue 1 year and above	Total
December 31, 2019				
Associates				
Merida Italy	$ 37,379	$ -	$ -	$ 37,379

e. Payables to related parties

Related Party Category	December 31	
	2019	2018
Trade payables		
Others	$ 46,543	$ 41,693
Associates	-	17
	$ 46,543	$ 41,710

f. Other transactions with related parties

1) Selling and marketing expenses - promotional and advertising expenses and others

Related Party Category	For the Year Ended December 31	
	2019	2018
Associates	$ 3,474	$ 3,219

2) Interest income

Related Party Category	For the Year Ended December 31	
	2019	2018
Associates		
SBC group	$ 12,501	$ 2,040
Merida Czech	5,291	7,836
Others	9,664	6,346
	$ 27,456	$ 16,222

The Corporation receives interest from overdue trade receivables at an interest rate agreed upon in the terms of the transactions.

3) Acquisition of property, plant and equipment

Related Party Category	Asset item acquired	Acquisition Price
Other related parties	Plant (including land)	$ 107,488

g. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 110,313	$ 109,833
Post-employment benefits	491	491
	$ 110,804	$ 110,324

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans:

	December 31	
	2019	2018
Inventory	$ 367,549	$ 32,780
Property, plant and equipment	30,407	14,732
	$ 397,956	$ 47,512

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2019 and 2018 were as follows:

a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials amounted to approximately $713,889 thousand and $702,878 thousand, respectively.

b. Unrecognized commitments are as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	$ 20,088	$ 20,153

c. Product liability insurance

The Corporation purchased product liability insurance over the products manufactured by the Corporation and its subsidiaries. The insured amount of the sales in USA and Canada is US$4,000 thousand and it covers accidents happening after September 18, 2000. The maximum indemnity claims for the single original cause of a liability is US$3,000 thousand. The insured amount for sales, other than those within the USA and Canada, is US$1,000 thousand, and covers accidents happening after January 7, 1999. The maximum indemnity claims for the single original cause of a liability is US$1,000 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2019			December 31, 2018		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 161,039	29.98	$ 4,827,949	$ 158,854	30.715	$ 4,879,202
JPY	830,282	0.276	229,158	667,104	0.2782	185,588
Non-monetary items						
Associates accounted for using the equity method						
USD	345,745	29.98	$ 10,365,435	301,260	30.715	9,253,193
EUR	5,302	33.59	178,094	5,734	35.20	201,850
JPY	-	0.2760	-	137,344	0.2782	38,209
Financial liabilities						
Monetary items						
USD	47,253	29.98	1,416,645	38,384	30.715	1,178,963
JPY	2,267,019	0.2760	625,697	2,029,088	0.2782	564,492

The Group is mainly exposed to the USD. The following information was aggregated by functional currencies of group entities, and the exchange rates between respective functional currencies and the presentation currency are disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1(NTD:NTD)	$ 45,203	1 (NTD:NTD)	$ 124,183
RMB	4.472(RMB:NTD)	12,570	4.56 (RMB:NTD)	19,128
EUR	34.61(EUR:NTD)	18,157	35.61 (EUR:NTD)	14,782

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments.

   The Corporation has no outstanding forward contracts as of December 31, 2019 and 2018. The net profit from trading in derivative instruments was $318 thousand and $566 thousand for the years ended December 31, 2019 and 2018, respectively.

10) Intercompany relationships and significant intercompany transactions. (Table 7)

11) Information on investees. (Table 8)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 5)

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)

   c) The amount of property transactions and the amount of the resultant gains or losses. (None)

   d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes. (Table 2)

   e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the location of operations. The Group focuses on the manufacture and sale of bicycles and bicycle components. The Group’s reportable segments are determined by products manufactured and the location of sales as follows:

1. Domestic operations - products manufactured and sold in Taiwan
2. Asia operations - products manufactured and sold in China and Hong Kong
3. Europe operations - products sold in Europe

a. Analysis of reportable segments

	For the Year Ended December 31, 2019				
	Domestic Operations	**Asia Operations**	**Europe Operations**	**Reconciliation and Elimination**	**Total**
Revenue					
Revenue from external customers	$22,400,877	$ 1,879,180	$ 3,963,157	-	$28,243,214
Inter-segment revenue	2,603,333	823,947	147,697	(3,574,977)	-
Interest income	64,239	35,253	2,626	(21,444)	80,674
Share of profit of associates accounted for using the equity method	1,261,953	-	-	88,331	1,350,284
Total revenue	$26,330,402	$ 2,738,380	$ 4,113,480	$(3,508 ,090)	$29,674,172
Interest expenses	$ 9,381	$ 18,090	$ 32,734	$ (16,331)	$ 43,874
Depreciation and amortization	69,170	136,207	65,595	-	270,972
Income tax expense	670,944	149	31,603	-	702,696
Segment profit and loss	2,502,443	(129,295)	39,504	88,332	2,500,984
Assets					
Investments accounted for using the equity method	$13,809,163	$ -	$ -	$ (3,150,258)	$10,658,905
Non-current assets	14,990,586	1,369,275	591,055	(3,217,688)	13,733,228
Segment assets	22,740,284	4,159,947	3,989,239	(5,208,680)	25,680,790
Segment liabilities	8,961,599	1,152,211	3,007,160	(1,844,040)	11,276,930

