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MERIDA INDUSTRY CO., LTD.

2020 Annual Report

Printed Date: June 1,2021

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I. Letter to Shareholders

i. 2020 Business Report

According to the statistical report of Taiwan Bicycle Exporters Association (TBA), the total number and value of export of Taiwan bicycle industry including electric assisted bicycle (hereinafter referred to as "electric bicycle") and conventional bicycle (hereinafter referred to as "bicycle") decreased by 11.20% and 5.39% respectively in 2020 indicating that the industry was disrupted by the COVID-19 epidemic in 2020. In 2020, despite the sudden increase in global market demand during the post-epidemic period, the manufacturing side was relatively conservative in production and export due to the unstable supply of materials and logistics.

In 2020, the sales volume and value of the Company's own brand premium bicycles in China increased by 58% and 55% respectively, while the Taiwan plant, which mainly exports premium bicycles to Europe and the U.S., deferred production and export for a quarter under the impact of the epidemic. Sales volume was 1,069,100 units and 638,900 units (including 230,000 units of electric vehicles), up 1.61% and down 22.01%, respectively; consolidated and individual revenue was NT\$27.072 billion and NT\$20.229 billion, down 3.33% and 19.10%, respectively. However, due to the "squatting before jumping" situation in the global market with the development of the COVID-19 epidemic, the Group's sales surged during the post-epidemic period and have been pouring in huge profits since the second quarter, resulting in a "conservative revenue but substantial profit" performance for the year.

We are grateful for the support of all shareholders and directors, and the hard work and efforts of all employees. In the face of the receding of bike-sharing in the Chinese market and the growth momentum of our own brands arising from the new demand for premium bicycles after the epidemic, as well as the reversal of the demand for bicycles in the United States and Europe due to the hot demand for electric bicycles after the epidemic. The Company will actively adjust its bicycle and electric vehicle production lines, deploy manpower and resources, and prepare production capacity to meet the market demand, and strive to achieve operational goals and surpass the base period to create another good result.

The consolidated and independent operating situations of Merida in 2020 are hereby reported as follows :

(1) Achievements of operating plans :

Unit: 10,000 sets

Item	Budget	Actual	Completion rate (%)
Consolidated	86.33	106.91	123.84%
Independent	60.28	63.89	105.99%

(2) Operating Situations :

1. Consolidated :

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

Item \ Year	2020	2019	Comparison of the same period	Comparison of the same period(%)
SALES QUANTITY	106.91	105.22	1.69	1.61%
SALES	\$27,072,342	\$28,243,214	(1,170,872)	(4.15%)
COST OF GOODS SOLD	23,285,132	24,423,564	(1,138,432)	(4.66%)
GROSS PROFIT	3,787,210	3,819,650	(32,440)	(0.85%)
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	278,539	(83,322)	361,861	(434.29%)
REALIZED GROSS PROFIT	4,065,749	3,736,328	329,421	8.82%
OPERATING EXPENSES	2,181,527	2,025,502	156,025	7.70%
PROFIT FROM OPERATIONS	1,884,222	1,710,826	173,396	10.13%
Non-operating income (expenses)	3,356,595	1,492,854	1,863,741	124.84%
Net income before tax	5,240,817	3,203,680	2,037,137	63.59%
Net profit at current period	4,112,147	2,500,984	1,611,163	64.42%

2.Independent :

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

Item \ Year	2020	2019	Comparison of the same period	Comparison of the same period(%)
SALES QUANTITY	63.89	81.92	(18.03)	(22.01)
SALES	\$20,229,413	\$25,004,210	(4,774,797)	(19.10%)
COST OF GOODS SOLD	18,422,627	22,231,166	(3,808,539)	(17.13%)
GROSS PROFIT	1,806,786	2,773,044	(966,258)	(34.84%)
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	447,879	(190,075)	637,954	(335.63%)
REALIZED GROSS PROFIT	2,254,665	2,582,969	(328,304)	(12.71%)
OPERATING EXPENSES	860,246	834,253	25,993	3.12%
PROFIT FROM OPERATIONS	1,394,419	1,748,716	(354,297)	(20.26%)
Non-operating income (expenses)	3,636,725	1,424,671	2,212,054	155.27%
Net income before tax	5,031,144	3,173,387	1,857,757	58.54%
Net profit at current period	3,993,317	2,502,443	1,490,874	59.58%

(3) Profitability Analysis :

1. Consolidated :

Item	2020	2019	Comparison of the same period
Rate of return on assets	15.01%	10.47%	43.36%
Return of equity	26.37%	18.07%	45.93%
Ratio of operating profits to paid-in capital	63.02%	57.22%	10.14%
Ratio of profits before tax to paid-in capital	175.29%	107.15%	63.59%
Net profit margin	15.19%	8.86%	71.44%
Earnings per share (NTD\$)	13.36	8.37	59.62%

2. Independent :

Item	2020	2019	Comparison of the same period
Rate of return on assets	16.24%	11.58%	40.24%
Return of equity	26.79%	18.86%	42.05%
Ratio of operating profits to paid-in capital	46.64%	58.49%	(20.26%)
Ratio of profits before tax to paid-in capital	168.27%	106.14%	58.54%
Net profit margin	19.74%	10.01%	97.20%
Earnings per share (NTD\$)	13.36	8.37	59.62%

(4) R&D Conditions :

- a. The new generation sport electric (auxiliary) mountain bike eONE-SIXTY: won the 28th (2020) Taiwan Excellence Silver Award.
- b. MISSION CX, the new generation cross-country sports bike: won the 28th (2020) Taiwan Excellence Award.
- c. The new generation sport electric (auxiliary) mountain bike eONE-SIXTY: won the 8th (2020) Taipei International Cycle Show Innovation Design Award (TAIPEI CYCLE d&i awards) Gold Award.
- d. All-purpose aerodynamic road bike REACTO: won the 29th (2021) Taiwan Excellence and was selected for the Taiwan Excellence Gold and Silver Awards.
- e. Cross-country downhill mountain bike NINETY-SIX: won the 29th (2021) Taiwan Excellence Award and was selected for the Taiwan Excellence Gold and Silver Awards.

ii. Business Plan for 2021

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) In addition to the significant growth in demand for electric vehicles and bicycles in the two major bicycle markets in Europe and the United States, the sales of premium bicycles under self-owned brands in China are also expected to continue to grow, with potential additional demand for electric vehicles in the medium and long term. The comprehensive group’s annual response to the global market conditions will show that the scale of production and sales of high-end and high-end bicycles in China is expanding. The electric vehicles and bicycles produced and exported by Taiwan’s own factory will also significantly increase the production and sales portfolio. The total number of units sold is projected to increase, the average price of the product portfolio is projected to increase, and the sales volume is projected to grow significantly towards the middle and high end.

(2) Business Objectives:

Unit:10,000 units

	Business items	Estimate sales volume
Consolidated	Bike (including e-bike)	134
Independent	Bike (including e-bike)	94

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 90% 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. China's bicycle market has been undergoing continuous transformation, with diverse consumption patterns and extensions towards high valuation. In the future, there will be potential demand for high-end bicycles for leisure, sports, and racing and the extended high-end electric bicycles; especially after the COVID-19 epidemic, the industrial chain and brand channels will be further adjusted, and we need to grasp the medium and long-term growth momentum after market transformation. Therefore, the current Stage is to ensure the brand and distribution channels, the maintenance of the production line, and reserve the product development, production and sales and distribution management capabilities for continued expansion in the middle and high-end markets in the future.
2. In response 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. The assembly process of some e-bikes in the later stages (modules) is extended (distributed) to the Germany's factory to improve synergy; currently, the output of e-bikes and bicycles is arranged corresponding to the supply chain level. 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. 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.

2. 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.

3. 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.

4. 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.

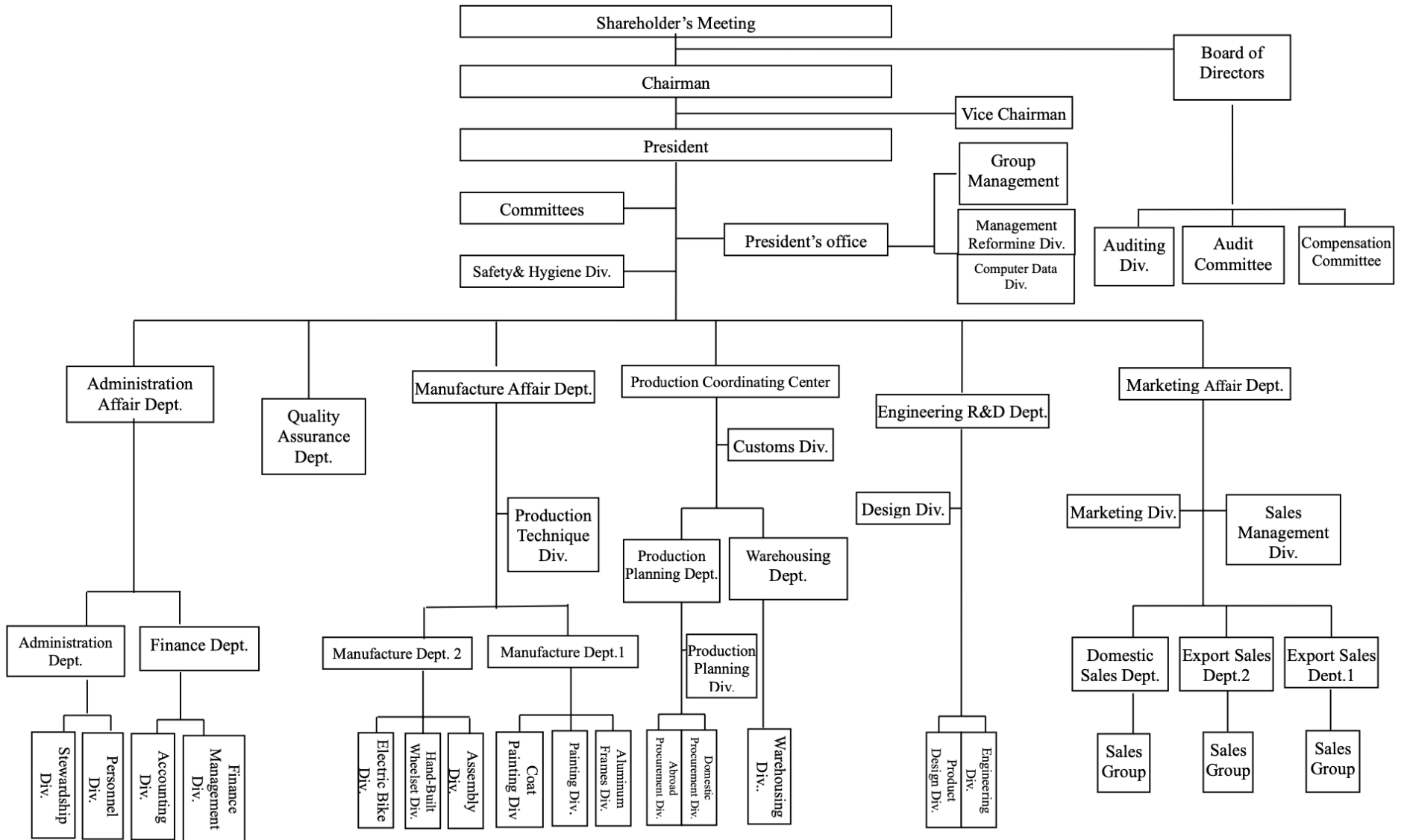
5. 2020:

- (1) The new generation sport electric (auxiliary) mountain bike eONE-SIXTY: won the 28th (2020) Taiwan Excellence Silver Award.
- (2) MISSION CX, the new generation cross-country sports car: won the 28th (2020) Taiwan Excellence Award.
- (3) The new generation sport electric (auxiliary) mountain bike eONE-SIXTY: won the Gold Award in the 8th Taipei International Cycle Show Innovation Design Awards (TAIPEI CYCLE d&i awards) in 2020.
- (4) "2020 Taiwan International Brand Value Estimation", organized by the Industrial Development Bureau of the Ministry of Economic Affairs and commissioned by the Taiwan Institute for Economic Research, Merida was ranked 10th with a brand value of USD402 million by Interbrand.
- (5) Merida's fourth-generation REACTO Team (RACTO. Fleet Edition), an all-purpose aerodynamic road bike, was selected as Cyclingnews, a leading professional media in the UK, as its 2020 Gear of the Year and CyclingWeekly Editor's Choice, with a perfect 10/10 rating.
- (6) Merida's BIG.NINE XT (Big 9 XT) won first place in the professional media test by UK's MBUK.
- (7) Held the "Changhua Classic 100K" series of activities to continue to promote cycling.
- (8) The air quality purification zone of "Yuanlin Agro-Industrial Eco-Park", which is adopted by our company, has been awarded as superior by Changhua County Government in 2020 for enterprise adoptions and maintenance of air quality purification zone.

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.	<ol style="list-style-type: none"> 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.	<ol style="list-style-type: none"> 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, Independent directors, and Management Team

1. (1) Directors and Independent directors

Date: as of April 27, 2021

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 independent directors within the relations of spouse or parents			Remark (Note 5)
							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%	13 th MBA Program for entrepreneur, National Chengchi University	1. President of 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	Zenglu Min-hua	Spouse	
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, Taipei High School	Chairman of Dinghong Investment Co., Ltd.	Chairman	Zeng Song-zhu	Spouse	
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	None	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 27, 2021

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 independent directors

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 independent directors during the two years prior to being elected or during the term of office.

- Not an employee of the company or any of its affiliates.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not been a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.Management Team:

Date: as of April 27, 2021

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 independent directors 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	Please refer to page 94 for concurrent positions in our Company's affiliated enterprises.	Senior 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 (Finance Supervisor / Accounting Supervisor)(Note 4)	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	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	
Senior Vice-President	Taiwan	Zeng, Shang-Yuan	2020.06.01	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	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	991	0%	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 Lughwa University of Science and Technology	None	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	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	
Accounting Supervisor	Taiwan	Liu, Ming-Gen	2021.04.01	Male	1,000	0%	105	0%	0	0%	Department of Finance and Taxation, Feng Chia University	None	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: Mr. Cai, Xue-liang, the accounting supervisor, stepped down on April 1, 2021, and Mr. Ming-Gen Liu was newly appointed on April 1, 2021.

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	39,032	39,032	1,446	1,446	1.01%	1.01%	2,775	2,775	0	0	6,601	0	6,601	0	1.25%	1.25%	None		
Director	Dinghong Investment Co., Ltd.	0	0	0	0	52,043	52,043	0	0	1.30%	1.30%	0	0	0	0	0	0	0	0	1.30%	1.30%	None		
Director	Zeng, Song-ling																							
Director	Zenglu, Min-hua																							
Director	Qiu, Li-qing																							
Director	Dinghong Investment Co., Ltd. Representative: Zheng, Wen-xiang Cai, Xue-liang Yuan, Qi-bin Lai Ru-ding	0	0	0	0	52,043	52,043	640	640	1.32%	1.32%	10,339	10,339	0	0	25,669	0	25,669	0	2.22%	2.22%	None		
Director	Dingcheng Investment Co., Ltd.																							
Director	Dingcheng Investment Co., Ltd. Representative: Zeng, Hui-juan																							
Independent director	Chen, Shui-jin																							
Independent director	Chen, Jian-nan																							
Independent director	Li, Zong-ying	3,600	3,600	0	0	0	0	140	140	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	None		
Independent director	Zhuang, Wen-jing																							

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 ⁽¹⁾ (Note 9)	The Company (Note 8)	All the companies in financial reports (J) (Note 9)
Below NTD 1,000,000	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)	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				
NTD 3,500,000 (included) ~5,000,000			Zeng, Hui-juan.	Zeng, Hui-juan.
NTD 5,000,000 (included) ~10,000,000			Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin. Lai, Ru-ding.	Zheng, Wen-xiang. Cai, Xue-liang. Yuan, Qi-bin. Lai, Ru-ding.
NTD 10,000,000 (included) ~15,000,000	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.	Zeng, Song-ling. Zenglu, Min-hua Qiu, Li-qing Dingcheng Investment Co. Ltd.
NTD 15,000,000 (included) ~30,000,000				
NTD 30,000,000 (included) ~50,000,000	Zeng, Song-zhu.	Zeng, Song-zhu.	Zeng, Song-zhu.	Zeng, Song-zhu.
NTD 50,000,000 (included) ~100,000,000	Dinghong Investment Co. Ltd.	Dinghong Investment Co. Ltd.	Dinghong Investment Co. Ltd.	Dinghong Investment Co. Ltd.
Over NTD 100,000,000				
Total amount	10	10	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 independent directors) 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 (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)		The Company	All the companies in financial reports (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Zeng, Song-zhu	17,880	17,880	0	0	0	0	43,462	0	43,462	0	1.54%	1.54%	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	Zeng, Chin-Cheng													
Senior Vice-President	Zeng, Shang-Yuan													

* 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		
NTD 1,000,000 (included)~2,000,000		
NTD 2,000,000 (included)~3,500,000		
NTD 3,500,000 (included)~5,000,000		
NTD 5,000,000 (included)~10,000,000	Zeng, Song-zhu Zheng, Wen-xiang Chen, Cheng-Pin Yuan, Qi-bin Cai, Xue-liang Lai, Ru-ding Zeng, Chin-Cheng Zeng, Shang-Yuan	Zeng, Song-zhu Zheng, Wen-xiang Chen, Cheng-Pin Yuan, Qi-bin Cai, Xue-liang Lai, Ru-ding Zeng, Chin-Cheng Zeng, Shang-Yuan
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 independent directors) 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, 2020

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	94,430	94,430	2.36%
	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	Zeng, Shang-Yuan				
	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	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, Independent directors, President and Senior Vice Presidents in the Most Recent Two Fiscal Years and compensation Policy for Directors, Independent directors, President and Senior Vice Presidents

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

	2020	2019	Explanation
The Company	5.37%	5.74%	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	5.37%	5.74%	

(2). The policy of payment to directors, independent directors, 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 the recent year (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	7	-	100%	
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:

- 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:
 - Items specified in Article 14-3 of Securities Exchange Act. (Please refer to Page 46 to 51).
 - 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
- 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
- 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).
- 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:
 - The Company has formulated the "Performance Evaluation Method for Board of Directors".
 - The Company has established independent directors and established an audit committee.
 - Execute in accordance with the "Procedures for Board of Director" and "Organization Rules of Audit Committee".

Note 1: Directors and independent directors 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 independent directors shall be listed and the former directors and independent directors 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
<p>1. Internal performance evaluation should be performed once a year.</p> <p>2. External performance evaluation should be performed at least every three years.</p> <p>3. When the external performance evaluation is conducted in the year, the internal performance evaluation operation may be exempted.</p>	<p>1. The year under evaluation is from January 1 to December 31.</p> <p>2. The Company starts the evaluation from 2020.</p>	<p>The scope includes performance evaluation of the Board of Directors, individual board members, and functional committees.</p>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>

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)
Once a year	2020.1.1-2020.12.31	Board of Directors Performance Evaluation	Board of Directors Self-Evaluation	<p>1. Involvement in the operation of the company</p> <p>2. Improvement of the quality of board decisions</p> <p>3. Composition and structure of the board of directors</p> <p>4. Selection and Continuing Education of Directors</p> <p>5. Internal control</p>
Once a year	2020.1.1-	Board	Board	1. Understanding of

	2020.12.31	Members Performance Evaluation	Members Self- Evaluation	the company's objectives and tasks 2.Awareness of Board members' responsibilities 3.Involvement in the company's operation 4.Internal relationship management and communication 5.Professionism and continuing education of board members 6.Internal control
Once a year	2020.1.1- 2020.12.31	Audit Committee Performance Evaluation	Audit Committee Self- Evaluation	1.Involvement in the operation of the company 2.Understanding of the Audit Committee's scope of work. 3.Improvement of the quality of committee decisions 4.Selection and Continuing Education of committee members 5.Internal control
Once a year	2020.1.1- 2020.12.31	Compensation Committee Performance Evaluation	Compensation Committee Self- Evaluation	1.Involvement in the operation of the company 2.Understanding of the Compensation Committee's scope of work. 3.Improvement of the quality of committee decisions 4.Selection and Continuing Education of committee members

				5.Internal control
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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
2020.01.20	1. Review of the Company's capital loan. 2. Review of the Company's joint and several guarantees for Merida Bicycle (Jiangsu) ,Ltd	Agreed by all members present	It was agreed and passed by all the directors present on January 20, 2020
2020.03.24	1. Review the Company's 2019 Annual Report on Operations. 2. Review the Company's individual and consolidated financial statements for FY2019. 3. Review the appropriation of earnings for FY2019 4. Review of the Company's Statement of Internal Control System for 2019 5. Review of the Company's loan of capital. 6. Review the evaluation of the independence and suitability of the Company's independent auditors/certified public accountants. 7. Review the audit fee of the Company's independent auditors/certified public accountants for 2020	Agreed by all members present	It was agreed and passed by all the directors present on March 24, 2020
2020.05.12	1. Review of the Company's capital loan. 2. Review the loan entrusted by Merida Bicycle (China) Co.,Ltd. to Merida Bicycle (Jiangsu) Ltd. 3. Review the amendment to the "Procedures for Loaning Funds and Endorsement Guarantee" by Merida Industrial (Hong Kong) Ltd. 4. Review the case of ING Bank N.V. granting credit to the Company to invest in the company's businesses..	Agreed by all members present	It was agreed and passed by all the directors present on May 12, 2020

2020.06.23	1. Review the Company's capital loan. 2. Review the Company's increase in investment in Miyata Cycle Co., Ltd. / Merida Japan Co., Ltd. 3. To consider the loan of capital to the Company by Merida Industrial (Hong Kong) Ltd.	Agreed by all members present	It was agreed and passed by all the directors present on June 24, 2020
2020.08.11	1. Review of the Company's capital loans. 2. Review the proposal of the regulation on the preparation and management of the Company's financial reports..	Agreed by all members present	It was agreed and passed by all the directors present on August 11, 2020
2020.11.10	1. Review the loan of capital regarding the Company and its subsidiaries. 2. Review the Company's auditing plan for FY2021. 3. Review the Company's capital increase of Merida Italy s.r.l. in cash. 4. Review the loan entrusted by Merida Bicycle (Shandong) Co.,Ltd. to Merida Bicycle (Jiangsu) Ltd. 5. Review the amendment to the "Board of Directors' Performance Evaluation Regulations" of the Company.	Agreed by all members present	It was agreed and passed by all the directors present on November 10, 2020

(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.

- 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.
- 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
2020.03.24	1. The impact of the COVID-19 epidemic on audit execution. 2. Progress of the Company's self-prepared financial statements: The Company's individual and consolidated financial statements for FY2019 have been prepared by the Company for the accountants' review. 3. The results of the audit and adjustments to the financial statements for fiscal 2019. 4. Discussion of issues identified in the FY2019 audit. 5. Recent legal updates.	Briefing Session	No other opinions
2020.11.10	1. Review results and adjustments for the third quarter of 2020. 2. Discussion of issues identified in the review of the third quarter of FY2020 financial statements. 3. Review of financial report self preparation competency. 4. Accelerate the bilingualization within the capital market, implementing a phased English information reporting method. 5. Corporate governance. 6. Remote audit in response to the epidemic. 7. 2020 Annual Key Audit Matters (KAM).	Briefing Session	No other opinions

Note :

- 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.
- 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	
<p>3. Composition and Duties of the Board of Directors</p> <p>(1) Does the Board of Directors formulate a pluralistic approach to membership and implement it?</p>	✓		(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 the "Performance Evaluation Method of the Board of Directors" and conducts annual performance evaluation and submits the performance evaluation results to the Board of Directors on pages 27~29, and uses the performance evaluation results as a reference for individual director's salary compensation and nomination for reappointment.	(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 independent directors with the necessary information to carry out business, assisting directors and independent directors 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 independent directors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and independent directors)?	✓		<p>(1) Employee's rights. Employee care: refer to page 75-v. Labor Relations.</p> <p>(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.</p> <p>(3) Supplier Relations: Our Company has always maintained good relations with suppliers.</p> <p>(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.</p> <p>(5) Further education of directors and independent directors: 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].</p> <p>(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.</p> <p>(7) Implementation of customer policy: The company has a customer telephone service line, company website and discloses relevant information at any time to interact</p>	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 independent directors: The Company has purchased liability insurance for directors, independent directors and key employees.	
<p>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)</p> <p>(1). Improvements in recent years:</p> <ol style="list-style-type: none"> 1) The English annual report and annual financial report were submitted 7 days before the shareholders' meeting. 2) The Company uploaded the shareholders' meeting manual and supplementary information to the shareholders' meeting 30 days before the annual general shareholders' meeting. 3) The Company uploads the annual report 16 days before the shareholders' meeting. 4) The company was invited to hold two investor conferences in the same year, and the first and last investor conferences of the year were held more than three months apart. 5) The Company's Board of Directors has established a self-evaluation or peer evaluation system, which has been in effect since 2020. <p>(2). Those who have not yet improved put forward priorities and measures for strengthening:</p> <ol style="list-style-type: none"> 1) Prepare and announce the interim financial report in English. 				

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, independent directors, 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, independent directors, and managers of the Company.
- 3).To regularly evaluate the achievement of the performance goals of the Company's directors, independent directors, 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 2020. 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		
2020.01.20	1. Review the Company's year-end bonus for the employees for the year 2019. 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 20, 2020		
2020.03.20	1. Review the Company's employee remuneration and director and supervisor remuneration distribution for the year 2019. 2. Review the Company's salary adjustment for the year 2020.	Agreed by all members present.	It was agreed and passed by all the directors present on March 24, 2020		
2020.09.01	1. Review of amendments to the "Regulations Governing the Remuneration of Directors and Independent directors" of the Company 2. Review the Company's remuneration distribution plan for directors and independent directors for the year 2019 3. Review the Company's employee compensation plan for the year 2019.	Agreed by all members present.	It was agreed and passed by all the directors present on September 1, 2020		

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? (2) Is the Company committed to improving the utilization efficiency of resources and using recycled materials with low impact on the environment? (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? (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,	✓ ✓ ✓	 ✓	(1) The Company stipulates relevant operating procedures for air pollution, waste water and waste disposal according to law. (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) 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) 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	None

Evaluation items	Operation situation (Note 1)		Summary (Note 2)	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N		
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 73~74-3 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?	✓		(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.	None
(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	✓		(2) The Company has formulated and implemented reasonable employee welfare measures, please refer to page 75-v. of the labor relations.	
(3) Does the Company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees?	✓		(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) Does the Company establish an effective career development training program for employees?	✓		(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 independent directors of each competent unit of the Company may arrange the courses offered by external professional	

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?	✓		(5) training institutions according to the needs of employees 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) 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?	✓		(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	
<p>1. Formulating Integrity Management Policies and Programs</p> <p>(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?</p> <p>(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 "?</p> <p>(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?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(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.</p> <p>(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.</p>	None
<p>2. Implementation of Integrity Management</p> <p>(1) Does the Company evaluate the integrity records of its clients and specify the terms of integrity in its contracts with the clients?</p>	<p>✓</p>		<p>(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</p>	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	
(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?		✓	regulations of the Company. Internal auditors shall also audit all transactions from time to time to prevent illegal behaviors. (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, independent directors, 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

<p>MERIDA INDUSTRY CO., LTD. Internal Control Statement</p>	<p>Date : March 25,2021</p>
<p>Based on the results of our self-assessment, the Company's internal control system for 2020 is hereby declared as follows:</p>	
<ol style="list-style-type: none">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 December 31 2020, 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 25, 2021. Of the <u>13</u> directors present, <u>0</u> have objections. The rest agree with the contents of this statement and make this statement.	
<p>MERIDA INDUSTRY CO., LTD. Chairman: Zeng, Song-zhu President: Zeng, Song-zhu</p>	

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 24, 2020.

1). Important resolutions and implementation:

A. Passed the recognition of Business Report, Independent and Consolidated Financial Statements of 2019.

Implementation: It has been published on MOPS according to the resolution of shareholders' meeting.

B. Passed the recognition of distribution of 2019 profits.

Implementation: In the proposal for distribution of 2019 profits, cash dividend was NTD 4.2 per share. According to the 2nd Board Resolution of 2020, August 19, 2020 was set as the base date for distribution, and the distribution was completed on September 4, 2020.

C. Passed amendments to the Company's Articles of Incorporation

Implementation: The amendment was announced on the Company's website in accordance with the resolution of the shareholders' meeting and the amended procedures were followed.

D. Passed amendments to the Company's election of directors

Implementation: The amendments were announced on the Company's website in accordance with the resolution of the shareholders' meeting and the amended procedures were followed.

(2) Board of Directors' Meeting:

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

A. Report of the Company's internal audit.

B. The Company's year-end bonus payment plan of employees for 2019
Resolution: Approved by all directors and independent directors present.

C. The Company's staff salary structure adjustment plan

Resolution: Approved by all directors and independent directors present.

D. Loan of Funds to the Company

Resolution: Approved by all directors and independent directors present.

E. The Company's joint and several guarantee to Meridian Bicycle (Jiangsu) Co.

Resolution: Approved by all directors and independent directors present.

- 2) The 2nd Board of Directors' meeting of 2020 was held on March 24, 2020.
- A. Report of the Company's internal audit.
 - B. Report on the Company's competency to prepares its own financial reports
 - C. The Company's operating report for the year 2019.
 - D. The Company's business plan report for the year 2020.
 - E. The Company's reinvestment operation overview report.
 - F. Report on the operational status of different areas of the group.
 - G. Employee remuneration and distribution of directors and independent directors in 2019.
Resolution: Approved by all directors and independent directors present.
 - H. Recognition of the Company's annual business report for 2019..
Resolution: Approved by all directors and independent directors present.
 - I. Recognition of the Company's independent and consolidated financial statements for 2019.
Resolution: Approved by all directors and independent directors present.
 - J. Recognition of the Company's proposal for distribution of 2019 profits.
Resolution: Approved by all directors and independent directors present.
 - K. Review of the company's internal control system statement for 2019.
Resolution: Approved by all directors and independent directors present.
 - L. Amendment to the Company's Articles of Incorporation
Resolution: Approved by all directors and independent directors present.
 - M. Amendments to the Company's Director Election Regulations
Resolution: Approved by all directors and independent directors present.
 - N. Resolution on the Company's Capital Loan and Approval
Resolution: Approved by all directors and independent directors present.
 - O. Resolution to approve the salary adjustment of the Company's employees in 2020
Resolution: Approved by all directors and independent directors present.
 - P. Evaluation of the Independence and Competence of the Company's independent auditor/Certified Public Accountants
Resolution: Approved by all directors and independent directors present.
 - Q. Motion to approve the audit fee of the Company's certified public accountant for the year ended December 31, 2010
Resolution: Approved by all directors and independent directors present.
 - R. The date, place, agenda and related matters for the 2020 Annual General Meeting of Shareholders of the Company
Resolution: Approved by all directors and independent directors present.
 - S. The period, place, agenda and related matters regarding the acceptance

of shareholders' proposals for the 2020 Annual General Meeting of Shareholders.

Resolution: Approved by all directors and independent directors present.

- 3) The 3rd Board of Directors' meeting of 2020 was held on May 12, 2020.
- A. Report of the Company's internal audit.
 - B. Report on the Company's exercise of the right to vest benefits from stock transactions
 - C. Report on the Company's business plan for the year 2020
 - D. Report on Consolidated Financial Statements for the first season of 2020
 - E. Report on the Company's investment activities for the first season of 2020
 - F. Report on the Group's operations by region
 - G. Amendment to the Rules of Procedure of the Company's Board of Directors
Resolution: Approved by all directors and independent directors present.
 - H. Amendment to the Rules and Regulations Governing the Organization of the Audit Committee of the Company
Resolution: Approved by all directors and independent directors present.
 - I. Amendment to the Rules and Regulations of the Compensation Committee of the Company
Resolution: Approved by all directors and independent directors present.
 - J. Changes in personnel of the Company
Resolution: Approved by all directors and independent directors present.
 - K. Resolution on Loan and Approval of Funds of the Company
Resolution: Approved by all directors and independent directors present.
 - L. The loan entrusted by Merida Bicycle (China) Co.,Ltd. to Merida Bicycle (Jiangsu) Ltd
Resolution: Approved by all directors and independent directors present.
 - M. Amendment to the "Procedures for the Lending of Funds and Endorsement Guarantee" by Merida Industrial (Hong Kong) Co.
Resolution: Approved by all directors and independent directors present.
 - N. Resolution of ING Bank N.V. to extend credit to the Company to invest in its business
Resolution: Approved by all directors and independent directors present.
- 4) The 4th Board of Directors' meeting of 2020 was held on June 24, 2020.
- A. The schedule finalization of the earnings payment of cash dividends on common stock in 2019 of the Company.
Resolution: Approved by all directors and independent directors present.
 - B. Resolution of the Company's capital loans.
Resolution: Approved by all directors and independent directors present.
 - C. The Company's increase in investment in Miyata Cycle Co., Ltd. / Merida Japan Co., Ltd.
Resolution: Approved by all directors and independent directors present.
 - D. Loan of Funds from Merida Industrial (Hong Kong) Ltd. to the Company
Resolution: Approved by all directors and independent directors present.

- present.
- 5) The 5th Board of Directors' meeting of 2020 was held on August 11, 2020.
 - A. Report of the Company's internal audit.
 - B. Consolidated financial statements report for the second quarter of 2020.
 - C. Overview report of the Company's investment business in the second quarter of 2020.
 - D. Report on the operational status of different areas of the group.
 - E. The Company's Fund Lending
Resolution: Approved by all directors and independent directors present.
 - F. Resolution of the Regulations Governing the Preparation of Financial Reports of the Company
Resolution: Approved by all directors and independent directors present.
 - 6) The 6th Board of Directors' meeting of 2020 was held on September 1, 2020.
 - A. Authorization for the Company's legal representative to sign the documents for the opening of a new bank account for Merida Industrial (Hong Kong) Ltd.
Resolution: Approved by all directors and independent directors present.
 - B. Amendment to the " Regulations Governing the Payment of Remuneration to Directors and Independent directors" of the Company
Resolution: Approved by all directors and independent directors present.
 - C. Distribution of Directors' Remuneration for the Year 2019
Resolution: Approved by all directors and independent directors present.
 - D. Employee Compensation for the Year 2019
Resolution: Approved by all directors and independent directors present.
 - 7) The 7th Board of Directors' meeting of 2020 was held on November 10, 2020.
 - A. Report of the Company's internal audit.
 - B. Report on the Company's purchase of director and manager liability insurance.
 - C. Consolidated financial statements report for the third quarter of 2020.
 - D. Overview report of the Company's investment business in the third quarter of 2020.
 - E. Report on the Group's operations by region
 - F. The Company's Fund Lending.
Resolution: Approved by all directors and independent directors present.
 - G. Proposed Audit Plan for the Year 2021
Resolution: Approved by all directors and independent directors present.
 - H. The Company's cash capital increase of Merida Italy s.r.l.
Resolution: Approved by all directors and independent directors present.
 - I. Loan entrusted by Merida Bicycle (Shandong) Co.Ltd to Merida Bicycle (Jiangsu) Ltd
Resolution: Approved by all directors and independent directors present.
 - J. Amendment to the "Board of Directors' Performance Evaluation Method" of the Company
Resolution: Approved by all directors and independent directors present.
 - 8) The 1st Board of Directors' meeting of 2021 was held on February 5, 2021.
 - A. Report of the Company's internal audit.
 - B. Amendments to the Company's "Regulations Governing the Payment of Year-end Bonuses"
Resolution: Approved by all directors and independent directors present.

- C. The Company's year-end bonus payment plan of employees for 2020.
Resolution: Approved by all directors and independent directors present.
 - D. The Company's staff salary structure adjustment plan
Resolution: Approved by all directors and independent directors present.
- 9) The 2nd Board of Directors' meeting of 2021 was held on March 25, 2021.
- A. Report of the Company's internal audit.
 - B. Report on the Results of the Board of Directors' Evaluation of the Company's Performance for the Year 2020
 - C. Report on the company's 2020 Annual Report on Operations
 - D. Report on the Company's 2021 Annual Business Plan
 - E. Report on the Company's investment activities
 - F. Report on the Group's Operations by Region
 - G. The Company's Employee Compensation and Director Compensation Plan for 2020
Resolution: Approved by all directors and independent directors present.
 - H. Recognition of the Company's 2020 Annual Report on Operations
Resolution: Approved by all directors and independent directors present.
 - I. Recognition of the Company's Individual and Consolidated Financial Statements for the Year 2020
Resolution: Approved by all directors and independent directors present.
 - J. Proposal to distribute the Company's earnings for the year ended 2020
Resolution: Approved by all directors and independent directors present.
 - K. Amendment to the Company's Articles of Incorporation
Resolution: Approved by all directors and independent directors present.
 - L. Amendment to the Rules of Procedure of the Company's Shareholders' Meeting
Resolution: Approved by all directors and independent directors present.
 - M. Re-election of Directors (including Independent Directors) of the Company
Resolution: Approved by all directors and independent directors present.
 - N. The date, place, agenda and related matters of the 2021 Annual General Meeting of Shareholders of the Company
Resolution: Approved by all directors and independent directors present.
 - O. The period, place, agenda and related matters regarding the acceptance of shareholders' proposals for the 2021 Annual General Meeting of Shareholders
Resolution: Approved by all directors and independent directors present.
 - P. The period, place, agenda and related matters regarding the acceptance of nominations of candidates for directors (including independent directors) for the 2021 Annual General Meeting of Shareholders

Resolution: Approved by all directors and independent directors present.

Q. The Company's Statement of Internal Control System for the Year 2020

Resolution: Approved by all directors and independent directors present.

R. The Company's capital lending

Resolution: Approved by all directors and independent directors present.

S. Approval of Salary Adjustment for Employees in 2021

Resolution: Approved by all directors and independent directors present.

T. Evaluation of the Independence and Competence of the Company's independent auditors/Certified Public Accountants

Resolution: Approved by all directors and independent directors present.

U. Motion to approve the audit fee of the Company's certified public accountant for the year 2021

Resolution: Approved by all directors and independent directors present.

V. Change of accounting supervisor of the Company

Resolution: Approved by all directors and independent directors present.

W. The loan entrusted by Meridian Bicycle (China) Ltd. to Meridian Bicycle (Jiangsu) Ltd.

Resolution: Approved by all directors and independent directors present.

13. Major Issues of Record or Written Statements Made by Any Director or Independent Director 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:

April 1, 2021

Title	Name	Date of appointment	Date of termination	Cause for appointment or termination
Senior Vice President	Xue-Liang, Cai		April 1, 2021	Accounting Supervisor Position Adjustment
Manager	Ming-Gen, Liu	April 1, 2021		Accounting Supervisor Position Adjustment

Note: The relevant persons of the Company refer to the chairman, general manager, head of accounting, head of finance, head of internal audit, and head of research and development.

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		Audit fee	Non-audit fee	Total amount
Remuneration scale				
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 Resource	Others (Note 2)	Total		
Deloitte & Touche	Shu-Chin Chiang	5,670						2020/1/1~2020/12/31	
	Done-Yuin Tseng								
Deloitte & Touche	Yu-Yeh Kang			345		950	1,295		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:

Replacement date	None		
Reasons and statement of the replacement	None		
Note that the appointee or Accountant terminates or does not accept the appointment	Condition	Accountant	Appointer
	voluntary termination of appointment	None	
	No further acceptance (continuation) of appointment		
Opinions and reasons for the issuance of a review report beyond the unqualified opinions in the recent two years	None		
Objection to the issuer	Yes	None	Accounting principles or practices
		None	Disclosure of financial report
		None	Audit scope or steps
		None	Others
	No		
Notes:			
Other disclosure (items to be disclosed in items 1 (4) to(7), paragraph 6 of article 10, of the Standard)	None		

2. Regarding the successor Accountant:

Name of accounting firm	None
Name of Accountant	None
Date of Appointment	None
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 2021

Independence & Suitability Assessment Report of CPA
of MERIDA INDUSTRY CO., LTD.

Date of assessment: March 25, 2021

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, Independent directors, Managers and Major Shareholders

Unit: share

Title (Note 1)	Name	2020		As of April 27, 2021	
		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	430,000	0	0	0
Director	Qiu, Li-qing	0	0	0	0
Director	Dinghong Investment Co., Ltd. Representative: Zheng Wen-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 (Accounting Supervisor/Finance Supervisor)(Note 1.(3))	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	Zeng, Chin-cheng	0	0	0	0
Senior Vice-President	Zeng, Shang-Yuan	60,000	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	(3,000)	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	Tsai, Wei-sing	0	0	0	0
Major shareholder	Zeng, Song-zhu	0	0	0	0
Accounting Supervisor	Liu, Ming-Gen			1,000	

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) Mr. Xueh-Liang Cai, the accounting supervisor, stepped down on April 1, 2021, and Mr. Ming-Gen Liu was newly appointed on April 1, 2021.

2. Information on Equity Transfer of Directors, Independent directors, Managers and Major Shareholders: None
3. Information on Equity Pledge of Directors, Independent directors, Managers and Major Shareholders: None.

ix. Relationship among the Top Ten Shareholders:

April 27, 2021 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	
Chunghwa Post Co., Ltd.	10,024,100	3.35	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	
HSBC Custodianship of Avatar Asian Advantage Sovereign Fund	8,264,000	2.76	0	0	0	0	None	None	
Cathay Life Insurance	8,227,414	2.75	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.	7,314,925	2.45	0	0	0	0	None	None	
Special Account fully entrusted by the new labor pension fund for the second time in 2018	5,727,144	1.92	0	0	0	0	None	None	
Zeng, Song-ling	5,692,934	1.90	0	0	0	0	None	None	
Fubon Life Insurance	5,439,000	1.82	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, independent directors, managers, and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise

March 31, 2021 Unit: share; %

Affiliated Companies (Note)	Investment of the Company		Investments directly or indirectly controlled by directors, independent directors, 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
Merida Norge 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 issuing shares	51.00	0	0%	Not issuing 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 issuing shares	30.00	0	0%	Not issuing shares	30.00
Merida Czech s.r.o.	Not issuing shares	45.00	0	0%	Not issuing shares	45.00
SAIL & SURF Produktions-und Handelsgesellschaft m.b.H.	Not issuing shares	40.00	0	0%	Not issuing shares	40.00
Merida Bikes SWE, S.A.	448	36.36	0	0%	448	36.36
Merida Japan Co., Ltd.	1,800	90.00	0	0%	1,800	90.00
Merida Italy S.r.l.	559,050	27.27	0	0%	559,050	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	350,000,000	3,500,000,000	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	51,016,200	350,000,000	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 27, 2021

Status / Amount	Governmental agencies	Financial institutions	Other legal persons	Independents	Foreign institutions and outsiders	Total amount
Number of persons	5	22	348	22,820	469	23,664
Number of shares	8,997,450	25,996,686	22,251,677	109,671,453	132,066,534	298,983,800
Shareholding ratio	3.01%	8.70%	7.44%	36.68%	44.17%	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 27, 2021

Shareholding grading	Number of shareholders	Number of shares	Shareholding ratio (%)
1 to 999	19,738	1,161,084	0.39%
1,000 to 5,000	2,952	5,268,059	1.76%
5,001 to 10,000	275	1,951,341	0.65%
10,001 to 15,000	114	1,445,696	0.48%
15,001 to 20,000	76	1,377,427	0.46%
20,001 to 30,000	78	1,917,643	0.64%
30,001 to 50,000	75	3,000,903	1.00%
50,001 to 100,000	107	7,789,251	2.61%
100,001 to 200,000	80	11,427,007	3.82%
200,001 to 400,000	63	18,310,529	6.13%
400,001 to 600,000	22	10,362,612	3.47%
600,001 to 800,000	14	9,436,109	3.16%
800,001 to 1,000,000	16	14,470,648	4.84%
1,000,001 above	54	211,065,491	70.59%
Total amount	23,664	298,983,800	100.00%

4. List of Major Shareholders:

Date: as of April 27, 2021

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		Year	2019	2020	As of March 31, 2021 (Note 8)
Market price per share (Note 1)	Highest		203.00	294.50	352.00
	Lowest		137.00	85.50	237.50
	Average		173.61	204.23	287.55
Net worth per share (Note 2)	Before distribution		46.09	53.63	57.04
	After distribution		41.89	Earnings distribution for 2020 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	8.37	13.36	3.86
		After retrospective adjustment	-	-	-
Dividend per share	Cash dividend	Special stock	-	-	-
		Common stock	NTD 4.2 per share	Earnings distribution for 2020 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)		20.74	15.29	-
	Cash dividend yield (Note 6)		41.34	Earnings distribution for 2020 is subject to the resolution of the shareholders' meeting	-
	Cash dividend reproductive rate (Note 7)		2.42%	Earnings distribution for 2020 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 2020 profits was proposed from 2020 total unappropriated earnings. Total number of outstanding common shares was 298,983,800. Cash dividend per share is NTD 7, rounding down to the nearest dollar, totaling NTD 2,092,886,600. 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 2021 financial forecasts, so it is not applicable.

8. Employees' compensation and directors & independent directors' 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 2021. In 2020, Merida's income before tax was NTD 5,504,533,116 before deducting the employees' compensation and directors' compensation. The employees' compensation was distributed by 6% of the above amount, totaling NTD 330,271,987, and the directors' compensation was distributed by 2.6% of the above amount, totaling NTD 143,117,861, which has been distributed in full in cash.

- 2) The basis of calculating number of shares where Stock compensation are Paid: 2020 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) 2020 compensation approved in the Board of Directors meeting:
- 1) Employees' compensation and directors' & independent directors' compensation in the form of cash or stock:
 - A. Employees' compensation: NTD 330,271,987.
 - B. Directors' compensation: NTD 143,117,861.
 - 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 : 2020 employees' compensation approved in the Board of Directors Meeting has been distributed in full in cash, so it is not applicable.
- (4) 2019 actual distribution of employees' and directors' & independent directors' compensation (including number of shares, monetary amount, and stock price):
- 1) Employees' compensation: NTD 208,318,600, distributed in full in cash.
 - 2) Directors' & independent directors' compensation: NTD 90,271,393.
 - 3) The actual amounts of employees' compensation and directors' & independent directors' 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, 2021, 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	92.34%
Bicycle frame and components	7.66%

(3) New products planned to be developed:

(1) Electric-assisted road bikes [e-SCULTURA/e-SPEEDER/e-SILEX]

There are three series of "electric-assisted road bikes". It adopts an extremely small and compact rear hub-driven motor with an internal battery placed in a tube under the frame, resulting in a sleek and clean vehicle with the same appearance as ordinary road bikes. The e-SCULTURA/e-SPEEDER/e-SILEX series have been developed to meet the needs of the booming market and different customer segments, and are available for racing, daily commuting and off-road riding on rugged forest roads. The Merida e-SILEX+ 600 was awarded the European Design & Innovation Award 2021 for design innovation.