	For the Year Ended December 31, 2018				
	Domestic Operations	**Asia Operations**	**Europe Operations**	**Reconciliation and Elimination**	**Total**
Revenue					
Revenue from external customers	$20,714,198	$ 1,378,985	$ 3,759,759	$ -	$25,852,942
Inter-segment revenue	2,081,397	1,158,641	140,249	(3,380,287)	-
Interest income	44,455	26,663	3,003	(12,243)	61,878
Share of profit of associates accounted for using the equity method	1,059,001	-	-	7,132	1,066,133
Total revenue	$23,899,051	$ 2,564,289	$ 3,903,011	$ (3,385,398)	$26,980,953
Interest expenses	$ 8,626	$ 21,887	$ 25,739	$ (5,265)	$ 50,987
Depreciation and amortization	78,338	146,087	26,425	-	250,850
Income tax expense	843,211	-	32,607	-	875,818
Segment profit and loss	1,708,835	(121,805)	149,590	9,217	1,745,837
Assets					
Investments accounted for using the equity method	$12,923,527	$ -	$ -	$ (3,214,605)	$ 9,708,922
Non-current assets	14,128,720	1,507,544	155,671	(3,290,340)	12,501,595
Segment assets	20,592,446	4,087,380	2,338,541	(4,240,260)	22,778,107
Segment liabilities	7,840,270	910,976	1,651,650	(901,806)	9,501,090

Non-current assets do not include assets that are classified as deferred tax assets.

b. Information about major customers

	For the Year Ended December 31			
	2019		2018	
Name	**Amount**	**%**	**Amount**	**%**
Customer A	$19,272,511	68	$16,541,791	64

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Lender	Borrower (Note 6)	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Corporation	Stians	Other receivables from related parties	Yes	$ -	$ -	$ -	3.96	For short-term financing needs	$ -	Operating capital	-	-	$ -	$ 5,511,474 (Note 1)	$ 6,889,342 (Note 3)
		Merida Polska	Other receivables from related parties	Yes	125,185	125,185	114,067	6.48	For short-term financing needs	-	Operating capital	-	-	-	5,511,474 (Note 1)	6,889,342 (Note 3)
		Merida Italy	Other receivables from related parties	Yes	110,497	-	37,379	4.00	For short-term financing needs	-	Operating capital	-	-	-	1,377,868 (Note 2)	6,889,342 (Note 3)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 50,000	RMB 50,000	RMB 31,800	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 68,987 (Note 4)	RMB 68,987 (Note 4)
2	Merida China	Merida Jiangsu	Other receivables from related parties	Yes	RMB 60,000	RMB 60,000	RMB 24,460	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 42,481 (Note 5)	RMB 42,481 (Note 5)

Note 1: 40% of the net assets of the Corporation in their latest financial statements.

Note 2: 10% of the net assets of the Corporation in their latest financial statements.

Note 3: 50% of the net assets of the Corporation in their latest financial statements for the previous year.

Note 4: 40% of the net assets of Merida Shandong in their latest financial statements.

Note 5: 40% of the net assets of Merida China in their latest financial statements.

Note 6: Significant intercompany accounts and transactions have been eliminated.

TABLE 2

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Merida U.K.	Subsidiary	$ 3,825,653	EUR 500 GBP 4,000	EUR 500 GBP 4,000	$ - GBP 3,882	$ -	1.28	$ 6,376,088	Yes	-	-
		Merida & Centurion	Subsidiary	3,825,653	EUR 27,000	EUR 27,000	EUR 13,400	-	6.69	6,376,088	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	3,825,653	USD 22,250	USD 7,250	USD 3,750	-	1.60	6,376,088	Yes	-	Yes

Note 1: 30% of the net assets of the Corporation in their previous year’s financial statements.

Note 2: 50% of the net assets of the Corporation in their previous year’s financial statements.