The e-SILEX, a new concept for lighter electric bikes, won the 2021 European Design Innovation Award as soon as it was launched. The MAHLE X35+ is an integrated system with an electric motor rear hub that can assist at speeds of up to 25km/h. The smooth motor assist power and reduced overall weight make more riders' dreams come true. With a 25km/h assisted speed, the pedaling experience is as smooth as that of a traditional bike. With wide 650 x 47B tires, a comfortable riding position, and a wealth of expandable features, the e-SILEX is sure to appeal to many newcomers to the electric bike scene.

(2) Super Lightweight Shock-Resistant Suspension-Equipped Mountaineering Bike

The "Super Lightweight Shock-Resistant Suspension-Equipped Mountaineering Bike" is a cross-country mountain bike with front and rear suspensions, allowing riders to overcome rugged and broken terrain, in particular, the rear suspension operates with 96mm of rear wheel compression travel, fully satisfying consumers' needs on mountain and forest trails.

The super lightweight frame design and configuration is another highlight of the bike. The frame is made of high modulus carbon fiber composite material, which is lightweight and robust. The new fully concealed cable design gives the bike a cleaner and more refined appearance. The "Flex Pivot" design reduces the number of pivot points and provides better shock absorption, enhancing the comfort of the bike and making the bike more compact and clean. Therefore, the "Super Lightweight Shock-Resistant Suspension-Equipped Mountaineering Bike" is not only suitable for professional racing, but also satisfies riders who like to travel in the mountains.

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:

In 2020, the total export scale of Taiwan bicycle industry was slightly conservative (mainly due to the imbalance of supply and demand in the global industry chain caused by the COVID-19 epidemic), while the global bicycle and e-bike market had booming sales after the epidemic. The inventory level of product turnover had been significantly revised downward, therefore, the industry had a significant opportunity to replenish the inventory afterwards while the demand for middle and high-end bicycles and electric vehicles continues to increase.

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

2020	As of March 31, 2021
63,687,251	21,503,165

(2) Technologies or products successfully developed:

- a. "New Generation Sport Electric (auxiliary) Mountain Bike eONE-SIXTY": Won the 28th (2020) Taiwan Excellence Silver Award.
- b. MISSION CX, the new generation cross-country sports bike, won the 28th (2020) Taiwan Excellence Award.
- c. "New Generation Sport Electric (auxiliary) Mountain Bike eONE-SIXTY": won the 8th (2020) Taipei International Cycle Show Innovation Design Award (TAIPEI CYCLE d&i awards) Gold Award.
- d. "All-purpose Aerodynamic Road Bike REACTO": won the 29th (2021) Taiwan Excellence Award and was selected for Taiwan Excellence Gold and Silver Awards.
- e. "Cross-country downhill mountain bike NINETY-SIX": Won the 29th (2021) Taiwan Excellence Award and was nominated for the Taiwan Excellence Gold and Silver Award.

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

(1).Short-term plan:

It is expected that the demand for premium bicycles in China will continue to grow in 2021, while the demand for medium and premium bicycles and electric bicycles in Europe and the United States will increase significantly. The company's extensive private label channels are eager to replenish inventory and increase their demand for electric vehicles and bicycles. In response to the increase in orders for the coming year, the Group has increased its production capacity by adjusting its manpower and production lines and by expanding and following up on the supply sources.

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

Estimating the scale of demand and growth trend for middle and high-end bicycles in the next 5 to 10 years, (including high-end roadsters, mountain bikes, urban recreational vehicles and electric bikes...) in global bicycle markets, in order to maintain its market share in the global premium bicycle market and achieve stable growth in profitability, the Group will maintain the position for its extensive private label to meet the demand of the middle and high-end markets, and adjust the development, manufacturing and sales services of its model lineup in a timely manner, while increasing its investment in brands and channels in emerging markets.

ii. Market and Sales Overview

1. Market Analysis:

(1) Information of sales in different regions:

Regions	Ratio (%)
Europe	56.96%
America	21.08%
Others	21.96%

(2) Market share:

Compared with the data of Taiwan Bicycle Association (TBA), the amount and value of bicycles exported by the Company's Taiwan factory in 2020 accounted for 24% and 32% of the total exports of Taiwan's bicycle industry. In addition, in 2020, the amount and value of e-bikes exported by the Company (Taiwan factory) accounted for 30% and 33% of the total exports of Taiwan's e-bicycle industry. The amount and value of e-bikes exported by the Company (Taiwan factory) accounted for 36% and 51% of the total amount and value of the Company's (Taiwan factory) 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 10% 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:

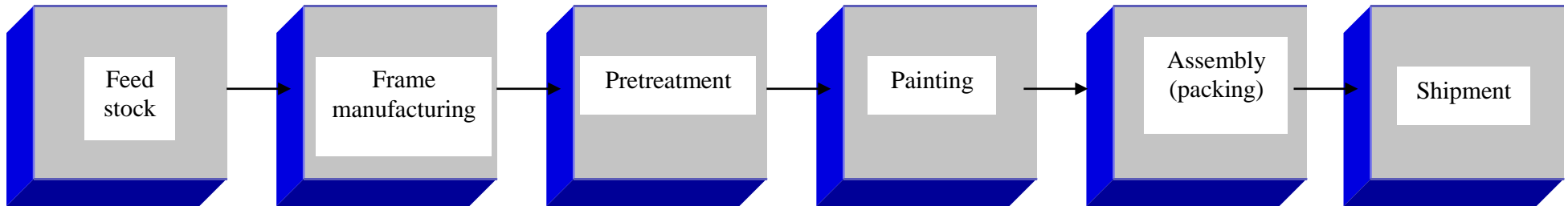
- 1) Advantages and countermeasures: Due to long-term adherence to the brand production and marketing policy focusing on the global middle and high-grade bicycle market, from product development, production, distribution and sales channels, the global market has a clear positioning, and its multi-brands 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 out-of-ordinary epidemics), 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
Motor of E-BIKES	Foreign and domestic manufacturers	Good
Frame assembly	Foreign and domestic manufacturers	Good
Battery	Foreign and domestic manufacturers	Good
Tire material	Foreign and domestic manufacturers	Good
Front fork components	Foreign and domestic manufacturers	Good
Shock absorber components	Foreign and domestic manufacturers	Good
Hubs	Foreign and domestic manufacturers	Good
Chainwheelsand crank arms	Foreign and domestic manufacturers	Good
Brake components	Foreign and domestic manufacturers	Good
Transmission assembly	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	2019				2020				As of the first quarter of 2021 (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	4,426,292	19.43	Non-related party	M3001	3,808,867	17.60	Non-related party	M3002	1,172,088	15.35	Non-related party
2					M3002	2,392,828	11.06	Non-related party	M3001	1,165,171	15.27	Non-related party
3	Others	18,352,538	80.57	-	Others	15,438,083	71.34	-	Others	5,294,128	69.38	-
	Net purchase	22,778,830	100.00		Net purchase	21,639,778	100.00		Net purchase	7,631,387	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	2019				2020				As of the first quarter of 2021 (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	19,272,511	68.24	Invested company valued at equity	0301	15,935,708	58.86	Invested company valued at equity	0301	5,015,540	62.56	Invested company valued at equity
2	Others	8,970,703	31.76	-	Others	11,136,634	41.14	-	Others	3,001,988	37.44	-
	Net sales	28,243,214	100.00		Net sales	27,072,342	100.00		Net sales	8,017,528	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

Year	2019			2020		
	Capacity	Production volume	Output	Capacity	Production volume	Output
Bicycle	1,790,000	773,740	12,170,934	1,940,000	727,393	9,808,249
E-bike		239,420	10,455,239		232,829	9,761,524
Frame and components	-	-	1,078,913	-	-	791,485
Total amount	1,790,000	1,013,160	23,705,086	1,940,000	960,222	20,361,258

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	2019				2020			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Production volume	Output	Production volume	Output	Production volume	Output	Production volume	Output
Bicycle		22,507	206,639	793,097	14,596,619	19,218	163,911	821,325	14,543,776
E-bikes		494	35,092	236,067	11,799,586	738	53,083	227,852	10,475,526
Frame and components		-	29,225	-	1,726,628	-	27,482	-	2,040,683
Service revenue		-	2,245	-	-	-	1,512	-	3,434
Return and discount of sales		-	(3,565)	-	(149,255)	-	(4,954)	-	(232,111)
Total amount		23,001	269,636	1,029,164	27,973,578	19,956	241,034	1,049,177	26,831,308

iii. Human Resources

Year		2019	2020	As of April 30, 2021
Number of employees	Supervisors	168	171	169
	Staff	711	705	703
	Employee	1,658	1,796	1,928
	Total	2,537	2,672	2,800
Average years of service		9.22	9.51	9.55
Average age		38	40	40
Distribution of academic qualifications %	PhD	0	0	0
	Master	3%	3%	3%
	Junior college	25%	24%	23%
	Senior high school	39%	38%	37%
	Below senior high school	33%	35%	37%

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°C 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's 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. 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) Waste iron, waste aluminum, waste plastics, and waste paper are sorted and placed together and outsourced for recycling on a regular basis. The total weight of recyclable waste in 2020 was 1,556 metric tons, while the total weight of waste in 2020 was 205 metric tons, a 23.4% decrease compared to 2019.
- (9) The total discharge of wastewater in 2020 was 78,489 cubic meters, a 31.3% decrease from 2019, while there was no penalty for water resources in 2020.
- (10) The water consumption in 2020 was 115,918 metric tons, and the water consumption in 2019 was 125,248 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 month.

- 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, Merida Japan Co., Ltd and Merida Norge AS 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) 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.) 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	BWTCT Bahrain WorldTour Cycling Team S.P.C.	2020.01.01 ↓ 2021.12.31	Sponsorship of professional cycling team Bahrain-McLaren Team, which has been renamed Team Bahrain -Victorious since 2021	None

VI. Financial Information

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

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

Unit: NTDS \$ 1,000

Items \ Year	Financial Information over the Last Five Years (Note 1)					Financial Information Checked by Accountants as of March 31, 2021 (Note 3)	
	2016	2017	2018	2019	2020		
Current assets	\$9,026,327	\$9,037,790	\$10,135,851	\$11,758,571	\$12,588,937	\$14,505,458	
Property, plant and equipment (Note 2)	2,575,013	2,515,796	2,342,984	2,400,791	2,685,572	2,618,679	
Intangible assets	44,156	39,411	40,685	45,307	56,399	53,467	
Other assets (Note 2)	9,949,986	9,352,549	10,258,587	11,476,121	14,351,569	15,306,525	
Total assets	21,595,482	20,945,546	22,778,107	25,680,790	29,682,477	32,484,129	
Current liabilities	Before distribution	6,102,541	6,549,326	6,740,593	7,814,104	8,252,813	9,793,740
	After distribution	7,298,476	7,147,294	7,787,036	9,069,836	Note 4	Note 4
Non-current liabilities	2,415,959	2,314,846	2,760,497	3,462,826	4,649,077	4,882,159	
Total liabilities	Before distribution	8,518,500	8,864,172	9,501,090	11,276,930	12,901,890	14,675,899
	After distribution	9,714,435	9,462,140	10,547,533	12,532,662	Note 4	Note 4
Total equity attributable to owners of the Corporation	12,586,036	11,585,175	12,752,176	13,778,685	16,034,136	17,053,616	
Common shares	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	
Capital surplus	416,505	416,548	416,548	416,290	416,290	416,290	
Retained earnings	Before distribution	9,444,122	8,986,413	10,115,280	11,535,606	14,302,371	15,455,789
	After distribution	8,248,187	8,388,445	9,068,837	10,279,874	Note 4	Note 4
Other equity	(264,429)	(807,624)	(769,490)	(1,163,049)	(1,674,363)	(1,808,301)	
Treasury stock	-	-	-	-	-	-	
Non-controlling interests	490,946	496,199	524,841	625,175	746,451	754,614	
Total equity	Before distribution	13,076,982	12,081,374	13,277,017	14,403,860	16,780,587	17,808,230
	After distribution	11,881,047	11,483,406	12,230,574	13,148,128	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)				
		2016	2017	2018	2019	2020
Current assets		\$5,277,626	\$5,247,900	\$6,323,065	\$7,560,707	\$7,894,006
Property, plant and equipment		987,304	1,058,757	1,033,651	1,013,022	1,003,876
Intangible assets		-	-	-	-	13,390
Other assets		13,133,442	12,417,829	13,235,730	14,166,555	17,559,645
Total assets		19,398,372	18,724,486	20,592,446	22,740,284	26,470,917
Current liabilities	Before distribution	4,700,160	5,003,694	5,142,976	5,971,976	6,837,042
	After distribution	5,896,095	5,601,662	6,189,419	7,227,708	Note 2
Non-current liabilities		2,112,176	2,135,617	2,697,294	2,989,623	3,599,739
Total liabilities	Before distribution	6,812,336	7,139,311	7,840,270	8,961,599	10,436,781
	After distribution	8,008,271	7,737,279	8,886,713	10,217,331	Note 2
Total equity attributable to owners of the Corporation		12,586,036	11,585,175	12,752,176	13,778,685	16,034,136
Common shares		2,989,838	2,989,838	2,989,838	2,989,838	2,989,838
Capital surplus		416,505	416,548	416,548	416,290	416,290
Retained earnings	Before distribution	9,444,122	8,986,413	10,115,280	11,535,606	14,302,371
	After distribution	8,248,187	8,388,445	9,068,837	10,279,874	Note 2
Other equity		(264,429)	(807,624)	(769,490)	(1,163,049)	(1,674,363)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	12,586,036	11,585,175	12,752,176	13,778,685	16,034,136
	After distribution	11,390,101	10,987,207	11,705,733	12,522,953	Note 2

Note 1: The financial data for the period from 2016 to 2020 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 NTDS\$ 1 the rest are NTDS\$ 1,000

Items \ Year	Financial Information over the Last Five Years					Financial Information Checked by Accountants as of March 31, 2021
	2016	2017	2018	2019	2020	
Sales	\$22,901,472	\$22,396,174	\$25,852,942	\$28,243,214	\$27,072,342	\$8,017,528
Realized gross profit	3,486,451	2,762,630	3,218,229	3,736,328	4,065,749	990,833
Profit from operations	1,539,061	1,028,826	1,351,280	1,710,826	1,884,222	344,928
Non-operating income (expenses)	892,034	7,248	1,270,375	1,492,854	3,356,595	1,171,646
Net income before tax	2,431,095	1,036,074	2,621,655	3,203,680	5,240,817	1,516,574
Net profit at current period	1,915,444	798,474	1,745,837	2,500,984	4,112,147	1,186,236
Losses of discontinued unit	-	-	-	-	-	-
Net profit (loss)	1,915,444	798,474	1,745,837	2,500,984	4,112,147	1,186,236
Other comprehensive income (loss) for the year, net of income tax	(575,166)	(598,190)	47,774	(435,584)	(461,204)	(158,593)
Total comprehensive income for the year	1,340,278	200,284	1,793,611	2,065,400	3,650,943	1,027,643
Net profit attributable to owners of the corporation	1,918,953	797,361	1,708,835	2,502,443	3,993,317	1,153,418
Net profit attributable to non-controlling interests	(3,509)	1,113	37,002	(1,459)	118,830	32,818
Total comprehensive income attributable to owners of the corporation	1,385,047	195,031	1,764,969	2,093,046	3,511,692	1,019,480
Total comprehensive income attributable to non-controlling interests	(44,769)	5,253	28,642	(27,646)	139,251	8,163
Earnings per share	6.42	2.67	5.72	8.37	13.36	3.86

* 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 NTDS \$ 1, the rest are NTDS \$ 1,000

Items \ Year	Financial Information over the Last Five Years				
	2016	2017	2018	2019	2020
Sales	\$16,980,611	\$18,213,043	\$22,795,595	\$25,004,210	\$20,229,413
Realized gross profit	2,214,815	1,825,250	2,123,202	2,582,969	2,254,665
Profit from operations	1,386,668	1,091,243	1,310,589	1,748,716	1,394,419
Non-operating income (expenses)	1,023,813	(102,340)	1,241,457	1,424,671	3,636,725
Net income before tax	2,410,481	988,903	2,552,046	3,173,387	5,031,144
Net profit at current period	1,918,953	797,361	1,708,835	2,502,443	3,993,317
Losses of discontinued unit	-	-	-	-	-
Net profit (loss)	1,918,953	797,361	1,708,835	2,502,443	3,993,317
Other comprehensive income (loss) for the year, net of income tax	(533,906)	(602,330)	56,134	(409,397)	(481,625)
Total comprehensive income for the year	1,385,047	195,031	1,764,969	2,093,046	3,511,692
Net profit attributable to owners of the corporation	1,918,953	797,361	1,708,835	2,502,443	3,993,317
Net profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the corporation	1,385,047	195,031	1,764,969	2,093,046	3,511,692
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	6.42	2.67	5.72	8.37	13.36

Note : The financial data for the period from 2016 to 2020 are certified by the Accountant.

3. Auditors' Opinions for the Last Five Years

Year	Name of accounting firm	Accountant	Audit opinion
2016	Deloitte & Touche	Te-Jun Cheng, Lie-Dong Wu	Revised clean opinion
2017	Deloitte & Touche	Shu-Chin Chiang, Lie-Dong Wu	Clean opinion
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
2020	Deloitte & Touche	Shu-Chin Chiang, Done-Yuin Tseng	Clean opinion with the paragraphs of other matter
First quarter of 2021	Deloitte & Touche	Shu-Chin Chiang, Done-Yuin Tseng	Review report of reserved conclusions

i. Five-Year Financial Analysis

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

Items		Year	Financial Analysis over the Last Five Years					Financial information as of March 31, 2021 (Note 1)
			2016	2017	2018	2019	2020	
Financial structure (%)	Debt ratio		39.5	42.3	41.7	43.9	43.5	45.2
	Ratio of long-term capital to property, plant, and equipment		521.31	489.3	572.0	614.8	661.9	718.8
Solvency (%)	Current ratio		147.9	138.0	150.3	150.5	152.5	148.1
	Quick ratio		94.6	84.0	92.8	89.9	90.6	80.8
	Interest earned ratio (times)		108.3	39.3	52.4	74.0	101.8	175.6
Operating performance	Accounts receivable turnover (times)		12.5	13.0	12.3	11.3	12.3	13.4
	Average collection period		29.2	28.1	29.7	32.3	29.8	27.2
	Inventory turnover (times)		5.9	5.7	6.0	5.7	4.8	4.9
	Accounts payable turnover (times)		5.3	5.2	5.7	5.9	4.9	5.0
	Average days in sales		62	64	61	64	76	74
	Property, plant, and equipment turnover (times)		8.9	8.9	11.0	11.8	10.1	12.3
	Total assets turnover (times)		1.1	1.1	1.1	1.1	0.9	1.0
Profitability	Return on total assets (%)		8.8	3.9	8.2	10.5	15.0	4.1
	Return on stockholders' equity (%)		14.5	6.4	13.8	18.1	26.4	6.9
	Pre-tax income to paid-in capital (%)		81.3	34.7	87.7	107.1	175.3	50.7
	Profit ratio (%)		8.4	3.6	6.8	8.9	15.2	14.8
	Earnings per share (NTD\$)		6.4	2.7	5.7	8.4	13.4	3.9
Cash flow	Cash flow ratio (%)		28.1	4.7	10.9	15.4	25.6	(1.76)
	Cash flow adequacy ratio (%)		127.9	94.7	87.5	67.4	70.8	49.4
	Cash reinvestment ratio (%)		0.4	(5.6)	0.8	0.8	3.7	(0.7)
Leverage	Operating leverage		1.2	1.3	1.2	1.2	1.2	1.2
	Financial leverage		1.0	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):

- Interest earned ratio (times): the increase of 37% is due to the increase in consolidated profits.
- Return on total assets (%): the increase of 44% is due to the increase in consolidated profits.
- Return on stockholders' equity (%): the increase of 46% is due to the increase in consolidated profits.
- Pre-tax income to paid-in capital (%): the increase of 64% is due to the increase in consolidated profits.
- Profit ratio (%): the increase of 72% is due to the increase in consolidated profits.
- Earnings per share (NTD\$): the increase of 60% is due to the increase in consolidated profits.
- Cash flow ratio (%): the increase of 66% is due to the increase in net cash inflows from business activities as a result of the increase in consolidated profits.
- Cash reinvestment ratio (%): the increase of 63% is due to the increase in long term investments.

*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 2016 to 2020 are certified by Accountants, and the financial data for the first quarter of 2021 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)=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		Financial Analysis over the Last Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	35.12	38.13	38.07	39.41	39.43
	Ratio of long-term capital to property, plant, and equipment	1,274.8	1,094.2	1,233.7	1,360.2	1,597.2
Solvency (%)	Current ratio	112.3	104.9	123.0	126.6	115.5
	Quick ratio	84.7	76.0	91.4	103.5	74.4
	Interest earned ratio (times)	401.0	159.8	269.9	339.3	1,098.1
Operating performance	Accounts receivable turnover (times)	7.5	8.9	9.6	8.2	7.8
	Average collection period	49	41	38	45	47
	Inventory turnover (times)	11.5	11.7	13.1	14.6	8.8
	Accounts payable turnover (times)	4.5	4.7	5.6	5.6	4.1
	Average days in sales	32	31	28	25	42
	Property, plant, and equipment turnover (times)	17.2	17.2	22.1	24.7	20.2
	Total assets turnover (times)	0.9	1.0	1.1	1.1	0.8
Profitability	Return on total assets (%)	9.7	4.2	8.7	11.6	16.2
	Return on stockholders' equity (%)	15.1	6.6	14	18.9	26.8
	Pre-tax income to paid-in capital (%)	80.6	33.1	85.4	106.1	168.3
	Profit ratio (%)	11.3	4.4	7.5	10	19.7
	Earnings per share (NTD\$)	6.4	2.7	5.7	8.4	13.4
Cash flow	Cash flow ratio (%)	44.3	14.5	14.5	25.1	13.6
	Cash flow adequacy ratio (%)	114.0	98.9	92.4	89.3	76.7
	Cash reinvestment ratio (%)	3.0	(3.4)	0.9	2.7	(1.7)
Leverage	Operating leverage	1.0	1.1	1.1	1.0	1.1
	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. Quick Ratio: Decrease by 28%, mainly due to the increase in accounts payable.
2. Interest earned ratio (times): increased by 224%, mainly due to the increase in profit for the period.
3. Inventory turnover (times): decreased by 40%, mainly due to the increase in inventories.
4. Accounts payable turnover (times): decreased by 27%, mainly due to the increase of accounts payable in the current period.
5. Average days in sales: 67% increase, mainly due to the decrease in inventory turnover rate.
6. Total assets turnover (times): decreased by 31%, mainly due to the increase of assets in the current period.
7. Return on total assets (%): increased by 40%, mainly due to the increase in profitability.
8. Return on stockholders' equity (%): 42% increase, mainly due to the increase in profit for the period.
9. Pre-tax income to paid-in capital (%): increased by 59%, mainly due to the increase of profit in the current period.
10. Profit ratio (%): increased by 97%, mainly due to the significant increase in profit.
11. Earnings per share (NTD\$): Increased by 60%, mainly due to the increase in profit.
12. Cash flow ratio (%): decreased by 46%, mainly due to the decrease in operating capital.
13. Cash reinvestment ratio (%): decreased by 162%, mainly due to the decrease in operating capital.

* 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 2016 to 2020 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 recent financial statements

Audit Committee's Review Report

The Board of Directors of Merida prepared the Independent and Consolidated financial statements in 2020, 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

2021 Annual Shareholders' Meeting

Merida Industry Co., Ltd

Chairman of the Audit Committee

Chen Shui-Jin



Date : March 25 2021

iv. Consolidated Financial Report of 2020: Please refer to Page161.

v. Independent Financial Report of 2020: 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	2019	2020	Differences	
				Amount	%
Current assets		11,758,571	12,588,937	830,366	7.1
Funds and investment		10,697,707	13,866,452	3,168,745	29.6
Property, plant, and equipment		2,400,791	2,685,572	284,781	11.9
Other assets		283,175	188,188	(94,987)	(33.5)
Total assets		25,680,790	29,682,477	4,001,687	15.6
Current liabilities		7,814,104	8,252,813	438,709	5.6
Non-current liabilities		355,830	994,190	638,360	179.4
Other liabilities		3,106,814	3,654,887	548,073	17.6
Total liabilities		11,276,930	12,901,890	1,624,960	14.4
Total equity attributable to owners of the Corporation		13,778,685	16,034,136	2,255,451	16.4
Common shares		2,989,838	2,989,838	0	0.0
Capital surplus		416,290	416,290	0	0.0
Retained earnings		11,535,606	14,302,371	2,766,765	24.0
Other equities		(1,163,049)	(1,674,363)	(511,314)	44.0
Non-controlling interests		625,175	746,451	121,276	19.4
Total equity		14,403,860	16,780,587	2,376,727	16.5

2. Statement:

- 1) The increase in funds and investments was mainly due to the increase in investments accounted for by the equity method.
- 2) The decrease in other assets was mainly due to the decrease in deferred income tax assets.
- 3) The increase in non-current liabilities was mainly due to the increase in long-term bank loans.
- 4) The increase in retained earnings was mainly due to the increase in unappropriated earnings.
- 5) The increase in other equities was mainly due to the increase in exchange rate fluctuations resulting in the translation of financial statements of foreign operating companies.

ii. Analysis of Financial Performance

1. Comparisons and Analysis of Financial Performance:

Unit: NTD 1,000

Items \ Year	2019	2020	Increase (decrease) of amount	Ratio of change (%)
Sales	\$28,243,214	27,072,342	(\$1,170,872)	(4.1)
Cost of goods sold	24,423,564	23,285,132	(1,138,432)	(4.7)
Gross profit	3,819,650	3,787,210	(32,440)	(0.8)
Realized (unrealized) gain on transactions with subsidiaries and associates	(83,322)	278,539	361,861	(434.3)
Realized gross profit	3,736,328	4,065,749	329,421	8.8
Operating expenses	2,025,502	2,181,527	156,025	7.7
Non-operating income and expenses	1,492,854	3,356,595	1,863,741	124.8
Profit before income tax	3,203,680	5,240,817	2,037,137	63.6
Income tax expenses	702,696	1,128,670	425,974	60.6
Net profit for the year	2,500,984	4,112,147	1,611,163	64.4
Other comprehensive income (loss) for the year, net of income tax	(435,584)	(461,204)	(25,620)	5.9
Total comprehensive income for the year	2,065,400	3,650,943	1,585,543	76.8
Net profit attributable to owners of the corporation	2,502,443	3,993,317	1,490,874	59.6
Net profit attributable to non-controlling interests	(1,459)	118,830	120,289	(824.3)
Total comprehensive income attributable to owners of the corporation	2,093,046	3,511,692	1,418,646	67.8
Total comprehensive income attributable to non-controlling interests	(27,646)	139,251	166,897	(603.7)

2. Statement:

- (1) Increase in realized (unrealized) gain on transactions with subsidiaries and associates: Mainly due to the increase in the closing inventory of the investee company and the sale of inventory in response to the increase in the purchase of electric vehicles.
- (2) Increase in non-operating income and expenses: Mainly due to the continued profit of the investee company.
- (3) Increase in income before income tax: Mainly due to the continued profit of the investee company.
- (4) Increase in income tax expense: Mainly due to the increase in pre-tax income.
- (5) Increase in net profit for the year: Mainly due to the increase in profit from consolidation for the period.
- (6) Increase in consolidated profit or loss: Mainly due to the increase in Total comprehensive income for the year: Mainly due to the increase in consolidated profit for the year.
- (7) Increase in total comprehensive income attributable to owners of the corporation: Mainly due to the increase in consolidated income for the period.
- (8) Increase in Total comprehensive income attributable to non-controlling interests: Mainly due to the increase in profits from the increase in sales of subsidiaries.

iii. Analysis of Cash Flow:

1. Comparison and Analysis of Cash Flow:

Items	Year		Increase (decrease) of ratio (%)
	2019	2020	
Cash flow ratio (%)	15.4	25.6	66
Cash flow adequacy ratio(%)	67.4	70.8	5
Cash reinvestment ratio (%)	0.8	3.7	363

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 2020.
- (2) The increase in Cash reinvestment ratio is due to the increase in long-term investments in fiscal 2020.

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
3,931,022	2,330,663	2,319,369	3,942,316	-	-

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 250 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 420,000 units, with an annual output of about NTD 20 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; Merida Japan 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) In fiscal 2020, interest expenses on imported raw materials in U.S. dollars and Japanese currencies have decreased by NTD\$4,795,000 compared to fiscal 2019. Looking ahead to fiscal 2021, due to the impact of the COVID-19 epidemic, it is expected that the Fed will maintain a low interest rate policy in 2021, and the Company's interest expense on imported raw material costs in U.S. dollars is expected to be flat or slightly reduced.
 - (2) The Company sells a large number of products and imports a large number of raw materials from abroad, thus fluctuations in exchange rates have a significant impact on the Company's profit and loss. The depreciation of the U.S. dollar and Japanese currency in fiscal 2020 resulted in a foreign exchange loss of NT\$106,578,000.
 - (3) Looking ahead to 2021, due to the impact of the COVID-19 epidemic, domestic and foreign raw material prices are expected to increase due to panic supply shortages, coupled with high logistics and transportation costs. The Company will continue to monitor international price trends and strictly control all expenses in order to reduce costs.
 - (4) In the future, the Company will respond to the trend of interest rates and exchange rates in accordance with the Company's relevant management regulations.
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) "One-piece Aerodynamic Handlebar" R&D project.

The estimated R&D cost is NT\$6,000,000.

The "One-piece Aerodynamic Handlebar" is a road bike control tool with an integrated handlebar and gearshift lever. Suitable for higher specification and higher price per unit bikes. Compatible with (wireless) electric gearshifters (new generation Shimano Di2, Sram eTAP AXS). The overall appearance is extremely smooth and clean with the brake and shifter cable hidden inside the handlebar.

2) "Ultra Lightweight Disc Brake Bike" R&D project.

The estimated R&D cost is NT\$10,000,000.

The main goal of the "Ultra Lightweight Disc Brake Bike" is to keep the weight of the frame as light as possible, and to equip it with disc brakes that can be fitted with the new "One-piece Aerodynamic Handlebar" and comply with the UCI international racing certification requirements.

3. Information on R & D:

Plans in recent years	Current progress	Research and development expenses to be reinvested	Time to complete mass production	The main influencing factors of successful R&D in the future
One-piece Aerodynamic Handlebar	Graphic design in progress. Product specifications are under planning.	About NTD 6 million	2020 Q4 graphics completed 2021 Season 1 mold completed 2021 Q2 sample testing and tuning, European professional team test and evaluation 2021Q3 mass production	Good aerodynamic design and aesthetic appearance; suitable for our high-end road vehicles to increase the added value and unit price of the vehicle.
Ultra Lightweight Disc Brake Bike	Graphic design in progress. Product specifications are under planning	About NTD 10 million	2020 Q4 graphics completed 2021 Season 1 mold completed 2021 Q2 sample testing and tuning, European off-site testing and evaluation 2021 Q3 mass production.	Extended from popular bikes, optimized frame weight, with market preference for disc brakes and newly developed one-piece handlebars, and in line with UCI racing standards to meet market demand.

4. Effects of and response to changes in policies and regulations relating to corporate finance and sales:
 - 1) The Ministry of Finance amended the regulations on the use of tax invoices, specifying the point at which electronic computer invoices should cease to be used. The Company has been in compliance with the relevant laws and regulations since January 1, 2021, and has formally adopted the electronic invoice issuance system.
 - 2) 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) In response to the impact of the COVID-19 epidemic and the continued growth of the global e-bike market, we have managed our production scale and optimized our production lines in order to meet the needs of our customers with the best production configuration.

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, independent directors 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.

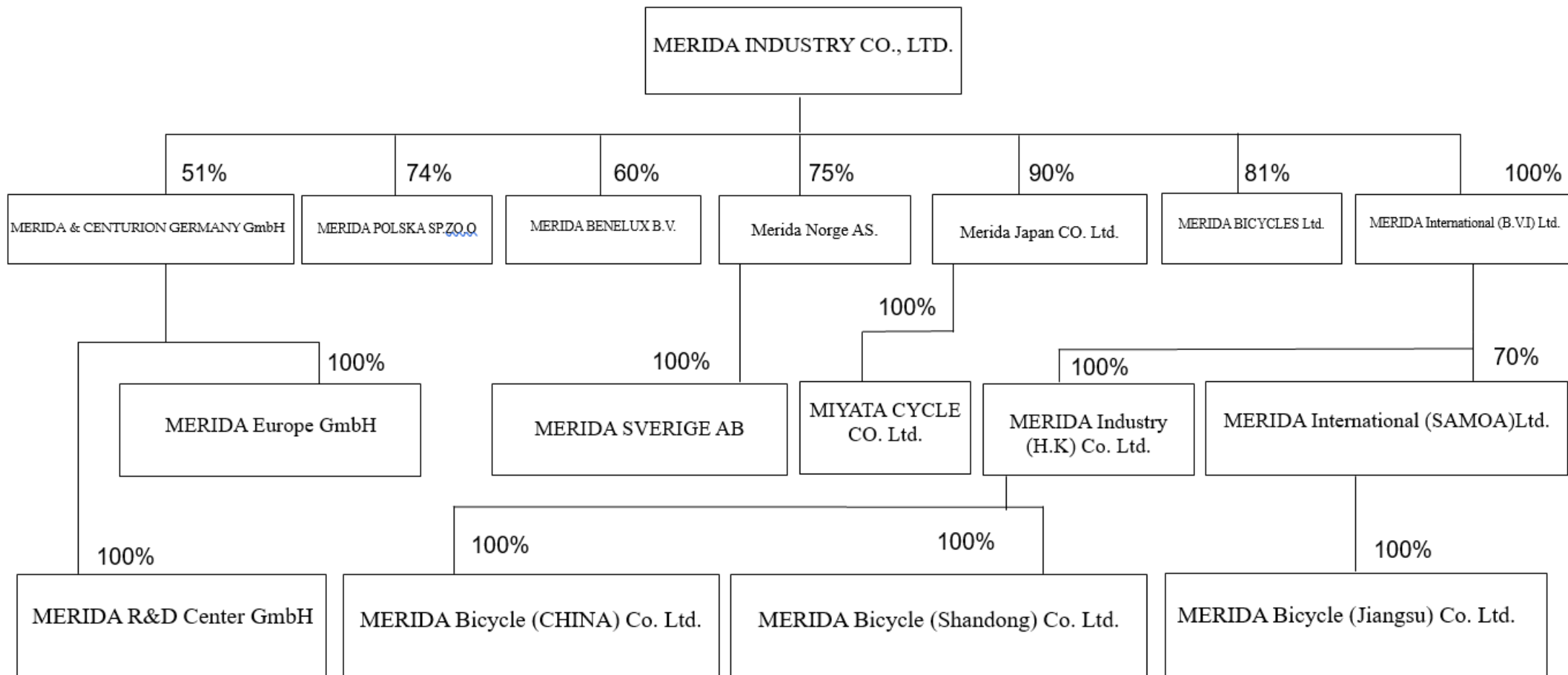
vii. Other Important Matters: None.

VIII. Special Disclosure

i. Summary of Affiliated Companies:

1. Business Report on Combined Operation of Affiliated Enterprises:

(1) Organizational Chart of Affiliated Enterprises:



(1) Basic information on affiliated enterprises

Date: as of December 31, 2020

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) 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
Merida Japan Co., Ltd.	June 1, 2010	11-27 Higashida-cho Kawasaki-ku, Kawasaki-shi, kanagawa MetLife Kawasaki Building 6F	JPY 100,000	Sales of bike and components
MIYATA CYCLE CO. Ltd.	July 1, 2020	11-27 Higashida-cho Kawasaki-ku, Kawasaki-shi, kanagawa MetLife Kawasaki Building 8F	JPY 30,000	Sales of bike and components
Merida Norge 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

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

(3) 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.

(4) Information on directors, independent directors, and Presidents of affiliated enterprises:

Date: as of December 31, 2020

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 issuing shares	100.00

	Director Director Director Director President President of Domestic Sales Headquarters	Zeng, Shang-yuan Chen, Ying-zhou Zeng, Gui-su Cai, Xue-liang Tsai, Wei-sing 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 issuing shares	100.00
MERIDA Bicycle (Jiangsu) 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 Lai, Tung-sha	Not issuing shares	100.00
MERIDA Japan Co., Ltd.	Shareholder Shareholder Director & President Director Director Director Director Supervisor	MERIDA INDUSTRY CO.,LTD. Employees etc. Shinichiro Takaya Zeng, Song-zhu Zheng, Wen-xiang Masato Tanaka Zeng, Shang-yuan Tahara Hiroyuki	1,800 100 100	90.00 5.00 5.00
Miyata Cycle Co., Ltd.	Shareholder Director & President Director Director Director Supervisor	MERIDA Bicycle (Japan) Co., Ltd. Shinichiro Takaya Zeng, Song-zhu Zheng, Wen-xiang Zheng, Shang-Yuan Tahara Hiroyuki	300	100.00
Merida Norge 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

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	210,120	1,843,379	879,150	964,229	3,806,089	314,151	232,580	Not issuing shares
MERIDA Europe GmbH	876	61,397	21,802	39,595	45,191	30,738	11,152	Not issuing shares
MERIDA R&D Center GmbH	876	12,432	2,820	9,613	45,874	1,660	700	Not issuing shares
MERIDA POLSKA SP.ZO.O	1,022	382,671	280,083	102,587	526,163	20,284	14,837	109,901.5044
MERIDA BENELUX B.V.	117,008	199,164	209,210	(10,046)	490,437	7,878	5,613	4.3956
MERIDA BICYCLES Ltd.	23,048	323,844	225,221	98,623	637,605	9,209	49,864	84.1590
MERIDA International (B.V.I) Ltd.	1,210,400	2,687,165	0	2,687,165	0	(123)	(3,444)	(0.0810)
MERIDA Industry (H.K.) Co. Ltd.	744,884	1,754,933	0	1,754,933	0	(2,041)	46,244	0.2280
MERIDA International (SAMOA) Ltd.	996,800	676,816	0	676,816	0	(49)	(73,958)	(2.1131)
MERIDA Bicycle (China) Co. Ltd.	306,109	555,439	148,327	407,111	508,485	(55,869)	(56,491)	Not issuing shares
MERIDA Bicycle (Shandong) Co. Ltd.	519,445	1,208,492	347,794	860,698	1,960,569	118,051	103,501	Not issuing shares
MERIDA Bicycle (Jiangsu) Ltd.	959,966	1,320,084	684,865	635,219	738,558	(85,932)	(74,234)	Not issuing shares
MERIDA Japan Co., Ltd.	27,630	391,133	332,181	58,952	648,069	2,699	2,682	1,341.1249
Miyata Cycle Co., Ltd.	8,289	27,593	10,479	17,115	36,424	(722)	(119)	(395.8202)
Merida Norge AS.	86,816	338,648	213,175	125,474	353,780	17,973	15,352	58.1517
Merida Sverige AB	3,480	47,066	36,820	10,246	243,481	10,405	6,985	698,473.3840

3. Statement for Consolidated Financial Report of Affiliated Enterprises: please refer to Page 162.

4. Consolidated Financial Statement of Affiliated Enterprises: please refer to Page 167 to 172.

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, 2020 and 2019 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, 2020 and 2019, 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 (collectively referred to as the “financial statements”).

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, 2020 and 2019, 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, 2020. 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.

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2020 is as follows:

Revenue Recognition

The Corporation's sales 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, 2020 accounted for a significant proportion of sales revenue, recognition of sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales 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 sales revenue and the operating procedures and risks related to revenue collection, and tested the continuous effectiveness of its related procedures during the year.
2. We obtained the sales revenue sales receipts from the export of e-bikes, sampled the orders, and subsequently recognized the documents and receipt vouchers related to sales revenue to verify the occurrence of the sales revenue recognized.

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, 2020 and 2019, 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\$13,544,791 thousand and NT\$10,440,751 thousand, accounting for 51% and 46% of the Corporation's total assets as of December 31, 2020 and 2019, respectively. The share of profit of associates was NT\$3,359,564 thousand and NT\$1,374,891 thousand, accounting for 96% and 66% of the Corporation's total comprehensive income for the years ended December 31, 2020 and 2019, 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, 2020 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 25, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6(1))	\$ 1,528,092	6	\$ 1,537,108	7
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	1,563,734	6	1,078,809	5
Notes receivable (Notes 4 and 6(15))	6,954	-	8,705	-
Trade receivables (Notes 4, 6(3) and 6(15))	142,585	1	127,718	-
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,685,153	6	3,209,120	14
Other receivables (Note 7)	149,154	1	216,829	1
Inventories (Notes 4, 5 and 6(4))	2,780,043	11	1,379,762	6
Other current assets	38,291	-	2,656	-
Total current assets	<u>7,894,006</u>	<u>31</u>	<u>7,560,707</u>	<u>33</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 6(5))	92,620	-	92,620	-
Investments accounted for using the equity method (Notes 4 and 6(6))	17,323,550	65	13,809,163	61
Property, plant and equipment (Notes 4 and 6(7))	1,003,876	4	1,013,022	4
Right-of-use assets (Notes 4 and 6(8))	3,529	-	6,808	-
Investment properties (Notes 4 and 6(9))	34,836	-	35,403	-
Intangible assets (Notes 4 and 6(10))	13,390	-	139	-
Deferred tax assets (Notes 4 and 6(17))	76,068	-	188,991	2
Prepayments for equipment	26,066	-	30,455	-
Refundable deposits	2,976	-	2,976	-
Total non-current assets	<u>18,576,911</u>	<u>69</u>	<u>15,179,577</u>	<u>67</u>
TOTAL	<u>\$ 26,470,917</u>	<u>100</u>	<u>\$ 22,740,284</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 6(11))	\$ 1,161,358	4	\$ 845,965	4
Contract liabilities - current (Notes 4 and 6(15))	160,028	1	33,916	-
Trade payables	4,583,041	18	4,144,939	18
Trade payables to related parties (Note 7)	112,664	-	153,832	1
Other payables (Note 6(12))	705,254	3	513,100	2
Current tax liabilities (Notes 4 and 6(17))	108,191	-	272,744	1
Lease liabilities - current (Notes 4 and 6(8))	2,870	-	4,001	-
Other current liabilities	3,636	-	3,479	-
Total current liabilities	<u>6,837,042</u>	<u>26</u>	<u>5,971,976</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 6(17))	3,423,416	13	2,702,913	12
Lease liabilities-non-current (Notes 4 and 6(8))	567	-	2,765	-
Net defined benefit liabilities (Notes 4 and 6(13))	108,391	-	195,207	1
Guarantee deposits received	267	-	267	-
Credit balance of investments accounted for using the equity method (Notes 4 and 6(6))	67,098	-	88,471	-
Total non-current liabilities	<u>3,599,739</u>	<u>13</u>	<u>2,989,623</u>	<u>13</u>
Total liabilities	<u>10,436,781</u>	<u>39</u>	<u>8,961,599</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	11	2,989,838	13
Capital surplus				
Share premium from issuance of ordinary shares	416,290	2	416,290	2
Retained earnings				
Legal reserve	2,732,977	10	2,482,733	11
Special reserve	1,163,048	4	769,489	3
Unappropriated earnings	10,406,346	40	8,283,384	37
Other equity	(1,674,363)	(6)	(1,163,049)	(5)
Total equity	<u>16,034,136</u>	<u>61</u>	<u>13,778,685</u>	<u>61</u>
TOTAL	<u>\$ 26,470,917</u>	<u>100</u>	<u>\$ 22,740,284</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021))

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 20,229,413	100	\$ 25,004,210	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>18,422,627</u>	<u>91</u>	<u>22,231,166</u>	<u>89</u>
GROSS PROFIT	1,806,786	9	2,773,044	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>447,879</u>	<u>2</u>	<u>(190,075)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>2,254,665</u>	<u>11</u>	<u>2,582,969</u>	<u>10</u>
OPERATING EXPENSES (Notes 6(16) and 7)				
Selling and marketing expenses	499,060	2	596,359	2
General and administrative expenses	<u>361,186</u>	<u>2</u>	<u>237,894</u>	<u>1</u>
Total operating expenses	<u>860,246</u>	<u>4</u>	<u>834,253</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>1,394,419</u>	<u>7</u>	<u>1,748,716</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 7)	27,928	-	64,239	-
Technical service and royalty income (Note 7)	66,165	-	46,951	-
Other income	78,596	-	35,954	-
Net foreign exchange gains (losses) (Note 4)	(106,578)	(1)	45,202	-
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	23,743	-	10,549	-
Share of profit of subsidiaries and associates (Note 4)	3,580,526	18	1,261,953	6
Interest expense	(4,586)	-	(9,381)	-
Other expenses (Note 6(16))	<u>(29,069)</u>	<u>-</u>	<u>(30,796)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,636,725</u>	<u>17</u>	<u>1,424,671</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	5,031,144	24	3,173,387	13
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,037,827</u>	<u>5</u>	<u>670,944</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>3,993,317</u>	<u>19</u>	<u>2,502,443</u>	<u>10</u>

(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			
	2020		2019	
	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 6(13))	\$ 37,111	-	\$ (19,797)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	(7,422)	-	3,959	-
	<u>29,689</u>	<u>-</u>	<u>(15,838)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(511,314)	(3)	(393,559)	(2)
Other comprehensive income (loss) for the year, net of income tax	(481,625)	(3)	(409,397)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,511,692</u>	<u>16</u>	<u>\$ 2,093,046</u>	<u>8</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 13.36</u>		<u>\$ 8.37</u>	
Diluted	<u>\$ 13.27</u>		<u>\$ 8.33</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2021))

(Concluded)

MERIDA INDUSTRY CO., LTD.