TABLE 3

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership %	Fair Value (Note 2)
The Corporation	Mutual funds						
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	24,116	$ 250,301	-	$ 250,301
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	8,022	100,168	-	100,168
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	20,192	300,414	-	300,414
	Yuanta De- Bao Money Market Fund	-	Financial assets at FVTPL - current	24,903	300,426	-	300,426
	Share capital						
	Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	1,025	-	1,025
	Cheng Shin	The Corporation’s chairman is their director	Financial assets at FVTPL - current	1,146	47,895	-	47,895
	Kuei Meng	-	Financial assets at FVTPL - current	734	78,580	-	78,580
	Merida Benelux (Note 1)	-	Financial assets at FVTOCI - non-current	2,749	89,220	-	89,220
	SR Suntour Inc.	-	Financial assets at FVTOCI - non-current	110	3,000	-	3,000
	Taifong Golf Course	-	Financial assets at FVTOCI - non-current	30	400	-	400
	Long Jee Holdings Pte. Ltd.	-	Financial assets at FVTOCI - non-current	330	-	2	-

Note 1: The preference shares investments haves been eliminated.

Note 2: Refer to Note 27 for information on the fair values.

TABLE 4

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Shares and Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Corporation	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	8,722	$ 90,022 (Note)	47,303	$ 490,000	31,909	$ 330,374	$ 330,000	$ 374	24,116	$ 250,301 (Note)
	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	7,243	90,019 (Note)	27,286	340,000	26,507	330,319	330,000	319	8,022	100,168 (Note)
	Yuanta Wan Tai Money Market Fund	Financial assets at FVTPL - current	-	-	6,615	100,058 (Note)	17,145	260,000	23,760	360,391	360,000	391	-	-
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	20,192	300,000	-	-	-	-	20,192	300,414 (Note)
	Yuanta De-Bao Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	24,903	300,000	-	-	-	-	24,903	300,426 (Note)

Note: The net asset values are measured as of the balance sheet date.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party (Note)	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group	Investment accounted for using the equity method	Sale	$ (19,272,511)	(77)	O/A 60 days	$ -	-	$ 1,484,798	44	
	Merida & Centurion	Subsidiary	Sale	(1,557,201)	(6)	D/A or O/A 150 days	-	-	692,910	21	
	Stians	Subsidiary	Sale	(444,520)	(2)	T/T 14 days or D/A 120 days	-	-	228,984	7	
	Merida U.K.	Subsidiary	Sale	(309,723)	(1)	O/A 60 days	-	-	110,817	3	
	Merida Benelux	Subsidiary	Sale	(296,934)	(1)	O/A 180 days	-	-	183,015	5	
	SAIL & SURF	Investment accounted for using the equity method	Sale	(282,996)	(1)	T/T 14 days or D/A 180 days	-	-	42,240	1	
	Merida Korea	Investment accounted for using the equity method	Sale	(264,756)	(1)	O/A 120 days	-	-	-	-	
	Miyata	Subsidiary	Sale	(261,234)	(1)	O/A 90 days	-	-	74,603	2	
	Merida Bikes SWE	Investment accounted for using the equity method	Sale	(259,043)	(1)	T/T 14 days or D/A 60-120 days	-	-	35,735	1	
	Merida Polska	Subsidiary	Sale	(182,305)	(1)	O/A 150 days	-	-	164,691	5	
	Merida Czech	Investment accounted for using the equity method	Sale	(134,098)	(1)	D/A 150 days	-	-	72,541	2	
	Merida Italy	Investment accounted for using the equity method	Sale	(131,380)	(1)	D/A 90 days	-	-	93,821	3	
	Merida China	Indirectly owned subsidiary	Purchase	533,300	3	T/T 90 days	-	-	(91,211)	(2)	
	Merida Jiangsu	Indirectly owned subsidiary	Purchase	278,868	1	T/T 90 days	-	-	(28,908)	(1)	
Merida Shandong	Merida China	Associate	Sale	RMB (118,142)	(78)	T/T 90 days	-	-	RMB 644	8	
Merida Jiangsu	Merida China	Associate	Sale	RMB (66,423)	(47)	T/T 90 days	-	-	RMB 707	5	

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party (Note)	Relationship	Financial Statement Account	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	SBC Group	Investment accounted for using the equity method	Trade receivables from related parties	$ 1,484,798	13.72	$ -	-	$ 1,484,798	$ -
	Merida & Centurion	Subsidiary	Trade receivables from related parties	692,910	3.35	-	-	528,132	-
			Other receivables from related parties	7,329	-	-	-	5,105	-
	Merida Benelux	Subsidiary	Trade receivables from related parties	183,015	1.62	-	-	42,380	-
			Other receivables from related parties	3,660	-	-	-	848	-
	Stians	Subsidiary	Trade receivables from related parties	228,984	2.69	-	-	-	-
			Other receivables from related parties	2,510	-	-	-	-	-
	Merida Polska	Subsidiary	Trade receivables from related parties	164,691	1.07	-	-	14,278	-
			Other receivables from related parties	114,067	-	114,067	Continued collection	-	-
	Merida U.K.	Subsidiary	Trade receivables from related parties	110,817	3.41	-	-	54,172	-
Merida Shandong	Merida Jiangsu	Associate	Trade receivables from related parties	RMB 66	26.37	-	-	RMB 22	-
			Other receivables from related parties	RMB 31,887	-	-	-	RMB 12,017	-
Merida China	Merida Jiangsu	Associate	Other receivables from related parties	RMB 24,490	-	-	-	RMB 15,030	-