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

	Capital Surplus (Note 6(14))			Retained Earnings (Note 6(14))			Other Equity (Note 4)	Total
	Common Shares (Note 6(14))	Share Premium from Issuance of Common Share	Capital Surplus from Investments Accounted for Using Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Translating the Financial Statements of Foreign Operations	
BALANCE AT JANUARY 1, 2019	\$ 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
Appropriation of 2019 earnings								
Legal reserve	-	-	-	250,244	-	(250,244)	-	-
Special reserve	-	-	-	-	393,559	(393,559)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,255,732)	-	(1,255,732)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	-	-	-	(509)	-	(509)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,993,317	-	3,993,317
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	29,689	(511,314)	(481,625)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	4,023,006	(511,314)	3,511,692
BALANCE AT DECEMBER 31, 2020	\$ 2,989,838	\$ 416,290	\$ -	\$ 2,732,977	\$ 1,163,048	\$ 10,406,346	\$ (1,674,363)	\$ 16,034,136

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

(With Deloitte & Touche audit report dated March 25, 2021)

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,031,144	\$ 3,173,387
Adjustments for:		
Depreciation expenses	66,808	68,304
Amortization expenses	749	866
Expected credit gain reversed on trade receivables	(3,678)	(1,357)
Net gain on fair value changes of financial assets at fair value through profit or loss	(23,743)	(10,549)
Interest expense	4,586	9,381
Interest income	(27,928)	(64,239)
Dividend income	(1,389)	(4,813)
Share of profit of associates	(3,580,526)	(1,261,953)
Loss on disposal of property, plant and equipment	48	2,175
Write-down (reversal) of inventories	3,786	(3,300)
Unrealized loss (gain) on transactions with associates	(447,879)	190,075
Unrealized net loss (gain) on foreign currency exchange	(9,061)	32,705
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(461,182)	(568,565)
Notes receivable	1,751	7,823
Trade receivables	1,496,445	(663,752)
Other receivables	(20,908)	7,531
Inventories	(1,404,067)	245,227
Other current assets	(35,635)	353
Contract liabilities	126,112	1,607
Trade payables	411,424	662,104
Other payables	192,071	55,582
Other current liabilities	157	1,365
Net defined benefit liabilities	(49,705)	2,688
Cash generated from operations	1,269,380	1,882,645
Interest received	40,898	59,832
Dividends received	11,254	14,497
Interest paid	(4,504)	(9,943)
Income tax paid	(389,870)	(447,072)
Net cash generated from operating activities	927,158	1,499,959
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of associates	(29,043)	(217,457)
Payments for property, plant and equipment	(15,957)	(18,939)
Proceeds from disposal of property, plant and equipment	7	-
Decrease (increase) in other receivables from related parties	89,107	(126,520)

(Continued)

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31	
	2020	2019
Payments for intangible assets	\$ (14,000)	\$ -
Increase in prepayments for equipment	<u>(32,720)</u>	<u>(17,771)</u>
Net cash used in investing activities	<u>(2,606)</u>	<u>(380,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	326,298	126,260
Proceeds from guarantee deposits received	-	265
Repayment of the principal portion of lease liabilities	(4,134)	(4,048)
Dividends paid to owners of the Corporation	<u>(1,255,732)</u>	<u>(1,046,443)</u>
Net cash used in financing activities	<u>(933,568)</u>	<u>(923,966)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,016)	195,306
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,537,108</u>	<u>1,341,802</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,528,092</u>	<u>\$ 1,537,108</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

MERIDA INDUSTRY CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 25, 2021.

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)

The initial application of the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation’s accounting policies:

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 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 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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 for 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 property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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 6(21).

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.

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.

1. 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

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.

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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, 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 Corporation considers the economic implications of the COVID-19 when making its critical accounting 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. EXPLANATION OF IMPORTANT ACCOUNTING ITEMS

1) Cash and cash equivalents

	<u>December 31</u>	
	2020	2019
Cash on hand	\$ 256	\$ 261
Checking accounts and demand deposits	1,527,836	1,185,881
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>-</u>	<u>350,966</u>
	<u>\$ 1,528,092</u>	<u>\$ 1,537,108</u>
Time deposit interest rate per annum (%)	-	0.50-2.21

2) Financial instruments at fair value through profit or loss

	<u>December 31</u>	
	2020	2019
Financial assets		
Non-derivative financial assets		
Mutual funds	\$ 1,511,654	\$ 951,309
Domestic listed shares	<u>52,080</u>	<u>127,500</u>
Financial assets at FVTPL - current	<u>\$ 1,563,734</u>	<u>\$ 1,078,809</u>

3) Trade receivables

	<u>December 31</u>	
	2020	2019
Trade receivables	\$ 1,829,483	\$ 3,342,261
Less: Allowance for impairment loss	<u>(1,745)</u>	<u>(5,423)</u>
	<u>\$ 1,827,738</u>	<u>\$ 3,336,838</u>

In principle, the payment term granted to customers is 90 days from the invoice date and D/A or O/A of 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, 2020

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-0.5%	3%	
Gross carrying amount	\$ 1,803,087	\$ 26,396	\$ 1,829,483
Loss allowance (Lifetime ECLs)	<u>(1,154)</u>	<u>(591)</u>	<u>(1,745)</u>
Amortized cost	<u>\$ 1,801,933</u>	<u>\$ 25,805</u>	<u>\$ 1,827,738</u>

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)	<u>(1,075)</u>	<u>(4,348)</u>	<u>(5,423)</u>
Amortized cost	<u>\$ 3,254,474</u>	<u>\$ 82,364</u>	<u>\$ 3,336,838</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 5,423	\$ 6,780
Less: Impairment loss recognized (reversed) in the current year	<u>(3,678)</u>	<u>(1,357)</u>
Balance at December 31	<u>\$ 1,745</u>	<u>\$ 5,423</u>

4) Inventories

	December 31	
	2020	2019
Finished goods	\$ 593,262	\$ 362,755
Work in progress	732,655	412,822
Raw materials and supplies	1,386,327	505,882
Inventory in transit	<u>67,799</u>	<u>98,303</u>
	<u>\$ 2,780,043</u>	<u>\$ 1,379,762</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$18,422,627 thousand and \$22,231,166 thousand, respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-down (reversals of) of \$3,786 thousand and \$(3,300) 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.

5) Financial assets at fair value through other comprehensive income

	December 31	
	2020	2019
<u>Non-current</u>		
Overseas unlisted shares	\$ 89,220	\$ 89,220
Domestic unlisted shares	<u>3,400</u>	<u>3,400</u>
	<u>\$ 92,620</u>	<u>\$ 92,620</u>

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.

6) Investments accounted for using the equity method

	December 31	
	2020	2019
Investments in subsidiaries	\$ 3,495,334	\$ 3,150,258
Investments in associates	<u>13,828,216</u>	<u>10,658,905</u>
	<u>\$ 17,323,550</u>	<u>\$ 13,809,163</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
<u>Unlisted shares</u>		
Merida International (B.V.I) Ltd. ("Merida B.V.I.")	\$ 2,686,883	\$ 2,711,078
Merida & Centurion Germany GmbH ("Merida & Centurion")	491,153	268,934
Merida Norge A.S. ("Merida Norge")	97,759	66,648
Merida Polska Sp.z.o.o ("Merida Polska")	66,506	43,076
Merida Japan Co., Ltd ("Merida Japan")	68,877	40,990
Merida Bicycles Ltd. ("Merida U.K.")	<u>84,156</u>	<u>19,532</u>
	<u>\$ 3,495,334</u>	<u>\$ 3,150,258</u>

Credit Balance of Investments Accounted for Using the Equity Method

Merida Benelux B.V. ("Merida Benelux")	<u>\$ 67,098</u>	<u>\$ 86,731</u>
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The proportion of ownership and voting rights of investments in subsidiaries for the Corporation was as follows:

	December 31	
	2020	2019
Merida B.V.I.	100%	100%
Merida & Centurion	51%	51%
Merida Norge	75%	75%
Merida Polska	74%	74%
Merida Japan	90%	70%
Merida U.K.	81%	81%
Merida Benelux	60%	60%

In December 2019, the Corporation increased its capital in Stians Sport AS by acquiring 164,000 of its ordinary shares through cash in the amount of \$121,679 thousand. After the capital increase, the Corporation's shareholding proportion increased to 75%, and the Corporation has obtained control over Stians Sport AS and included it in the Group's consolidated financial statements since December 1, 2019. In addition, Stians Sport AS was renamed as Merida Norge AS in May 2020.

In July 2019, the Corporation acquired 500 ordinary shares of Miyata Cycle Co., Ltd. through cash in the amount of \$23,766 thousand. After the acquisition, the Corporation's shareholding proportion increased to 70%, and the Corporation has obtained control over Miyata and included it in the Group's consolidated financial statements since July 1, 2019. Miyata Cycle Co., Ltd. was renamed as Merida Japan Co., Ltd. in July 2020. Due to the business needs, Merida Japan Co., Ltd. established a new company, Miyata Cycle Co., Ltd. The Corporation acquired 400 ordinary shares of Merida Japan Co., Ltd. through cash in the amount of \$15,195 thousand. After the acquisition, the Corporation's shareholding proportion increased to 90%.

Except for Merida Benelux's 2019 financial statements, 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 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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Unlisted shares</u>		
Specialized Bicycle Components, Inc. ("SBC")	\$ 13,544,791	\$ 10,440,751
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. ("SAIL & SURF")	114,561	92,846
Merida Bikes SWE, S.A ("Merida Bikes SWE")	70,268	57,167
Merida Czech s.r.o ("Merida Czech")	42,587	31,745
Merida Slovakia s.r.o ("Merida Slovakia")	25,978	21,178
Merida Korea Inc. ("Merida Korea")	14,329	11,202
WideDoctor (International) Enterprise Co., Ltd. ("WideDoctor")	3,880	4,016
Merida Italy S.r.l ("Merida Italy")	<u>11,822</u>	<u>-</u>
	<u>\$ 13,828,216</u>	<u>\$ 10,658,905</u>
<u>Credit Balance of Investments Accounted for Using the Equity Method</u>		
Merida Italy S.r.l ("Merida Italy")	<u>\$ -</u>	<u>\$ 1,740</u>

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

	December 31	
	2020	2019
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%

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	
	2020	2019
The Corporation's share of:		
Profit for the year	\$ 3,385,363	\$ 1,350,284
Other comprehensive loss for the year	<u>(129,124)</u>	<u>(252)</u>
Total comprehensive income for the year	<u>\$ 3,256,239</u>	<u>\$ 1,350,032</u>

Except for Merida Italy for the year ended December 31, 2020 and Merida Italy, Merida Korea, Merida Bikes SWE and WideDoctor for the year ended December 31, 2019, 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.

7) Property, plant and equipment

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassifi- cations	Ending Balance
<u>Cost</u>					
Land	\$ 474,891	\$ -	\$ -	\$ 349	\$ 475,240
Buildings and improvements	651,189	-	-	-	651,189
Machinery and equipment	256,560	1,565	(10,097)	36,250	284,278
Transportation equipment	2,489	-	(1,424)	510	1,575
Miscellaneous equipment	<u>41,531</u>	<u>14,392</u>	<u>(18,121)</u>	<u>-</u>	<u>37,802</u>
	<u>1,426,660</u>	<u>\$ 15,957</u>	<u>\$ (29,642)</u>	<u>\$ 37,109</u>	<u>1,450,084</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	300,549	\$ 16,110	\$ -	\$ -	316,659
Machinery and equipment	90,273	32,028	(10,042)	-	112,259
Transportation equipment	1,401	525	(1,424)	-	502
Miscellaneous equipment	<u>21,415</u>	<u>13,494</u>	<u>(18,121)</u>	<u>-</u>	<u>16,788</u>
	<u>413,638</u>	<u>\$ 62,157</u>	<u>\$ (29,587)</u>	<u>\$ -</u>	<u>446,208</u>
	<u>\$1,013,022</u>				<u>\$1,003,876</u>
	For the Year Ended December 31, 2019				
	Beginning Balance	Additions	Disposals	Reclassifi- cations	Ending Balance
<u>Cost</u>					
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	<u>4,199</u>	<u>6,929</u>	<u>-</u>	<u>(11,128)</u>	<u>-</u>
	<u>1,427,587</u>	<u>\$ 18,939</u>	<u>\$ (46,152)</u>	<u>\$ 26,286</u>	<u>1,426,660</u>
<u>Accumulated depreciation</u>					
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	<u>20,735</u>	<u>14,296</u>	<u>(13,616)</u>	<u>-</u>	<u>21,415</u>
	<u>393,936</u>	<u>\$ 63,679</u>	<u>\$ (43,977)</u>	<u>\$ -</u>	<u>413,638</u>
	<u>\$1,033,651</u>				<u>\$1,013,022</u>

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	25-60 years
Ancillary work	5-55 years
Machinery and equipment	3-15 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years

8) Lease arrangements

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 1,202	\$ 2,218
Buildings	767	433
Transportation equipment	<u>1,560</u>	<u>4,157</u>
	<u>\$ 3,529</u>	<u>\$ 6,808</u>
	For the Year Ended December 31	
	2020	2019
Depreciation charge for right-of-use assets		
Land	\$ (1,016)	\$ (990)
Buildings	(472)	(472)
Transportation equipment	<u>(2,596)</u>	<u>(2,595)</u>
	<u>\$ (4,084)</u>	<u>\$ (4,057)</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 2,870</u>	<u>\$ 4,001</u>
Non-current	<u>\$ 567</u>	<u>\$ 2,765</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.15%	1.15%
Buildings	1.15%	1.15%
Transportation equipment	1.04%	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

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ <u>2,382</u>	\$ <u>2,484</u>
Expenses relating to low-value asset leases	\$ <u>154</u>	\$ <u>268</u>
Total cash outflow for leases	\$ <u>(6,670)</u>	\$ <u>(6,800)</u>

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.

9) Investment properties

	December 31	
	2020	2019
Land	\$ 20,309	\$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	<u>3,068</u>	<u>3,068</u>
	54,307	54,307
Less: Accumulated depreciation	<u>(19,471)</u>	<u>(18,904)</u>
	<u>\$ 34,836</u>	<u>\$ 35,403</u>

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, 2020 and 2019 was \$54,045 thousand and \$48,462 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

10) Intangible Assets

	<u>December 31</u>	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 147	\$ -
Additions	<u>14,000</u>	<u>147</u>
Balance at December 31	<u>\$ 14,147</u>	<u>\$ 147</u>
<u>Accumulated amortization</u>		
Balance at January 1	\$ 8	\$ -
Amortization expenses	<u>749</u>	<u>8</u>
Balance at December 31	<u>\$ 757</u>	<u>\$ 8</u>
Carrying amount at January 1	<u>\$ 139</u>	<u>\$ -</u>
Carrying amount at December 31	<u>\$ 13,390</u>	<u>\$ 139</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software 3-5 years

11) 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 0.820% and 2.659% as of December 31, 2020 and 2019, respectively.

12) Other payables

	<u>December 31</u>	
	2020	2019
Payables for compensation to employees	\$ 330,272	\$ 208,319
Payables for salaries and bonuses	117,551	112,792
Payables for remuneration of directors	143,118	90,271
Others	<u>114,313</u>	<u>101,718</u>
	<u>\$ 705,254</u>	<u>\$ 513,100</u>

13) 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	
	2020	2019
Present value of defined benefit obligation	\$ 676,381	\$ 692,214
Fair value of plan assets	<u>(567,990)</u>	<u>(497,007)</u>
Net defined benefit liabilities	<u>\$ 108,391</u>	<u>\$ 195,207</u>

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, 2019	\$ 654,877	\$ (482,155)	\$ 172,722
Service costs			
Current service costs	8,964	-	8,964
Net interest expense (income)	<u>7,950</u>	<u>(5,841)</u>	<u>2,109</u>
Recognized in profit or loss	<u>16,914</u>	<u>(5,841)</u>	<u>11,073</u>
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	<u>(1,938)</u>	<u>-</u>	<u>(1,938)</u>
Recognized in other comprehensive income	<u>36,166</u>	<u>(16,369)</u>	<u>19,797</u>
Contributions from the employer	-	(8,385)	(8,385)
Benefits paid	<u>(15,743)</u>	<u>15,743</u>	<u>-</u>
Balance at December 31, 2019	<u>692,214</u>	<u>(497,007)</u>	<u>195,207</u> (Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service costs			
Current service costs	\$ 8,312	\$ -	\$ 8,312
Net interest expense (income)	<u>5,377</u>	<u>(3,851)</u>	<u>1,526</u>
Recognized in profit or loss	<u>13,689</u>	<u>(3,851)</u>	<u>9,838</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,580)	(16,580)
Actuarial loss - changes in financial assumptions	20,485	-	20,485
Actuarial profit - experience adjustments	<u>(41,016)</u>	<u>-</u>	<u>(41,016)</u>
Recognized in other comprehensive income	<u>(20,531)</u>	<u>(16,580)</u>	<u>(37,111)</u>
Contributions from the employer	-	(59,543)	(59,543)
Benefits paid	<u>(8,991)</u>	<u>8,991</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 676,381</u>	<u>\$ (567,990)</u>	<u>\$ 108,391</u> (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	
	2020	2019
Discount rate(s)	0.40%	0.80%
Expected rate(s) of salary increase	2.25%	2.25%

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	
	2020	2019
Discount rate(s)		
0.50% increase	<u>\$ (25,447)</u>	<u>\$ (27,634)</u>
0.50% decrease	<u>\$ 27,118</u>	<u>\$ 29,515</u>
Expected rate(s) of salary increase		
0.50% increase	<u>\$ 26,490</u>	<u>\$ 28,949</u>
0.50% decrease	<u>\$ (25,129)</u>	<u>\$ (27,394)</u>

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	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 9,609</u>	<u>\$ 9,027</u>
Average duration of the defined benefit obligation	7.7 years	8.2 years

14) Equity

a. Common shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>298,984</u>	<u>298,984</u>
Shares issued	<u>\$ 2,989,838</u>	<u>\$ 2,989,838</u>

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 after the amendment, refer to Note 6(16).

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 2019 and 2018 approved in the shareholders' meetings in June 2020 and 2019, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	2019	2018	2019	2018
Legal reserve	\$ 250,244	\$ 170,884		
Appropriation to (reversal of) special reserve	393,559	(38,135)		
Cash dividends	1,255,732	1,046,443	\$ 4.2	\$ 3.5

The appropriation of earnings for 2020 had been proposed by the Corporation's board of directors on March 25, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 402,250	
Special reserve	511,314	
Cash dividends	2,092,887	\$ 7.0

The appropriation of earnings for 2020 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 25, 2021.

15) Revenue

	For the Year Ended December 31		
	2020	2019	
Revenue from contracts with customers			
Revenue from sale of goods	<u>\$ 20,229,413</u>	<u>\$ 25,004,210</u>	
a. Contract balances			
	December 31, 2020	December 31, 2019	January 1, 2019
Notes and trade receivables	<u>\$ 1,834,692</u>	<u>\$ 3,345,543</u>	<u>\$ 2,763,386</u>
Contract liabilities-current	<u>\$ 160,028</u>	<u>\$ 33,916</u>	<u>\$ 32,309</u>

b. Disaggregation of revenue

Refer to Statement 9 in the Statements of Major Accounting Items for information about the disaggregation of revenue.

16) Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Non-Operating Expenses	Total
<u>For the Year Ended December 31, 2020</u>				
Short-term employee benefits				
Salary expenses	\$ 713,995	\$ 291,023	\$ 13,687	\$ 1,018,705
Labor and health insurance costs	56,075	12,409	2,376	70,860
Post-employment benefits				
Defined contribution plans	15,956	2,335	674	18,965
Defined benefit plan	7,446	2,154	238	9,838
Remuneration of directors	-	143,118	-	143,118
Other employee benefits	21,403	1,669	227	23,299
Depreciation expenses	51,016	15,225	567	66,808
Amortization expenses	-	749	-	749
<u>For the Year Ended December 31, 2019</u>				
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

a. As of December 31, 2020 and 2019, the Corporation had 1,118 and 1,121 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\$1,028 thousand and NT\$946 thousand for the years ended December 31, 2020 and 2019, respectively.

- c. The average employee salary expense was NT\$917 thousand and NT\$840 thousand for the years ended December 31, 2020 and 2019, respectively.
- d. Average employee salary expenses was adjusted by 9.17%.
- e. The Corporation doesn't have independent directors.
- f. The Corporation's salary and compensation policy is as follows:
 - a) The salary and compensation of employees shall be decided in accordance with the Corporation's remuneration management policy and related regulations, with reference to industry practices. It shall be approved by the remuneration committee to ensure the competitiveness of remuneration for the purpose of motivation and retention of talent.
 - b) The remuneration of directors shall be decided in accordance with the Corporation's Articles of Incorporation and shall be approved by the remuneration committee.

Employees' compensation and remuneration of directors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors 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. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Corporation's board of directors on March 25, 2021 and March 24, 2020, respectively, are as follows:

Cash	For the Year Ended December 31			
	2020		2019	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	6%	\$ 330,272	6%	\$ 208,319
Remuneration of directors	2.6%	143,118	2.6%	90,271

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 paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the TWSE.

17) Taxes

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 175,402	\$ 428,799
Income tax on unappropriated earnings	28,362	27,382
Adjustments for prior years	<u>8,059</u>	<u>11,958</u>
	<u>211,823</u>	<u>468,139</u>
Deferred tax		
In respect of the current year	<u>826,004</u>	<u>202,805</u>
Income tax expense recognized in profit or loss	<u>\$ 1,037,827</u>	<u>\$ 670,944</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 1,006,229	\$ 634,677
Nondeductible expenses in determining taxable income	31	-
Tax-exempt income	(4,854)	(3,073)
Income tax on unappropriated earnings	28,362	27,382
Adjustments for prior years' tax	<u>8,059</u>	<u>11,958</u>
Income tax expense recognized in profit or loss	<u>\$ 1,037,827</u>	<u>\$ 670,944</u>

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	
	2020	2019
Current tax liabilities		
Income tax payable	<u>\$ 108,191</u>	<u>\$ 272,744</u>

c. Changes in deferred tax assets and liabilities

For the Year Ended December 31, 2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 130,864	\$ (89,576)	\$ -	\$ 41,288
Defined benefit obligation	35,621	(10,077)	(7,422)	18,122
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized foreign currency exchange loss	6,605	(6,605)	-	-
Unrealized provision for loss on inventory	<u>3,403</u>	<u>757</u>	<u>-</u>	<u>4,160</u>
	<u>\$ 188,991</u>	<u>\$ (105,501)</u>	<u>\$ (7,422)</u>	<u>\$ 76,068</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 2,601,979	\$ 716,194	\$ -	\$ 3,318,173
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	<u>-</u>	<u>4,309</u>	<u>-</u>	<u>4,309</u>
	<u>\$ 2,702,913</u>	<u>\$ 720,503</u>	<u>\$ -</u>	<u>\$ 3,423,416</u>
For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
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	<u>4,063</u>	<u>(660)</u>	<u>-</u>	<u>3,403</u>
	<u>\$ 140,661</u>	<u>\$ 44,371</u>	<u>\$ 3,959</u>	<u>\$ 188,991</u>

For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
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	<u>3,277</u>	<u>(3,277)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,455,737</u>	<u>\$ 247,176</u>	<u>\$ -</u>	<u>\$ 2,702,913</u>

d. Income tax assessments

The income tax returns of the Corporation through 2018 have been assessed by the tax authorities.

18) Earnings per share

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 3,993,317	298,983,800	<u>\$13.36</u>
Effect of potentially dilutive common shares:			
Employees' compensation	<u>-</u>	<u>1,953,698</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	<u>\$ 3,993,317</u>	<u>300,937,498</u>	<u>\$13.37</u>
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 2,502,443	298,983,800	<u>\$ 8.37</u>
Effect of potentially dilutive common shares:			
Employees' compensation	<u>-</u>	<u>1,391,304</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	<u>\$ 2,502,443</u>	<u>300,375,104</u>	<u>\$ 8.33</u>

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.

19) Business combinations

Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Merida Japan	Sale of bicycles	July 1, 2019	25	<u>\$ 23,766</u>
Merida Norge	Sale of bicycles	December 2, 2019	41	<u>\$ 121,679</u>

Acquisition of Japan and the cash capital increase of Norge were for the purpose of expanding the Corporation's market share in the local bicycle market. For further details, refer to the Note 6(19) of consolidated financial statements for the year ended December 31, 2020.

20) 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.

21) 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

a) The Corporation's financial assets at FVTPL, financial assets at FVTOCI are measured at fair value using Level 1 inputs.

There were no transfers between Levels 1 and 2 in the current and prior periods.

b) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 1,563,734	\$ 1,078,809
Financial assets at amortized cost	3,514,914	5,102,456
Financial assets at FVTOCI - equity instruments	92,620	92,620
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	6,562,584	5,658,103

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.

a) 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.

i. 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 10.

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, 2020 and 2019 would have decreased by \$13,110 thousand and \$25,747 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, 2020 and 2019.

ii. 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	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ -	\$ 350,966
Financial liabilities	690,599	408,787
Cash flow interest rate risk		
Financial assets	1,527,836	1,185,881
Financial liabilities	474,196	443,944

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, 2020 and 2019 would have increased by \$2,634 thousand and \$1,855 thousand, respectively.

b) 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:

- i. The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- ii. 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 62% and 65% of the total trade receivables as of December 31, 2020 and 2019, respectively.

c) 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, 2020 and 2019, the Corporation had available unutilized bank loan facilities of \$4,430,808 thousand and \$4,741,316 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
<u>December 31, 2020</u>			
Non-interest bearing liabilities	\$ 5,400,959	\$ -	\$ -
Lease liabilities	2,887	354	218
Variable interest rate liabilities	474,196	-	-
Fixed interest rate liabilities	687,162	-	-
Financial guarantee liabilities	<u>252,938</u>	<u>124,323</u>	<u>810,020</u>
	<u>\$ 6,818,142</u>	<u>\$ 124,677</u>	<u>\$ 810,238</u>

Additional information about the maturity analysis for lease liabilities.

		Less Than 1 Year	1-5 Years
Lease liabilities		<u>\$ 2,887</u>	<u>\$ 572</u>
	Less Than 1 Year	1-2 Years	2+ Years
<u>December 31, 2019</u>			
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	<u>445,785</u>	<u>7,493</u>	<u>262,002</u>
	<u>\$ 6,107,672</u>	<u>\$ 10,108</u>	<u>\$ 262,165</u>

Additional information about the maturity analysis for lease liabilities.

		Less Than 1 Year	1-5 Years
Lease liabilities		<u>\$ 4,051</u>	<u>\$ 2,778</u>

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.

7. 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

<u>Related Party</u>	<u>Relationship with the Corporation</u>
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

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Merida Bicycle (Jiangsu) Ltd. ("Merida Jiangsu")	Subsidiary
Merida Europe GmbH	Subsidiary
Merida R&D Center GmbH	Subsidiary
Merida Japan	Subsidiary (became a subsidiary since July 2019)
Merida Norge	Subsidiary (became a subsidiary since December 2019)
Merida Sverige AB	Subsidiary (became a subsidiary since December 2019)
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	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
Tianjin Ta Feng Rubber Industry Co., Ltd. ("Tianjin Ta Feng")	Other
Wolfgang Renner	Other

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associates		
SBC Group	\$ 15,935,709	\$ 19,272,511
Others	<u>864,387</u>	<u>1,721,805</u>
	16,800,096	20,994,316
Subsidiaries	1,839,168	2,603,333
Other related parties	<u>1,559</u>	<u>2,245</u>
	<u>\$ 18,640,823</u>	<u>\$ 23,599,894</u>

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	
	2020	2019
Subsidiaries	\$ 485,944	\$ 840,830
Others	83,526	99,131
Associates	<u>-</u>	<u>20</u>
	<u>\$ 569,470</u>	<u>\$ 939,981</u>

The purchase price is quoted based on market prices.

d. Receivables from related parties

Related Party Category/Name	December 31	
	2020	2019
<u>Trade receivables</u>		
Associates		
SBC Group	\$ 1,120,335	\$ 1,484,798
Others	<u>106,067</u>	<u>260,397</u>
	1,226,402	1,745,195
Subsidiaries		
Merida & Centurion	21,956	692,910
Others	<u>436,547</u>	<u>771,015</u>
	458,503	1,463,925
Other related parties	<u>248</u>	<u>-</u>
	<u>\$ 1,685,153</u>	<u>\$ 3,209,120</u>
<u>Other receivables</u>		
Subsidiaries		
Merida China	\$ 2,422	\$ 27,355
Merida Polska	62,339	114,067
Others	<u>69,043</u>	<u>23,900</u>
	133,804	165,322
Associates		
Merida Italy	-	37,379
Others	<u>529</u>	<u>3,652</u>
	529	41,031
Other related parties	<u>-</u>	<u>179</u>
	<u>\$ 134,333</u>	<u>\$ 206,532</u>

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	Total
<u>December 31, 2020</u>			
Subsidiaries			
Merida Polska	<u>\$ 52,361</u>	<u>\$ 9,978</u>	<u>\$ 62,339</u>
<u>December 31, 2019</u>			
Subsidiaries			
Merida Polska	\$ 6,498	\$ 107,569	\$ 114,067
Associate			
Merida Italy	<u>37,379</u>	<u>-</u>	<u>37,379</u>
	<u>\$ 43,877</u>	<u>\$ 107,569</u>	<u>\$ 151,446</u>

e. Payables to related parties

Related Party Category	December 31	
	2020	2019
<u>Trade payables</u>		
Subsidiaries	\$ 85,313	\$ 126,595
Others	<u>27,351</u>	<u>27,327</u>
	<u>\$ 112,664</u>	<u>\$ 153,832</u>

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	
	2020	2019
Subsidiaries	\$ 157,339	\$ 143,814
Associates	<u>-</u>	<u>3,474</u>
	<u>\$ 157,339</u>	<u>\$ 147,288</u>

2) Interest income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Merida Benelux	\$ 3,785	\$ 5,650
Merida & Centurion	4,095	13,526
Others	<u>1,184</u>	<u>2,268</u>
	<u>9,064</u>	<u>21,444</u>
Associates		
SBC Group	2,150	12,501
Merida Czech	3,484	5,291
Others	<u>1,452</u>	<u>9,664</u>
	<u>7,086</u>	<u>27,456</u>
	<u>\$ 16,150</u>	<u>\$ 48,900</u>

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	
	2020	2019
Subsidiaries		
Merida China	\$ 2,818	\$ 33,927
Merida Shandong	58,137	9,118
Merida Jiangsu	5,210	3,232
Associates		
Merida Norge	-	674
	<u>\$ 66,165</u>	<u>\$ 46,951</u>

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
<u>December 31, 2020</u>		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 24,500
	Bank borrowings	USD 3,750
	Bank borrowings	GBP 4,000
	Bank borrowings	RMB 60,000
<u>December 31, 2019</u>		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 24,500
	Bank borrowings	USD 7,250
	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	
	2020	2019
Short-term employee benefits	\$ 215,008	\$ 110,313
Post-employment benefits	<u>661</u>	<u>491</u>
	<u>\$ 215,669</u>	<u>\$ 110,804</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

8. 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, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials amounted to approximately \$745,772 thousand and \$669,888 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	<u>\$ 32,596</u>	<u>\$ 19,872</u>

- 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.

9. OTHER ITEMS

The COVID-19 pandemic has an impact on the Corporation. With the easing of the epidemic and loosening of government policies, the Corporation expects that operations will gradually return to normal.

10. 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, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 92,323	28.480	\$ 2,629,359	\$ 128,818	29.980	\$ 3,861,964
JPY	141,257	0.2763	39,029	829,524	0.2760	228,949
Non-monetary items						
Investments accounted for using the equity method						
USD	558,163	28.480	15,896,482	436,184	29.980	13,076,796
EUR	19,444	35.02	680,929	14,722	33.59	494,512
JPY	247,774	0.2763	68,460	186,233	0.2760	51,400
POL	10,039	7.5693	75,988	8,578	7.89	67,654

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 46,290	28.480	\$ 1,318,339	\$ 42,939	29.980	\$ 1,287,311
JPY	3,157,283	0.2763	872,357	2,267,008	0.2760	625,694

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
USD	28.480	\$ 15,540	29.980	\$ (44,651)
JPY	0.276	3,582	0.276	11,820
EUR	35.02	<u>140</u>	33.59	<u>1,426</u>
		<u>\$ 19,262</u>		<u>\$ (31,405)</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 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, 2020 and 2019. The net profit from trading in derivative instruments is \$318 thousand in 2019.

- 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)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	Merida U.K.	Other receivables from related parties	Yes	\$ 14,086	\$ -	\$ -	3.30	For short-term financing needs	\$ -	Operating capital	\$ -	-	\$ -	\$ 6,413,654 (Note 1)	\$ 8,017,068 (Note 3)
		Merida Norge	Other receivables from related parties	Yes	471	-	-	3.96	For short-term financing needs	-	Operating capital	-	-	-	6,413,654 (Note 1)	8,017,068 (Note 3)
		Merida Polska	Other receivables from related parties	Yes	158,151	86,545	62,339	6.48	For short-term financing needs	-	Operating capital	-	-	-	6,413,654 (Note 1)	8,017,068 (Note 3)
		Merida Bikes SWE	Other receivables from related parties	Yes	5,892	-	-	4.50	For short-term financing needs	-	Operating capital	-	-	-	1,063,413 (Note 2)	8,017,068 (Note 3)
		Merida Italy	Other receivables from related parties	Yes	38,451	9,651	-	4.00	For short-term financing needs	-	Operating capital	-	-	-	1,063,413 (Note 2)	8,017,068 (Note 3)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 70,000	RMB 70,000	RMB 21,250	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 78,656 (Note 4)	RMB 78,656 (Note 4)
2	Merida China	Merida Jiangsu	Other receivables from related parties	Yes	RMB 60,000	RMB 36,000	RMB 8,000	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 37,204 (Note 5)	RMB 37,204 (Note 5)
3	Merida Hong Kong	The Corporation	Other receivables from related parties	Yes	USD 17,000	USD 17,000	USD -	-	For short-term financing needs	-	Operating capital	-	-	-	HKD 191,117 (Note 6)	HKD 191,117 (Note 6)

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.

Note 6: 40% of the net assets of Merida Hong Kong in their latest financial statements.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(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	\$ 4,810,240	EUR 500 GBP 4,000	EUR 500 GBP 4,000	EUR - GBP 3,978	\$ -	1.08	\$ 8,017,068	Yes	-	-
		Merida & Centurion	Subsidiary	4,810,240	EUR 27,000	EUR 27,000	EUR 21,800	-	5.90	8,017,068	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	4,810,240	USD 3,750 RMB 60,000	USD 3,750 RMB 60,000	USD 250 RMB 60,000	-	2.30	8,017,068	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, 2020

(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, 2020			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)
The Corporation	<u>Mutual funds</u>						
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	46,095	\$ 480,695	-	\$ 480,695
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	27,706	350,474	-	350,474
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	23,942	300,100	-	300,100
	Yuanta Wan-Tai Money Market Fund	-	Financial assets at FVTPL - current	16,399	250,177	-	250,177
	Yuanta De-Bao Money Market Fund	-	Financial assets at FVTPL - current	10,752	130,208	-	130,208
	<u>Share capital</u>						
	Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	1,607	-	1,607
	Cheng Shin	The Corporation's chairman is their director	Financial assets at FVTPL - current	1,146	50,473	-	50,473
	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 6 (21) for information on the fair values.

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, 2020

(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	Jin Sun Money Market Fund	Financial assets at FVTPL - current	-	-	20,192	\$ 300,414	10,055	\$ 150,000	30,247	\$ 450,946	\$ 450,000	\$ 946	-	\$ -
	Yuanta De-Bao Money Market Fund	Financial assets at FVTPL - current	-	-	24,903	300,426	14,889	180,000	29,039	350,834	350,000	834	10,752	130,208
	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	24,116	250,301	50,901	530,000	28,922	300,803	300,000	803	46,095	480,695
	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	8,022	100,168	47,912	600,000	31,992	400,450	400,000	450	23,942	300,100
	Mega Diamond Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	27,706	350,000	-	-	-	-	27,706	350,474

Note: The net asset values are measured as of the balance sheet date at December 31, 2020.

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, 2020

(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	\$ (15,935,709)	(79)	O/A 60 days	\$ -	-	\$ 1,120,335	61	
	Merida & Centurion	Subsidiary	Sale	(809,475)	(4)	D/A or O/A 150 days	-	-	21,956	1	
	Merida U.K.	Subsidiary	Sale	(310,446)	(2)	O/A 60 days	-	-	7,460	-	
	Merida Korea	Investment accounted for using the equity method	Sale	(291,832)	(1)	O/A 120 days	-	-	7,346	-	
	Merida Benelux	Subsidiary	Sale	(201,676)	(1)	O/A 180 days	-	-	129,192	7	
	SAIL & SURF	Investment accounted for using the equity method	Sale	(196,481)	(1)	T/T 14 days or D/A 180 days	-	-	12,090	1	
	Merida Bikes SWE	Investment accounted for using the equity method	Sale	(178,896)	(1)	T/T 14 days or O/A 120 days	-	-	42,184	2	
	Merida Japan	Subsidiary	Sale	(146,039)	(1)	O/A 90 days	-	-	36,052	2	
	Merida Norge	Subsidiary	Sale	(130,413)	(1)	T/T 14 days or D/A 120 days	-	-	118,620	6	
	Merida Jiangsu	Third-tier subsidiary	Sale	(125,567)	(1)	O/A 90 days	-	-	40,943	2	
	Merida Polska	Subsidiary	Sale	(115,170)	(1)	O/A 150 days	-	-	104,280	6	
	Merida Czech	Investment accounted for using the equity method	Sale	(104,280)	(1)	D/A 150 days	-	-	29,631	2	
	Merida China	Third-tier subsidiary	Purchase	369,292	2	T/T 90 days	-	-	(82,407)	(2)	
Merida Jiangsu	Merida Shandong	Associate	Sale	RMB (138,254)	(80)	T/T 90 days	-	-	RMB 10,673	95	

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, 2020

(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	\$ 1,120,335	12.23	\$ -	-	\$ 1,120,335	\$ -
	Merida Benelux		Subsidiary	Trade receivables from related parties	129,192	1.29	-	-	51,418
			Other receivables from related parties	2,584	-	-	-	1,028	-
	Merida Norge	Subsidiary	Trade receivables from related parties	118,620	0.73	-	-	29,829	-
			Other receivables from related parties	11,431	-	-	-	397	-
	Merida Polska	Subsidiary	Trade receivables from related parties	104,280	0.86	-	-	-	-
			Other receivables from related parties	62,339	-	62,339	Continued collection	25,347	-

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount			
The Corporation	<u>Share capital</u> SBC	California, United States of America	Design, development, manufacture and sale of bicycles	\$ 887,013	\$ 887,013	\$ 3,410	35	\$ 13,544,791	USD 321,297	\$ 3,359,564	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,686,883	USD (117)	(3,444)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	103,725	-	51	491,153	EUR 7,251	124,660	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	66,506	PLN 1,961	10,990	Subsidiary
	Merida Norge	Lysaker, Norway	Sale of bicycles	151,459	151,459	198	75	97,759	NOK 7,116	16,737	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	114,561	EUR 978	13,183	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	42,587	CZK 9,870	5,644	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	2	36	70,268	EUR 512	6,270	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	3,880		(534)	(136)
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	25,978	EUR 192	1,940	
	Merida Japan	Kanagawa, Japan	Sale of bicycles	118,875	103,679	2	90	68,877	JPY 9,258	2,307	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	19,011	5,164	559	27	11,822	EUR (510)	(4,686)	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(67,098)	EUR 166	3,368	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	84,156	GBP 1,314	40,545	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	14,329	KRW 354,185	3,584	
Merida B.V.I.	<u>Share capital</u> Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 61,685	HKD 12,141	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 16,635	USD (2,503)	(Note 1)	Indirectly owned subsidiary
Merida Norge	<u>Share capital</u> Merida Sverige AB	Gothenburg, Sweden	Sale of bicycles	NOK 814	NOK 814	-	100	NOK 4,081	SEK 2,265	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	<u>Share capital</u> Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 1,132	EUR 331	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 310	EUR 35	(Note 1)	Indirectly owned subsidiary
Merida Japan (Note 2)	<u>Share capital</u> Miyata	Kanagawa, Japan	Sale of bicycles	JPY 62,371	-	-	100	JPY 61,942	JPY (429)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Merida Japan split the "MIYATA" brand business into a newly established 100% subsidiary: Miyata Cycle Co., Ltd.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
						Outward	Inward						
4403	Merida China	Manufacture and sale of bicycles	\$ 349,734 (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	\$ 315,758 (USD 11,087)	\$ -	\$ -	\$ 315,758 (USD 11,087)	\$ (56,492)	100	\$ (56,492)	\$ 407,122	\$ 1,273,255 (USD 44,707)
3714	Merida Shandong	Manufacture and sale of e-bikes and bicycles	455,680 (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	455,680 (USD 16,000)	-	-	455,680 (USD 16,000)	103,503	100	103,503	860,721	438,287 (USD 25,923)
3206	Merida Jiangsu	Manufacture and sale of bicycles	996,800 (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	469,920 (USD 16,500)	-	-	469,920 (USD 16,500)	(74,228)	70	(51,960)	443,534	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	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)
\$ 1,241,358 (USD 43,587)	\$ 1,301,963 (USD 45,715) (Note 2)	\$ 10,068,352 (Note 3)	\$ -	\$ -

Note 1: The investment gain (loss) and carrying amount as of December 31, 2020 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**INFORMATION OF MAJOR SHAREHOLDERS****December 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Michael S.T. Tseng	48,664,715	16.27%

Note : The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Merida Industry Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 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, 2020 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:

Michael S. T. Tseng
President

March 25, 2021

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 (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and 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 (collectively referred to as the “consolidated financial statements”).

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, 2020 and 2019, 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 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 consolidated financial statements for the year ended December 31, 2020. 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.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is as follows:

Revenue Recognition

The Group's sales 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, 2020 accounted for a significant proportion of sales revenue, recognition of sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales 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 sales revenue and the operating procedures and risks related to revenue collection, and tested the continuous effectiveness of its related procedures during the year.
2. We obtained the sales revenue receipts from the export of e-bikes, sampled the orders, and subsequently recognized the documents and receipt vouchers related to sales revenue to verify the occurrence of the sales revenue recognized.

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, 2020 and 2019, 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\$13,544,791 thousand and NT\$10,440,751 thousand, accounting for 46% and 41% of the Group's consolidated total assets as of December 31, 2020 and 2019, respectively. The share of profit of associates was NT\$3,359,564 thousand and NT\$1,374,891 thousand, accounting for 92% and 67% of the Group's consolidated comprehensive income for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 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, 2020 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 25, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6(1))	\$ 3,931,022	14	\$ 3,271,253	13
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	1,563,734	5	1,078,809	4
Notes receivable (Notes 4 and 6(15))	6,954	-	12,474	-
Trade receivables (Notes 4, 6(3) and 6(15))	622,119	2	759,041	3
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,226,649	4	1,745,195	7
Other receivables (Note 7)	88,017	-	110,062	-
Inventories (Notes 4, 5 and 6(4))	4,990,061	17	4,653,985	18
Other current assets	160,381	1	127,752	-
Total current assets	<u>12,588,937</u>	<u>43</u>	<u>11,758,571</u>	<u>45</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 6(5))	3,400	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 6(7))	13,828,216	47	10,658,905	42
Property, plant and equipment (Notes 4 and 6(8))	2,685,572	9	2,400,791	10
Right-of-use assets (Notes 4 and 6(9))	353,328	1	540,505	2
Investment properties (Notes 4 and 6(10))	34,836	-	35,403	-
Intangible assets (Note 4)	56,399	-	45,307	-
Deferred tax assets (Notes 4 and 6(17))	76,068	1	188,991	1
Prepayments for equipment	28,778	-	30,496	-
Other non-current assets	26,943	-	18,421	-
Total non-current assets	<u>17,093,540</u>	<u>57</u>	<u>13,922,219</u>	<u>55</u>
TOTAL	<u>\$ 29,682,477</u>	<u>100</u>	<u>\$ 25,680,790</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 4 and 6(11))	\$ 1,634,949	6	\$ 1,880,773	7
Contract liabilities - current (Notes 4 and 6(15))	160,028	1	33,916	-
Notes payable and trade payables	4,996,651	17	4,453,631	17
Trade payables to related parties (Note 7)	58,689	-	46,543	-
Other payables (Note 6(12))	1,084,989	4	813,144	3
Current tax liabilities (Notes 4 and 6(17))	171,422	1	301,936	1
Lease liabilities - current (Notes 4 and 6(9))	41,716	-	57,107	-
Current portion of long-term bank loans (Notes 4 and 6(11))	33,017	-	158,982	1
Other current liabilities	71,352	-	68,072	-
Total current liabilities	<u>8,252,813</u>	<u>29</u>	<u>7,814,104</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4 and 6(11))	994,190	3	355,830	1
Deferred tax liabilities (Notes 4 and 6(17))	3,423,416	12	2,702,913	11
Lease liabilities - non-current (Notes 4 and 6(9))	92,976	-	174,038	1
Net defined benefit liabilities (Notes 4 and 6(13))	108,391	-	195,207	1
Guarantee deposits received	30,104	-	33,098	-
Credit balance of investments accounted for using the equity method (Notes 4 and 6(7))	-	-	1,740	-
Total non-current liabilities	<u>4,649,077</u>	<u>15</u>	<u>3,462,826</u>	<u>14</u>
Total liabilities	<u>12,901,890</u>	<u>44</u>	<u>11,276,930</u>	<u>43</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	10	2,989,838	12
Capital surplus				
Share premiums from issuance of ordinary shares	416,290	1	416,290	2
Retained earnings				
Legal reserve	2,732,977	9	2,482,733	10
Special reserve	1,163,048	4	769,489	3
Unappropriated earnings	10,406,346	35	8,283,384	32
Other equity	(1,674,363)	(6)	(1,163,049)	(5)
Total equity attributable to owners of the Corporation	<u>16,034,136</u>	<u>53</u>	<u>13,778,685</u>	<u>54</u>
NON-CONTROLLING INTERESTS				
Total equity	<u>16,780,587</u>	<u>56</u>	<u>14,403,860</u>	<u>57</u>
TOTAL	<u>\$ 29,682,477</u>	<u>100</u>	<u>\$ 25,680,790</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

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			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 27,072,342	100	\$ 28,243,214	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>23,285,132</u>	<u>86</u>	<u>24,423,564</u>	<u>87</u>
GROSS PROFIT	3,787,210	14	3,819,650	13
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>278,539</u>	<u>1</u>	<u>(83,322)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,065,749</u>	<u>15</u>	<u>3,736,328</u>	<u>13</u>
OPERATING EXPENSES (Notes 6(16) and 7)				
Selling and marketing expenses	1,046,703	4	1,088,300	4
General and administrative expenses	<u>1,134,824</u>	<u>4</u>	<u>937,202</u>	<u>3</u>
Total operating expenses	<u>2,181,527</u>	<u>8</u>	<u>2,025,502</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,884,222</u>	<u>7</u>	<u>1,710,826</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 7)	34,325	-	80,674	-
Other income (Note 7)	167,307	1	65,129	-
Net foreign exchange gains (losses) (Note 4)	(131,819)	-	78,155	-
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	23,716	-	10,549	-
Share of profit of subsidiaries and associates (Note 4)	3,385,363	13	1,350,284	5
Interest expense	(52,006)	-	(43,874)	-
Other expenses (Note 6(16))	<u>(70,291)</u>	<u>-</u>	<u>(48,063)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,356,595</u>	<u>14</u>	<u>1,492,854</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	5,240,817	21	3,203,680	11
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,128,670</u>	<u>4</u>	<u>702,696</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>4,112,147</u>	<u>17</u>	<u>2,500,984</u>	<u>9</u>