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 7

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	The Corporation	Merida & Centurion	1	Sales	$ 1,557,201	D/A or O/A 150 days	6
				Trade receivables	692,910	D/A or O/A 150 days	3
		Merida Benelux	1	Sales	296,934	O/A 180 days	1
				Trade receivables	183,015	O/A 180 days	1
		Merida Polska	1	Sales	182,305	O/A 150 days	1
				Trade receivables	164,691	O/A 150 days	1
		Merida U.K.	1	Sales	309,723	O/A 60 days	1
		Miyata	1	Sales	170,038	O/A 90 days	1
		Stains	1	Trade receivables	228,984	T/T 14 days or D/A 120 days	1
		Merida China	1	Cost of goods sold	533,300	T/T 90 days	2
		Merida Jiangsu	1	Cost of goods sold	278,868	T/T 90 days	1
1	Merida China	Merida Shandong	2	Cost of goods sold	RMB 118,142	T/T 90 days	2
		Merida Jiangsu	2	Cost of goods sold	RMB 66,423	T/T 90 days	1

Note: Flow of transactions numbered as follows: (1) From parent company to subsidiary; (2) From subsidiary to subsidiary.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount			
The Corporation	Share capital										
	SBC	California, United States of America	Design, development, manufacture and sale of bicycles	$ 887,013	$ 887,013	$ 3,410	35	$ 10,440,751	USD 125,692	$ 1,374,891	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,711,078	USD (3,249)	(100,424)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	31,713	-	51	268,934	EUR 2,872	50,695	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	43,076	PLN (2,262)	(13,500)	Subsidiary
	Stians	Lysaker, Norway	Sale of bicycles	151,459	29,780	198	75	66,648	NOK (17,952)	(28,970)	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	92,846	EUR 478	6,618	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	31,745	CZK (348)	(211)	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	57,167	EUR (294)	(3,699)	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	4,016	(1,186)	(303)	
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	21,178	EUR 62	644	
	Miyata	Tokyo, Japan	Sale of bicycles	103,679	79,913	1	70	40,990	JPY (29,194)	(2,850)	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	5,164	5,164	-	27	(1,740)	EUR (889)	(8,391)	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(86,731)	EUR (710)	(14,746)	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	19,532	GBP 101	3,244	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	11,202	KRW (97,669)	(1,045)	
Merida B.V.I.	Share capital										
	Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 57,125	HKD (6,509)	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 17,352	USD (3,454)	(Note 1)	Indirectly owned subsidiary
Stians	Share capital										
	Merida Sverige AB	Gothenburg, Sweden	Sale of bicycles	NOK 1,762	NOK 1,762	-	100	NOK 1,762	SEK (313)	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	Share capital										
	Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 801	EUR 81	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 275	EUR 21	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Cadastral District Number	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2019(Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
						Outward	Inward						
4403	Merida China	Manufacture and sale of bicycles	$ 368,154 (USD 12,280)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	$ 332,388 (USD 11,087)	$	$	$ 332,388 (USD 11,087)	$ (10,442)	100	$ (10,442)	$ 457,220	$ 1,340,226 (USD 44,707)
3714	Merida Shandong	Manufacture and sale of e-bikes and bicycles	479,680 (USD 16,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	479,680 (USD 16,000)			479,680 (USD 16,000)	(22,914)	100	(22,914)	742,502	777,172 (USD 25,923)
3206	Merida Jiangsu	Manufacture and sale of bicycles	1,049,300 (USD 35,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	494,670 (USD 16,500)			494,670 (USD 16,500)	(107,857)	70	(75,500)	488,574	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA	Accumulated investment amount from Taiwan due to disposal of companies in mainland China at the end of the current period (including sales, liquidation, dissolution, mergers and bankruptcy)	Repatriation of investment income from disposal of companies in mainland China as of the end of the current period (including sales, liquidation, dissolution, mergers and bankruptcy)
$ 1,306,738 (USD 43,587)	$ 1,370,536 (USD 45,715) (Note 2)	$ 8,642,316 (Note 3)	$ -	$ -

Note 1: The investment gain (loss) and carrying amount as of December 31, 2019 are recognized according to the financial statements audited by the Corporation's independent auditors.

Note 2: The amount includes the upper limit of the investment amount for Merida China of USD13,215 thousand, USD 16,000 thousand for Merida Shandong and USD16,500 thousand for Merida Jiangsu.

MERIDA INDUSTRY CO., LTD.

Chairman Zeng,Song-zhu