(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			
	2020		2019	
	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 6(13))	\$ 37,111	-	\$ (19,797)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>(7,422)</u>	<u>-</u>	<u>3,959</u>	<u>-</u>
	<u>29,689</u>	<u>-</u>	<u>(15,838)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(490,893)</u>	<u>(2)</u>	<u>(419,746)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(461,204)</u>	<u>(2)</u>	<u>(435,584)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,650,943</u>	<u>15</u>	<u>\$ 2,065,400</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,993,317	15	\$ 2,502,443	9
Non-controlling interests	<u>118,830</u>	<u>-</u>	<u>(1,459)</u>	<u>-</u>
	<u>\$ 4,112,147</u>	<u>15</u>	<u>\$ 2,500,984</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,511,692	13	\$ 2,093,046	7
Non-controlling interests	<u>139,251</u>	<u>1</u>	<u>(27,646)</u>	<u>-</u>
	<u>\$ 3,650,943</u>	<u>14</u>	<u>\$ 2,065,400</u>	<u>7</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 13.36</u>		<u>\$ 8.37</u>	
Diluted	<u>\$ 13.27</u>		<u>\$ 8.33</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation							Total	Non-controlling Interest	Total
	Common Shares (Note 6(14))	Capital Surplus (Note 6(14))		Retained Earnings (Note 6(14))			Other Equity			
		Share Premium from Issuance of Common Share	Capital Surplus from Investments Accounted for Using Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange			
							Differences on Translating the Financial Statements of Foreign Operations			
BALANCE AT JANUARY 1, 2019	\$ 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
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	250,244	-	(250,244)	-	-	-	-
Special reserve	-	-	-	-	393,559	(393,559)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,255,732)	-	(1,255,732)	(3,289)	(1,259,021)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	-	-	-	(509)	-	(509)	509	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(15,195)	(15,195)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,993,317	-	3,993,317	118,830	4,112,147
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	29,689	(511,314)	(481,625)	20,421	(461,204)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	4,023,006	(511,314)	3,511,692	139,251	3,650,943
BALANCE AT DECEMBER 31, 2020	\$ 2,989,838	\$ 416,290	\$ -	\$ 2,732,977	\$ 1,163,048	\$ 10,406,346	\$ (1,674,363)	\$ 16,034,136	\$ 746,451	\$ 16,780,587

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

(With Deloitte & Touche audit report dated March 25, 2021)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,240,817	\$ 3,203,680
Adjustments for:		
Depreciation expenses	268,297	260,726
Amortization expenses	7,908	10,246
Expected credit loss recognized on trade receivables	6,637	3,858
Net gain on fair value changes of financial assets at fair value through profit or loss	(23,716)	(10,549)
Interest expense	52,006	43,874
Interest income	(34,325)	(80,674)
Dividend income	(1,389)	(4,813)
Share of profit of associates	(3,385,363)	(1,350,284)
Loss on disposal of property, plant and equipment	858	2,310
Write-down of inventories	1,315	212
Unrealized loss (gain) on transactions with associates	(278,539)	83,322
Unrealized net (gain) loss on foreign currency exchange	(10,529)	35,068
Gain on lease modification	(774)	-
Loss on disposal of right-of-use assets	8,225	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(461,209)	(568,565)
Notes receivable	5,344	6,807
Trade receivables	638,137	(24,800)
Other receivables	529,822	(184,274)
Inventories	(331,846)	(376,793)
Other current assets	(23,847)	(18,116)
Contract liabilities	126,112	1,607
Notes payable and trade payables	559,051	652,414
Other payables	(260,186)	3,477
Other current liabilities	2,304	(15,923)
Net defined benefit liabilities	(49,705)	2,688
Cash generated from operations	2,585,405	1,675,498
Interest received	45,414	71,674
Dividends received	1,389	14,497
Interest paid	(52,966)	(42,562)
Income tax paid	(466,876)	(508,759)
Net cash generated from operating activities	<u>2,112,366</u>	<u>1,210,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments accounted for using equity method	(13,848)	-
Net cash inflow on acquisitions of associates	-	61,150
Acquisition for property, plant and equipment	(419,566)	(271,411)
Proceeds from disposal of property, plant and equipment	1,271	1,942

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2020	2019
Decrease (increase) in refundable deposits	\$ (5,530)	\$ 552
Decrease (increase) in other receivables from related parties	37,379	(37,379)
Payments for intangible assets	(18,947)	(3,249)
Proceeds from disposal of intangible assets	-	83
Acquisitions of right-of-use assets	-	(5,962)
Increase in other non-current assets	(3,073)	(4,430)
Increase in prepayments for equipment	(35,338)	(17,815)
Proceeds from disposal of right-of-use assets	<u>79,211</u>	<u>-</u>
Net cash used in investing activities	<u>(378,441)</u>	<u>(276,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments for) short-term bank loans	(230,446)	27,777
Proceeds from long-term borrowings	641,193	299,601
Repayments of long-term bank loans	(157,837)	(111,359)
Increase (decrease) in refundable deposits	(3,075)	1,912
Repayment of the principal portion of lease liabilities	(49,673)	(50,269)
Dividends paid to owners of the Corporation	(1,246,476)	(1,046,443)
Acquisition of subsidiaries	(15,195)	-
Changes in non-controlling interests	<u>-</u>	<u>69,188</u>
Net cash used in financing activities	<u>(1,061,509)</u>	<u>(809,593)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(12,647)</u>	<u>(73,002)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	659,769	51,234
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,271,253</u>	<u>3,220,019</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,931,022</u>	<u>\$ 3,271,253</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 25, 2021.

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)

The initial application of the IFRSs endorsed and issued into effect by the FSC didn’t have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 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 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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 6(6), 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's 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 property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets 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 6(21).

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

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.

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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, 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 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 Group considers the economic implications of the COVID-19 when making its critical accounting 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. EXPLANATION OF IMPORTANT ACCOUNTING ITEMS

1) Cash and cash equivalents

	<u>December 31</u>	
	2020	2019
Cash on hand	\$ 2,973	\$ 1,938
Checking accounts and demand deposits	3,530,520	2,589,408
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>397,529</u>	<u>679,907</u>
	<u>\$ 3,931,022</u>	<u>\$ 3,271,253</u>
Time deposit interest rate per annum (%)	0.66-2.20	0.50-2.85

2) Financial instruments at fair value through profit or loss

	<u>December 31</u>	
	2020	2019
Financial assets		
Non-derivative financial assets		
Mutual funds	\$ 1,511,654	\$ 951,309
Domestic listed shares	<u>52,080</u>	<u>127,500</u>
Financial assets at FVTPL - current	<u>\$ 1,563,734</u>	<u>\$ 1,078,809</u>

3) Trade receivables

	December 31	
	2020	2019
Trade receivables	\$ 1,867,419	\$ 2,530,808
Less: Allowance for impairment loss	<u>(18,651)</u>	<u>(26,572)</u>
	<u>\$ 1,848,768</u>	<u>\$ 2,504,236</u>

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, 2020

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-1%	3%	
Gross carrying amount	\$ 1,847,706	\$ 19,713	\$ 1,867,419
Loss allowance (Lifetime ECLs)	<u>(18,060)</u>	<u>(591)</u>	<u>(18,651)</u>
Amortized cost	<u>\$ 1,829,646</u>	<u>\$ 19,122</u>	<u>\$ 1,848,768</u>

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)	<u>(22,223)</u>	<u>(4,349)</u>	<u>(26,572)</u>
Amortized cost	<u>\$ 2,444,978</u>	<u>\$ 59,258</u>	<u>\$ 2,504,236</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 26,572	\$ 24,063
Add: Net remeasurement of loss allowance	6,637	3,858
Less: Amounts written off	(14,773)	(788)
Foreign exchange differences	<u>215</u>	<u>(561)</u>
Balance at December 31	<u>\$ 18,651</u>	<u>\$ 26,572</u>

4) Inventories

	December 31	
	2020	2019
Finished goods	\$ 2,442,959	\$ 3,338,743
Work in progress	830,436	456,346
Raw materials and supplies	1,647,428	735,926
Inventory in transit	<u>69,238</u>	<u>122,970</u>
	<u>\$ 4,990,061</u>	<u>\$ 4,653,985</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$23,285,132 thousand and \$24,423,564 thousand, respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$1,315 thousand and \$212, respectively.

Inventories pledged as collateral for bank borrowings are set out in Note 8.

5) Financial assets at fair value through other comprehensive income

	December 31	
	2020	2019
<u>Non-current</u>		
Domestic unlisted ordinary shares	<u>\$ 3,400</u>	<u>\$ 3,400</u>

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.

6) Subsidiaries

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership (%)	
		2020	2019
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
	Merida Japan Co., Ltd. ("Merida Japan")	90	70
	Merida Norge As. ("Merida Norge")	75	75
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
Meroda Norge	Merida Sverige AB ("Sverige")	100	100
Merida Japan	Miyata Cycle Co., Ltd. ("Miyata")	100	-
Merida &Centurion	Merida Europe GmbH	100	100
	Merida R&D Center GmbH	100	100

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 December 2019, the Corporation increased its capital in Stians Sport AS by acquiring 164,000 of its ordinary shares through cash in the amount of 121,679 thousand. After the capital increase, the Corporation's shareholding proportion increased to 75%, and the Corporation has obtained control over Stians Sport AS and included it in the Group's consolidated financial statements since December 1, 2019. In addition, Stians Sport AS was re name d as Merida Norge AS in May 2020.

In July 2019, the Corporation acquired 500 ordinary shares of Miyata Cycle Co., Ltd. through cash in the amount of \$23,766 thousand. After the acquisition, the Corporation's shareholding proportion increased to 70%, and the Corporation has obtained control over Miyata Cycle Co., Ltd. and included it in the Group's consolidated financial statements since July 1, 2019. Miytan Cycle Co., Ltd. was re name d as Merida Japan Co., Ltd. in July 2020. Due to the business needs, Merida Japan Co. Co., Ltd. established a new company, Miyata Cycle Co., Ltd. The Corporation acquired 400 ordinary shares of Merida Japan Co., Ltd. through cash in the amount of \$15,195 thousand. After the acquisition, the Corporation's shareholding proportion increased to 90%.

Except for Merida Benelux's 2019 financial statements, 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	
	2020	2019
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	
	2020	2019
Current assets	\$ 529,246	\$ 439,556
Non-current assets	830,711	962,403
Current liabilities	(419,732)	(649,942)
Non-current liabilities	<u>(263,410)</u>	<u>(8,858)</u>
Equity	<u>\$ 676,815</u>	<u>\$ 743,159</u>
Equity attributable to:		
Owners of Merida SAMOA	\$ 473,770	\$ 520,211
Non-controlling interests of Merida SAMOA	<u>203,045</u>	<u>222,948</u>
	<u>\$ 676,815</u>	<u>\$ 743,159</u>
	For the Year Ended December 31	
	2020	2019
Revenue	<u>\$ 738,498</u>	<u>\$ 636,441</u>
Net loss for the year	\$ (73,958)	\$ (106,779)
Other comprehensive loss for the year	<u>43,703</u>	<u>(12,574)</u>
Total comprehensive loss for the year	<u>\$ (30,255)</u>	<u>\$ (119,353)</u>
Loss attributable to:		
Owners of Merida SAMOA	\$ (51,771)	\$ (74,745)
Non-controlling interests of Merida SAMOA	<u>(22,187)</u>	<u>(32,034)</u>
	<u>\$ (73,958)</u>	<u>\$ (106,779)</u>
Total comprehensive loss attributable to:		
Owners of Merida SAMOA	\$ (21,179)	\$ (83,547)
Non-controlling interests of Merida SAMOA	<u>(9,076)</u>	<u>(35,806)</u>
	<u>\$ (30,255)</u>	<u>\$ (119,353)</u>

	For the Year Ended December 31	
	2020	2019
Net cash outflow from:		
Operating activities	\$ (63,364)	\$ (61,559)
Investing activities	66,228	(1,567)
Financing activities	<u>(47,888)</u>	<u>34,335</u>
Net cash outflow	<u>\$ 45,024</u>	<u>\$ (28,791)</u>

7) Investments accounted for using the equity method

	December 31	
	2020	2019
<u>Unlisted shares</u>		
Specialized Bicycle Components, Inc. (“SBC”)	\$ 13,544,791	\$ 10,440,751
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	114,561	92,846
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	70,268	57,167
Merida Czech s.r.o (“Merida Czech”)	42,587	31,745
Merida Slovakia s.r.o (“Merida Slovakia”)	25,978	21,178
Merida Korea Inc. (“Merida Korea”)	14,329	11,202
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	3,880	4,016
Merida Italy S.r.l (“Merida Italy”)	<u>11,822</u>	<u>-</u>
	<u>\$ 13,828,216</u>	<u>\$ 10,658,905</u>
Credit Balance of Investments Accounted for Using the Equity Method		
Merida Italy	<u>\$ -</u>	<u>\$ 1,740</u>

The proportion of ownership and voting rights with investments in associates for the Group was as follows:

	December 31	
	2020	2019
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%

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	
	2020	2019
The Group's share of:		
Profit for the year	\$ 3,385,363	\$ 1,350,284
Other comprehensive loss for the year	<u>(129,124)</u>	<u>(252)</u>
 Total comprehensive income for the year	 <u>\$ 3,256,239</u>	 <u>\$ 1,350,032</u>

Except for Merida Italy for the year ended December 31, 2020 and Merida Italy, Merida Korea, Merida Bikes SWE and WideDoctor for the year ended December 31, 2019, 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.

8) Property, plant and equipment

	For the Year Ended December 31, 2020						
	Beginning Balance	Acquisitions through Business Combination	Additions	Disposals	Reclassifi- cations	Effect of Foreign Currency Exchange Difference	
<u>Cost</u>							
Land	\$ 475,694	\$ -	\$ -	\$ -	\$ 349	\$ (32)	\$ 476,011
Buildings and improvements	2,284,701	-	34,469	(9,753)	-	36,160	2,345,577
Machinery and equipment	1,202,637	-	14,161	(19,188)	36,250	13,977	1,247,837
Transportation equipment	35,984	-	1,779	(3,171)	509	(368)	34,733
Miscellaneous equipment	205,950	-	23,389	(21,030)	26	1,749	210,084
Construction in progress	<u>72,260</u>	-	<u>345,768</u>	<u>(295)</u>	-	<u>16,460</u>	<u>434,193</u>
	<u>\$ 4,277,226</u>	<u>\$ -</u>	<u>\$ 419,566</u>	<u>\$ (53,437)</u>	<u>\$ 37,134</u>	<u>\$ 67,946</u>	<u>\$ 4,748,435</u>
<u>Accumulated depreciation</u>							
Buildings and improvements	955,197	\$ -	\$ 95,653	\$ (9,148)	\$ -	\$ 14,840	1,056,542
Machinery and equipment	733,184	-	87,734	(18,213)	-	10,795	813,500
Transportation equipment	27,875	-	2,508	(2,968)	-	(257)	27,158
Miscellaneous equipment	<u>160,149</u>	-	<u>24,843</u>	<u>(20,979)</u>	<u>26</u>	<u>1,594</u>	<u>165,663</u>
	<u>1,876,435</u>	<u>\$ -</u>	<u>\$ 210,738</u>	<u>\$ (51,308)</u>	<u>\$ 26</u>	<u>\$ 26,972</u>	<u>2,062,863</u>
	<u>\$ 2,400,791</u>						<u>\$ 2,685,572</u>

For the Year Ended December 31, 2020

	Beginning Balance	Acquisitions through Business Combination	Additions	Disposals	Reclassifi- cations	Effect of Foreign Currency Exchange Difference	Ending Balance
<u>Cost</u>							
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
	<u>\$ 4,085,398</u>	<u>\$ 70,705</u>	<u>\$ 271,411</u>	<u>\$ (65,931)</u>	<u>\$ 26,286</u>	<u>\$ (110,643)</u>	<u>\$ 4,277,226</u>
<u>Accumulated depreciation</u>							
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
	<u>\$ 1,742,414</u>	<u>\$ 44,956</u>	<u>\$ 207,516</u>	<u>\$ (61,679)</u>	<u>\$ -</u>	<u>\$ (56,772)</u>	<u>\$ 1,876,435</u>
	<u>\$ 2,342,984</u>						<u>\$ 2,400,791</u>

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	25-60 years
Ancillary work	5-55 years
Machinery and equipment	3-15 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 8.

9) Lease arrangements

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 232,104	\$ 327,529
Buildings	102,236	188,715
Machinery	262	409
Transportation equipment	17,392	21,979
Miscellaneous equipment	1,334	1,873
	<u>\$ 353,328</u>	<u>\$ 540,505</u>

For the Year Ended December 31

	<u>2020</u>	<u>2019</u>
Depreciation charge for right-of-use assets		
Land	\$ 11,269	\$ 13,125
Buildings	33,816	28,449
Machinery	131	139
Transportation equipment	11,244	10,660
Miscellaneous equipment	<u>532</u>	<u>269</u>
	<u>\$ 56,992</u>	<u>\$ 52,642</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Current	<u>\$ 41,716</u>	<u>\$ 57,107</u>
Non-current	<u>\$ 92,976</u>	<u>\$ 174,038</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Land	1.15%-1.50%	1.15%-1.64%
Buildings	1.15%-4.60%	1.15%-4.60%
Machinery	1.50%	1.64%
Transportation equipment	0.80%-3.00%	0.80%-3.65%
Miscellaneous equipment	0.80%-1.50%	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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 20,388</u>	<u>\$ 19,692</u>
Expenses relating to low-value asset leases	<u>\$ 2,268</u>	<u>\$ 2,688</u>
Total cash outflow for leases	<u>\$ 72,329</u>	<u>\$ 72,649</u>

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.

10) Investment properties

	December 31	
	2020	2019
Land	\$ 20,309	\$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	<u>3,068</u>	<u>3,068</u>
	54,307	54,307
Less: Accumulated depreciation	<u>(19,471)</u>	<u>(18,904)</u>
	<u>\$ 34,836</u>	<u>\$ 35,403</u>

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, 2020 and 2019 was \$54,045 thousand and \$48,462 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

11) Borrowings

a. Short-term bank borrowings

	December 31	
	2020	2019
Line of credit borrowings	\$ 452,829	\$ 922,769
Letters of credit - due after 180 days of acceptance	1,161,358	845,965
Secured borrowings (Note 8)	<u>20,762</u>	<u>112,039</u>
	<u>\$ 1,634,949</u>	<u>\$ 1,880,773</u>
<u>Rate of interest rates per annum (%)</u>		
Line of credit borrowings	0.90-4.35	0.90-5.00
Letters of credit	No more than 0.820	No more than 2.659
Secured borrowings	1.90-2.20	2.55-4.55

b. Long-term bank borrowings

	<u>December 31</u>	
	2020	2019
<u>Unsecured loans</u>		
Bank loans (1)	\$ 1,020,888	\$ 503,498
<u>Secured loans</u>		
Mortgaged loans (2)	<u>6,319</u>	<u>11,314</u>
	1,027,207	514,812
Less: Current portion	<u>(33,017)</u>	<u>(158,982)</u>
Long-term borrowings	<u>\$ 994,190</u>	<u>\$ 355,830</u>

- 1) The bank loans were due in July 2026. As of December 31, 2020 and 2019, the effective interest rate range of the bank loans was 0.80%-4.65% and 0.80%-3.45% per annum, respectively.
- 2) As of December 31, 2020 and 2019, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land, buildings and inventories (see Note 8) was 1.53% per annum and 2.93% per annum, respectively. Such loans are due in September and October 2021.

12) Other payables

	<u>December 31</u>	
	2020	2019
Payables for compensation to employees	\$ 330,272	\$ 208,319
Payables for salaries and bonuses	155,590	147,445
Payables for remuneration of directors	143,118	90,271
Others	<u>456,009</u>	<u>367,109</u>
	<u>\$ 1,084,989</u>	<u>\$ 813,144</u>

13) 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., Japan, and Norge 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	
	2020	2019
Present value of defined benefit obligation	\$ 676,381	\$ 692,214
Fair value of plan assets	<u>(567,990)</u>	<u>(497,007)</u>
Net defined benefit liabilities	<u>\$ 108,391</u>	<u>\$ 195,207</u>

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, 2019	\$ 654,877	\$ (482,155)	\$ 172,722
Service costs			
Current service costs	8,964	-	8,964
Net interest expense (income)	<u>7,950</u>	<u>(5,841)</u>	<u>2,109</u>
Recognized in profit or loss	<u>16,914</u>	<u>(5,841)</u>	<u>11,073</u>
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	<u>(1,938)</u>	<u>-</u>	<u>(1,938)</u>
Recognized in other comprehensive income	<u>36,166</u>	<u>(16,369)</u>	<u>19,797</u>
Contributions from the employer	-	(8,385)	(8,385)
Benefits paid	<u>(15,743)</u>	<u>15,743</u>	<u>-</u>
Balance at December 31, 2019	<u>692,214</u>	<u>(497,007)</u>	<u>195,207</u> (Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service costs			
Current service costs	\$ 8,312	\$ -	\$ 8,312
Net interest expense (income)	<u>5,377</u>	<u>(3,851)</u>	<u>1,526</u>
Recognized in profit or loss	<u>13,689</u>	<u>(3,851)</u>	<u>9,838</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,580)	(16,580)
Actuarial loss - changes in financial assumption	20,485	-	20,485
Actuarial loss - experience adjustments	<u>(41,016)</u>	<u>-</u>	<u>(41,016)</u>
Recognized in other comprehensive income	<u>(20,531)</u>	<u>(16,580)</u>	<u>(37,111)</u>
Contributions from the employer	-	(59,543)	(59,543)
Benefits paid	<u>(8,991)</u>	<u>8,991</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 676,381</u>	<u>\$ (567,990)</u>	<u>\$ 108,391</u> (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	
	2020	2019
Discount rate(s)	0.40%	0.80%
Expected rate(s) of salary increase	2.25%	2.25%

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	
	2020	2019
Discount rate(s)		
0.50% increase	<u>\$ (25,447)</u>	<u>\$ (27,634)</u>
0.50% decrease	<u>\$ 27,118</u>	<u>\$ 29,515</u>
Expected rate(s) of salary increase		
0.50% increase	<u>\$ 26,490</u>	<u>\$ 28,949</u>
0.50% decrease	<u>\$ (25,129)</u>	<u>\$ (27,394)</u>

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	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 9,609</u>	<u>\$ 9,027</u>
Average duration of the defined benefit obligation	7.7 years	8.2 years

14) Equity

a. Common shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>298,984</u>	<u>298,984</u>
Shares issued	<u>\$ 2,989,838</u>	<u>\$ 2,989,838</u>

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 after the amendment, refer to Note 6(16).

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 2019 and 2018 approved in the shareholders' meetings in June 2020 and 2019, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 250,244	\$ 170,884		
Appropriation to (Reversal of) special reserve	393,559	(38,135)		
Cash dividends	1,255,732	1,046,443	\$ 4.2	\$ 3.5

The appropriation of earnings for 2020 had been proposed by the Corporation's board of directors on March 25, 2021. The appropriations and dividend per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 402,250	
Special reserve	511,314	
Cash dividends	2,092,887	\$ 7.0

The appropriation of earnings for 2020 are subject to the resolution of the shareholders in the shareholders' meetings to be held on June 25, 2021.

15) Revenue

	<u>For the Year Ended December 31</u>		
	2020	2019	
Revenue from contracts with customers			
Revenue from sale of goods	<u>\$ 27,072,342</u>	<u>\$ 28,243,214</u>	
a. Contract balances			
	December 31, 2020	December 31, 2019	January 1, 2019
Notes and trade receivables	<u>\$ 1,855,772</u>	<u>\$ 2,516,710</u>	<u>\$ 2,432,633</u>
Contract liabilities - current	<u>\$ 160,028</u>	<u>\$ 33,916</u>	<u>\$ 32,309</u>

b. Disaggregation of revenue

Refer to Note 15 for information about the disaggregation of revenue.

16) Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits	\$ 1,011,862	\$ 871,128	\$ 1,882,990
Post-employment benefits			
Defined contribution plans	17,945	16,179	34,124
Defined benefit plan	7,446	2,392	9,838
Other employee benefits	27,173	171,965	199,138
Depreciation expenses	145,611	122,686	268,297
Amortization expenses	2	7,906	7,908
<u>For the Year Ended December 31, 2019</u>			
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

Employees' compensation and remuneration of directors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors 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. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which have been approved by the Corporation's board of directors on March 25, 2021 and March 24, 2020, respectively, are as follows:

Cash	For the Year Ended December 31			
	2020		2019	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	6%	\$ 330,272	6%	\$ 208,319
Remuneration of directors	2.6%	143,118	2.6%	90,271

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 paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the TWSE.

17) Taxes

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 266,233	\$ 460,551
Income tax on unappropriated earnings	28,362	27,382
Adjustments for prior years	<u>8,071</u>	<u>11,958</u>
	<u>302,666</u>	<u>499,891</u>
Deferred tax		
In respect of the current year	<u>826,004</u>	<u>202,805</u>
Income tax expense recognized in profit or loss	<u>\$ 1,128,670</u>	<u>\$ 702,696</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 1,073,859	\$ 631,127
Nondeductible expenses in determining taxable income	568	3,096
Tax-exempt income	(4,854)	(3,073)
Income tax on unappropriated earnings	28,362	27,382
Unrecognized deductible temporary differences	2,737	(1,801)
Unrecognized loss carryforwards	19,927	34,007
Adjustments for prior years' tax	<u>8,071</u>	<u>11,958</u>
Income tax expense recognized in profit or loss	<u>\$ 1,128,670</u>	<u>\$ 702,696</u>

The Income Tax Act in the ROC is 20%. The tax rate applicable to the subsidiaries in China is 25%; the tax amounts generated from other districts 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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax assets		
Advance income tax (recognized as other current assets)	<u>\$ 55,432</u>	<u>\$ 46,445</u>
Current tax liabilities		
Income tax payable	<u>\$ 171,422</u>	<u>\$ 301,936</u>

c. Changes in deferred tax assets and liabilities

	<u>For the Year Ended December 31, 2020</u>			
	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 130,864	\$ (89,576)	\$ -	\$ 41,288
Defined benefit obligation	35,621	(10,077)	(7,422)	18,122
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized foreign currency exchange losses	6,605	(6,605)	-	-
Unrealized provision for loss on inventory	<u>3,403</u>	<u>757</u>	<u>-</u>	<u>4,160</u>
	<u>\$ 188,991</u>	<u>\$ (105,501)</u>	<u>\$ (7,422)</u>	<u>\$ 76,068</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 2,601,979	\$ 716,194	\$ -	\$ 3,318,173
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	<u>-</u>	<u>4,309</u>	<u>-</u>	<u>4,309</u>
	<u>\$ 2,702,913</u>	<u>\$ 720,503</u>	<u>\$ -</u>	<u>\$ 3,423,416</u>

For the Year Ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
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	<u>4,063</u>	<u>(660)</u>	<u>-</u>	<u>3,403</u>
	<u>\$ 140,661</u>	<u>\$ 44,371</u>	<u>\$ 3,959</u>	<u>\$ 188,991</u>

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	<u>3,277</u>	<u>(3,277)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,455,737</u>	<u>\$ 247,176</u>	<u>\$ -</u>	<u>\$ 2,702,913</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized

	December 31	
	2020	2019
Loss carryforwards	\$ 684,876	\$ 593,754
Deductible temporary differences	<u>46,275</u>	<u>39,588</u>
	<u>\$ 731,151</u>	<u>\$ 633,342</u>

- e. Income tax assessments

The income tax returns of the Corporation through 2018, have been assessed by the tax authorities.

18) Earnings per share

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 3,993,317	298,983,800	<u>\$13.36</u>
Effect of potentially dilutive common shares:			
Employees' compensation	-	<u>1,953,698</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	<u>\$ 3,993,317</u>	<u>300,937,498</u>	<u>\$13.27</u>
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 2,502,443	298,983,800	<u>\$ 8.37</u>
Effect of potentially dilutive common shares:			
Employees' compensation	-	<u>1,391,304</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	<u>\$ 2,502,443</u>	<u>300,375,104</u>	<u>\$ 8.33</u>

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.

19) Business combinations

a. Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Japan	Sale of bicycles	July 1, 2019	25	<u>\$ 23,766</u>
Norge	Sale of bicycles	December 2, 2019	41	<u>\$ 121,679</u>

Acquisition of Japan and the cash capital increase of Norge 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

	Merida Norge	Merida Japan
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	<u>-</u>	<u>(139,211)</u>
	<u>\$ 25,198</u>	<u>\$ 73,587</u>

c. Goodwill arising on acquisitions

	Merida Japan
Consideration transferred	\$ 23,766
Less: Fair value of identifiable net assets acquired	<u>(18,397)</u>
Goodwill recognized on acquisition	<u>\$ 5,369</u>

Goodwill generated from the acquisition of Japan 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

	Merida Norge
Consideration transferred	\$ 121,679
Less: Net value of equity acquired from capital increase in cash	<u>(101,585)</u>
Less: Acquisition of equity from seasoned equity offering	
Change in net value of equity of associate accounted for using the equity method	<u>\$ 20,094</u>

Change in net value is mainly derived from the capital increase in cash of Norge subscribed at a percentage different from its existing ownership percentage.

e. Net cash inflow on the acquisitions of subsidiaries

	Merida Norge	Merida Japan
Consideration paid in cash	\$ -	\$ 23,766
Less: Cash and cash equivalent balances acquired	<u>(7,317)</u>	<u>(77,599)</u>
	<u>\$ (7,317)</u>	<u>\$ (53,833)</u>

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:

	Merida Norge	Merida Japan
Operating revenue	<u>\$ 17,688</u>	<u>\$ 342,783</u>
Profit (loss)	<u>\$ (21,087)</u>	<u>\$ 3,163</u>

20) 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.

21) 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

a) The Group's financial assets at FVTPL and financial assets at FVTOCI are measured at fair value using Level 1 inputs.

There were no transfers between Levels 1 and 2 in the current and prior periods.

b) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 1,563,734	\$ 1,078,809
Financial assets at amortized cost	5,892,621	5,910,187
Financial assets at FVTOCI - Equity instruments	3,400	3,400
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	8,832,589	7,742,001

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.

a) 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.

i. 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 13.

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, 2020 and 2019 would have decreased by \$20,176 thousand and \$34,113 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, 2020 and 2019.

ii. 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	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 397,529	\$ 679,907
Financial liabilities	1,298,797	1,095,727
Cash flow interest rate risk		
Financial assets	3,524,569	2,574,964
Financial liabilities	1,498,051	1,531,003

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, 2020 and 2019 would have increased by \$5,066 thousand and \$2,610 thousand, respectively.

b) 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:

- i. The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- ii. 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 60% and 59% of the total trade receivables as of December 31, 2020 and 2019, respectively.

c) 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, 2020 and 2019, the Group had available unutilized bank loan facilities of \$6,673,589 thousand and \$6,379,871 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	More than 2 Years
<u>December 31, 2020</u>			
Non-interest bearing liabilities	\$ 6,140,329	\$ -	\$ -
Lease liabilities	43,517	37,819	56,416
Variable interest rate liabilities	823,051	2,616	672,384
Fixed interest rate liabilities	<u>844,915</u>	<u>122,721</u>	<u>196,469</u>
	<u>\$ 7,851,812</u>	<u>\$ 163,156</u>	<u>\$ 925,269</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 43,517</u>	<u>\$ 94,235</u>	<u>\$ -</u>

	On Demand or Less than 1 Year	1-2 Years	More than 2 Years
<u>December 31, 2019</u>			
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	<u>785,244</u>	<u>22,169</u>	<u>57,169</u>
	<u>\$ 7,415,284</u>	<u>\$ 92,295</u>	<u>\$ 499,966</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 62,210</u>	<u>\$ 201,491</u>	<u>\$ 34,941</u>

7. 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

<u>Related Party</u>	<u>Relationship with the Group</u>
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	Associate
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	
	2020	2019
Associates		
SBC Group	\$ 15,935,709	\$ 19,272,511
Others	<u>867,865</u>	<u>1,721,805</u>
	16,803,574	20,994,316
Others	<u>1,559</u>	<u>2,245</u>
	<u>\$ 16,805,133</u>	<u>\$ 20,996,561</u>

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	
	2020	2019
Other related parties	\$ 242,857	\$ 231,121
Associates	<u>2,948</u>	<u>3,816</u>
	<u>\$ 245,805</u>	<u>\$ 234,937</u>

The purchase price is quoted based on market prices.

d. Receivables from related parties

Related Party Category/Name	December 31	
	2020	2019
<u>Trade receivables</u>		
Associates		
SBC Group	\$ 1,120,335	\$ 1,484,798
Others	106,067	260,397
Other related parties	<u>247</u>	<u>-</u>
	<u>\$ 1,226,649</u>	<u>\$ 1,745,195</u>
<u>Other receivables</u>		
Associates		
Merida Italy	\$ -	\$ 37,379
Others	<u>529</u>	<u>3,652</u>
Other related parties	<u>-</u>	<u>41,031</u>
	<u>\$ 529</u>	<u>\$ 41,210</u>

e. Payables to related parties

Related Party Category	December 31	
	2020	2019
<u>Trade payables</u>		
Other related parties	<u>\$ 58,689</u>	<u>\$ 46,543</u>

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	
	2020	2019
Associates	<u>\$ -</u>	<u>\$ 3,474</u>

2) Interest income

Related Party Category	For the Year Ended December 31	
	2020	2019
Associates		
SBC group	\$ 2,150	\$ 12,501
Merida Czech	3,484	5,291
Others	<u>1,452</u>	<u>9,664</u>
	<u>\$ 7,086</u>	<u>\$ 27,456</u>

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
<u>December 31, 2020</u>		
Other related parties	Equipment	<u>\$ 26,432</u>
<u>December 31, 2019</u>		
Other related parties	Plant (including land)	<u>\$ 107,488</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 215,008	\$ 110,313
Post-employment benefits	<u>661</u>	<u>491</u>
	<u>\$ 215,669</u>	<u>\$ 110,804</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

8. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans:

	December 31	
	2020	2019
Inventory	\$ 84,498	\$ 367,549
Property, plant and equipment	25,062	30,407
Trade receivables	<u>49,506</u>	<u>-</u>
	<u>\$ 159,066</u>	<u>\$ 397,956</u>

9. 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, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials amounted to approximately \$872,179 thousand and \$713,889 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of property, plant and equipment	<u>\$ 32,596</u>	<u>\$ 20,088</u>

- 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.

10. OTHER ITEMS

Due to the impact of the COVID 19 pandemic, some of the Group's factories have suspended operations, resulting in a substantial decline in operating revenue from February 2020 to May 2020. With the easing of the epidemic and loosening of government policies, the Group expects that operations will gradually return to normal.

11. SIGNIFICANT LOSSES FROM DISASTERS

No such incident.

12. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such incident.

13. 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, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 118,927	28.48	\$ 3,387,041	\$ 161,039	29.98	\$ 4,827,949
JPY	142,015	0.2763	39,239	830,282	0.276	229,158
Non-monetary items						
Associates accounted for using the equity method						
USD	463,810	28.48	13,209,309	345,745	29.98	10,365,435
EUR	6,226	35.02	218,035	5,302	33.59	178,094
<u>Financial liabilities</u>						
Monetary items						
USD	48,084	28.48	1,369,432	47,253	29.98	1,416,645
JPY	3,157,283	0.2763	872,357	2,267,019	0.2760	625,697

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:

Foreign Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1(NTD:NTD)	\$ (106,578)	1(NTD:NTD)	\$ 45,203
RMB	4.282(RMB:NTD)	(18,331)	4.472(RMB:NTD)	12,570
EUR	33.71(EUR:NTD)	(4,154)	34.61(EUR:NTD)	18,157

14. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 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, 2020 and 2019. The net profit from trading in derivative instruments was \$318 thousand for the years ended December 31, 2019.

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)

15. 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:

- a. Domestic operations - products manufactured and sold in Taiwan
- b. Asia operations - products manufactured and sold in China and Hong Kong
- c. Europe operations - products sold in Europe

1) Analysis of reportable segments

	For the Year Ended December 31, 2020				
	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$ 18,390,246	\$ 2,712,318	\$ 5,969,778	\$ -	\$ 27,072,342
Inter-segment revenue	1,839,168	434,700	182,347	(2,456,215)	-
Interest income	27,928	19,646	2,314	(15,563)	34,325
Share of profit of associates accounted for using the equity method	<u>3,580,526</u>	-	-	<u>(195,163)</u>	<u>3,385,363</u>
Total revenue	<u>\$ 23,837,868</u>	<u>\$ 3,166,664</u>	<u>\$ 6,154,439</u>	<u>\$ (2,666,941)</u>	<u>\$ 30,492,030</u>
Interest expenses	\$ 4,586	\$ 21,682	\$ 37,516	\$ (11,778)	\$ 52,006
Depreciation and amortization	67,557	123,150	85,498	-	276,205
Income tax expense	1,037,827	22,576	68,267	-	1,128,670
Segment profit and loss	3,993,317	(23,067)	337,060	(195,163)	4,112,147
<u>Assets</u>					
Investments accounted for using the equity method	\$ 17,323,550	\$ -	\$ -	\$ (3,495,334)	\$ 13,828,216
Non-current assets	18,500,843	1,203,278	876,112	(3,562,761)	17,017,472
Segment assets	26,470,917	4,299,309	3,207,969	(4,295,718)	29,682,477
Segment liabilities	10,436,781	1,333,032	1,867,787	(735,710)	12,901,890

For the Year Ended December 31, 2019

	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
<u>Revenue</u>					
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	<u>1,261,953</u>	<u>-</u>	<u>-</u>	<u>88,331</u>	<u>1,350,284</u>
Total revenue	<u>\$26,330,402</u>	<u>\$ 2,738,380</u>	<u>\$ 4,113,480</u>	<u>\$ (3,508,090)</u>	<u>\$29,674,172</u>
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
<u>Assets</u>					
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

Non-current assets do not include assets that are classified as deferred tax assets.

2) Information about major customers

Name	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A	<u>\$15,935,709</u>	<u>59</u>	<u>\$19,272,511</u>	<u>68</u>

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	Merida U.K.	Other receivables from related parties	Yes	\$ 14,086	\$ -	\$ -	3.30	For short-term financing needs	\$ -	Operating capital	\$ -	-	\$ -	\$ 6,413,654 (Note 1)	\$ 8,017,068 (Note 3)
		Merida Norge	Other receivables from related parties	Yes	471	-	-	3.96	For short-term financing needs	-	Operating capital	-	-	-	6,413,654 (Note 1)	8,017,068 (Note 3)
		Merida Polska	Other receivables from related parties	Yes	158,151	86,545	62,339	6.48	For short-term financing needs	-	Operating capital	-	-	-	6,413,654 (Note 1)	8,017,068 (Note 3)
		Merida Bikes SWE	Other receivables from related parties	Yes	5,892	-	-	4.50	For short-term financing needs	-	Operating capital	-	-	-	1,063,413 (Note 2)	8,017,068 (Note 3)
		Merida Italy	Other receivables from related parties	Yes	38,451	9,651	-	4.00	For short-term financing needs	-	Operating capital	-	-	-	1,063,413 (Note 2)	8,017,068 (Note 3)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 70,000	RMB 70,000	RMB 21,250	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 78,656 (Note 4)	RMB 78,656 (Note 4)
2	Merida China	Merida Jiangsu	Other receivables from related parties	Yes	RMB 60,000	RMB 36,000	RMB 8,000	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 37,204 (Note 5)	RMB 37,204 (Note 5)
3	Merida Hong Kong	The Corporation	Other receivables from related parties	Yes	USD 17,000	USD 17,000	USD -	-	For short-term financing needs	-	Operating capital	-	-	-	HKD 191,117 (Note 6)	HKD 191,117 (Note 6)

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.

Note 6: 40% of the net assets of Merida Hong Kong in their latest financial statements.

Note 7: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(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	\$ 4,810,240	EUR 500 GBP 4,000	EUR 500 GBP 4,000	EUR - GBP 3,978	\$ -	1.08	\$ 8,017,068	Yes	-	-
		Merida & Centurion	Subsidiary	4,810,240	EUR 27,000	EUR 27,000	EUR 21,800	-	5.90	8,017,068	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	4,810,240	USD 3,750 RMB 60,000	USD 3,750 RMB 60,000	USD 250 RMB 60,000	-	2.30	8,017,068	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, 2020

(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, 2020			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 2)
The Corporation	<u>Mutual funds</u>						
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	46,095	\$ 480,695	-	\$ 480,695
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	27,706	350,474	-	350,474
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	23,942	300,100	-	300,100
	Yuanta Wan-Tai Money Market Fund	-	Financial assets at FVTPL - current	16,399	250,177	-	250,177
	Yuanta De-Bao Money Market Fund	-	Financial assets at FVTPL - current	10,752	130,208	-	130,208
	<u>Share capital</u>						
	Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	1,607	-	1,607
	Cheng Shin	The Corporation's chairman is their director	Financial assets at FVTPL - current	1,146	50,473	-	50,473
	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 have been eliminated.

Note 2: Refer to Note 6(21) for information on the fair values.

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, 2020

(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 (Note)
The Corporation	Jin Sun Money Market Fund	Financial assets at FVTPL - current	-	-	20,192	\$ 300,414	10,055	\$ 150,000	30,247	\$ 450,946	\$ 450,000	\$ 946	-	\$ -
	Yuanta De-Bao Money Market Fund	Financial assets at FVTPL - current	-	-	24,903	300,426	14,889	180,000	29,039	350,834	350,000	834	10,752	130,208
	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	24,116	250,301	50,901	530,000	28,922	300,803	300,000	803	46,095	480,695
	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	8,022	100,168	47,912	600,000	31,992	400,450	400,000	450	23,942	300,100
	Mega Diamond Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	27,706	350,000	-	-	-	-	27,706	350,474

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, 2020

(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	\$ (15,935,709)	(79)	O/A 60 days	\$ -	-	\$ 1,120,335	61	
	Merida & Centurion	Subsidiary	Sale	(809,475)	(4)	D/A or O/A 150 days	-	-	21,956	1	
	Merida U.K.	Subsidiary	Sale	(310,446)	(2)	O/A 60 days	-	-	7,460	-	
	Merida Korea	Investment accounted for using the equity method	Sale	(291,832)	(1)	O/A 120 days	-	-	7,346	-	
	Merida Benelux	Subsidiary	Sale	(201,676)	(1)	O/A 180 days	-	-	129,192	7	
	SAIL & SURF	Investment accounted for using the equity method	Sale	(196,481)	(1)	T/T 14 days or D/A 180 days	-	-	12,090	1	
	Merida Bikes SWE	Investment accounted for using the equity method	Sale	(178,896)	(1)	T/T 14 days or O/A 120 days	-	-	42,184	2	
	Merida Japan	Subsidiary	Sale	(146,039)	(1)	O/A 90 days	-	-	36,052	2	
	Merida Norge	Subsidiary	Sale	(130,413)	(1)	T/T 14 days or D/A 120 days	-	-	118,620	6	
	Merida Jiangsu	Third-tier subsidiary	Sale	(125,567)	(1)	O/A 90 days	-	-	40,943	2	
	Merida Polska	Subsidiary	Sale	(115,170)	(1)	O/A 150 days	-	-	104,280	6	
	Merida Czech	Investment accounted for using the equity method	Sale	(104,280)	(1)	D/A 150 days	-	-	29,631	2	
	Merida China	Third-tier subsidiary	Purchase	369,292	2	T/T 90 days	-	-	(82,407)	(2)	
Merida Jiangsu	Merida Shandong	Associate	Sale	RMB (138,254)	(80)	T/T 90 days	-	-	RMB 10,673	95	

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(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	\$ 1,120,335	12.23	\$ -	-	\$ 1,120,335	\$ -
	Merida Benelux		Subsidiary	Trade receivables from related parties	129,192	1.29	-	-	51,418
			Other receivables from related parties	2,584	-	-	-	1,028	-
	Merida Norge	Subsidiary	Trade receivables from related parties	118,620	0.73	-	-	29,829	-
			Other receivables from related parties	11,431	-	-	-	397	-
	Merida Polska	Subsidiary	Trade receivables from related parties	104,280	0.86	-	-	-	-
			Other receivables from related parties	62,339	-	62,339	Continued collection	25,347	-

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	\$ 809,475	D/A or O/A 150 days	3
		Merida U.K.	1	Sales	310,446	O/A 60 days	1
		Merida Benelux	1	Sales	201,676	O/A 180 days	1
		Merida Japan	1	Sales	146,039	O/A 90 days	1
		Merida China	1	Cost of goods sold	369,292	T/T 90 days	1
1	Merida Jiangsu	Merida Shandong	2	Sales	RMB 138,254	T/T 90 days	2

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 INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company (Note 3)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount			
The Corporation	<u>Share capital</u> SBC	California, United States of America	Design, development, manufacture and sale of bicycles	\$ 887,013	\$ 887,013	\$ 3,410	35	\$ 13,544,791	USD 321,297	\$ 3,359,564	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,686,883	USD (117)	(3,444)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	103,725	-	51	491,153	EUR 7,251	124,660	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	66,506	PLN 1,961	10,990	Subsidiary
	Merida Norge	Lysaker, Norway	Sale of bicycles	151,459	151,459	198	75	97,759	NOK 7,116	16,737	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	114,561	EUR 978	13,183	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	42,587	CZK 9,870	5,644	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	70,268	EUR 512	6,270	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	3,880		(534)	(136)
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	25,978	EUR 192	1,940	
	Merida Japan	Kanagawa, Japan	Sale of bicycles	118,875	103,679	2	90	68,877	JPY 9,258	2,307	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	19,011	5,164	559	27	11,822	EUR (510)	(4,686)	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(67,098)	EUR 166	3,368	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	84,156	GBP 1,314	40,545	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	14,329	KRW 354,185	3,584	
Merida B.V.I.	<u>Share capital</u> Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 61,685	HKD 12,141	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 16,635	USD (2,503)	(Note 1)	Indirectly owned subsidiary
Merida Norge	<u>Share capital</u> Merida Sverige AB	Gothenburg, Sweden	Sale of bicycles	NOK 814	NOK 814	-	100	NOK 4,081	SEK 2,265	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	<u>Share capital</u> Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 1,132	EUR 331	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 310	EUR 35	(Note 1)	Indirectly owned subsidiary
Merida Japan (Note 2)	<u>Share capital</u> Miyata	Kanagawa, Japan	Sale of bicycles	JPY 62,371	-	-	100	JPY 61,942	JPY (429)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Merida Japan split the "MIYATA" brand business into a newly established 100% subsidiary: Miyata Cycle Co., Ltd.

Note 3: 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, 2020

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
						Outward	Inward						
4403	Merida China	Manufacture and sale of bicycles	\$ 349,734 (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	\$ 315,758 (USD 11,087)	\$ -	\$ -	\$ 315,758 (USD 11,087)	\$ (56,492)	100	\$ (56,492)	\$ 407,122	\$ 1,273,255 (USD 44,707)
3714	Merida Shandong	Manufacture and sale of e-bikes and bicycles	455,680 (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	455,680 (USD 16,000)	-	-	455,680 (USD 16,000)	103,503	100	103,503	860,721	738,287 (USD 25,923)
3206	Merida Jiangsu	Manufacture and sale of bicycles	996,800 (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	469,920 (USD 16,500)	-	-	469,920 (USD 16,500)	(74,228)	70	(51,960)	443,534	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	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)
\$ 1,241,358 (USD 43,587)	\$ 1,301,963 (USD 45,715) (Note 2)	\$ 10,068,352 (Note 3)	\$ -	\$ -

Note 1: The investment gain (loss) and carrying amount as of December 31, 2020 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".

TABLE 10**MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
December 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Michael S.T. Tseng	48,664,715	16.27%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Merida Industry Co., Ltd.
Chairman: Zeng, Song-zhu