

Common Stock Code : 9914

Merida Industry Co., Ltd.

Handbook

for the 2022 Annual Meeting of
Shareholders

June 23, 2022

Merida Industry Co. Ltd.

2022 Annual Shareholders' Meeting

Convening Manner: Physical-Only Meeting

Date & Time: June 23rd 2022 (THU) at 9:30AM

Location: No. 116, Meigang Rd., Meigang Vil., Dacun Township, Changhua County 515, Taiwan (Meeting Room R02 on 4F of the Company's Merida Building)

Agenda:

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Matters for Report

1. Distribution Report of Employees' Compensation and Directors' Compensation for the 2021 Fiscal Year:

- (1) Handled in accordance with Article 32 of the Company's Articles of Incorporation.
- (2) The Company's profit before tax prior to deduction of employees' remuneration and directors' remuneration is NTD 6,445,001,337. The Company has set aside 6% of its profit at NTD 386,700,080 for employees' remuneration and 2.6% of its profit at NTD 167,570,035 for directors' remuneration, which shall be distributed in cash.

2. Business Report of 2021:

Merida Industry Co. Ltd. Business Report for the Year 2021

According to the statistics issued by Taiwan Bicycle Association (TBA), the total quantity and sales volume by the entire Taiwanese bicycle industry, electrical power assist bicycle (hereinafter “electrical bicycle”) and conventional bicycles (hereinafter “bicycle”) increased YoY by 20.96% and 26.10%, respectively, which indicate the industry’s strive for excellence and eventual figures breaking through the base period and gaining two-digit growth respectively in 2021 under the surge in demands by post-pandemic global market even disturbed by variants (deficiencies in materials, manpower, containers, shipments, etc.).

In 2021, the Company’s premium bicycle marketed in self-owned brand showed gains in quantity of units sold and sales volume in China by 14% and 18% YoY, respectively; in the meantime, our Taiwanese plant focusing on supplying the premium bicycles to Europe and America was affected by various post-pandemic uncertainties and experienced a deferred production and export albeit attaining ground-breaking figures in production and sales volumes surpassing the base period, ending the year with 12% increase YoY in number of electrical bicycles and 13% increase YoY for generic bicycles; the annual consolidated and parent-company only [refers to Taiwanese plant] came in, respectively, 1.1359 million units and 0.7178 million units (incl. electrical bicycle at approx. 0.2563 million units), contributing to annual increase by 6.25% and 12.35% YoY; the annual consolidated and parent-company only revenues were NTD 29.391 billion and 23.435 billion, respectively, indicating an annual increase of 8.57% and an annual increase of 15.85%. As the sales in global market in the year revealed a tendency of “sustained heat in sales and continued reduction of stocks at sales channels (pending restocking)”, the annual consolidated performance within and out of the scope of group business may present spectacular figures with “both revenue and profit reaching the new height.”

We appreciate the support by all our shareholders and directors, as well as the hard work and efforts of all employees. Facing growth momentum of self-owned brand channels derived from the demand for medium and high-end (gear-shifting) bicycles in the Chinese market post-pandemic, escalated demand for the electrical bicycles and maintained demand for bicycles in American, European and other markets, as well as the strong demand for restocking conventional or electrical bicycle at sales channels, the Company will actively dispatch bicycle and electrical bicycle production lines,

perform significant addition of staffs, capture available resources in the industrial chain, and increase overall production capacity to fulfill surge of market orders and to strive to achieve operational goals, break through the base period, and surpass business outcomes one after another.

The consolidated and standalone operating conditions of the Company for the year 2021 are hereby reported as follows:

(1) Implementation Results of the Business Plans

Unit: 10,000 Units

Item	Forecast	Actual	Fill Rate
Consolidated	134	114	85.07%
Standalone	94	72	76.60%

(2) Implementation Conditions

Unit: NTD Thousands, except for
Sales Quantity in 10,000 Units

1. Consolidated

Item	Year		YoY	
	2021	2020		
Sales	113.59	106.91	6.68	6.25%
Net Sales Revenue	\$29,391,183	\$27,072,342	2,318,841	8.57%
Operating Cost	25,304,229	23,285,132	2,019,097	8.67%
Operating Margin	4,086,954	3,787,210	299,744	7.91%
Realized (Unrealized) Gain on Sales	(186,834)	278,539	(465,373)	(167.08%)
Net Operating Margin	3,900,120	4,065,749	(165,629)	(4.07)%
Operating Expenses	2,310,744	2,181,527	129,217	5.92%
Net Operating Profit	1,589,376	1,884,222	(294,846)	(15.65%)
Non-Operating Income and (Expense)	4,615,377	3,356,595	1,258,782	37.50%
Net Profit before Tax	6,204,753	5,240,817	963,936	18.39%
Current Net Profit	4,788,170	4,112,147	676,023	16.44%

2. Standalone

Unit: NTD Thousands, except for
Sales Quantity in 10,000 Units

Item	Year		YoY	
	2021	2020		
Sales	71.78	63.89	7.89	12.35%
Net Sales Revenue	\$23,434,868	20,229,413	3,205,455	15.85%
Operating Cost	21,324,979	18,422,627	2,902,352	15.75%
Operating Margin	2,109,889	1,806,786	303,103	16.78%
Realized (Unrealized) Gain on Sales	(186,227)	447,879	(634,106)	(141.58%)
Net Operating Margin	1,923,662	2,254,665	(331,003)	(14.68%)
Operating Expenses	947,720	860,246	87,474	10.17%
Net Operating Profit	975,942	1,394,419	(418,477)	(30.01%)
Non-Operating Income and (Expense)	4,914,788	3,636,725	1,278,063	35.14%
Net Profit before Tax	5,890,730	5,031,144	859,586	17.09%
Current Net Profit	4,649,502	3,993,317	656,185	16.43%

(3) Profitability Analysis

1. Consolidated

Item	2021	2020	YoY
Return on Assets	14.81%	15.01%	(1.33%)
Return on Equity	27.09%	26.37%	2.73%
Operating Profit to Paid-In Capital	53.16%	63.02%	(15.65%)
Profit before Tax to Paid-In Capital	207.53%	175.29%	18.39%
Profit Margin	16.29%	15.19%	7.24%
Earnings per Share (NTD)	15.55	13.36	16.39%

2. Standalone

Item	2021	2020	YoY
Return on Assets	15.92%	16.24%	(1.97%)
Return on Equity	27.52%	26.79%	2.72%
Operating Profit to Paid-In Capital	32.64%	46.64%	(30.02%)
Profit before Tax to Paid-In Capital	197.03%	168.27%	17.09%
Profit Margin	19.84%	19.74%	0.51%
Earnings per Share (NTD)	15.55	13.36	16.39%

(4) R&D Status

- 1 “All-Around Aero Bike REACTO Team-E” awarded “TAIPEI CYCLE d&i Gold Award”, top accolade in the Taipei Cycle Show 2021.
- 2 “All-Around Aero Bike REACTO” awarded in the 29th (2021) Taiwan Excellence Silver Award.
- 3 “Cross & Down-Country Mountain Bike NINETY-SIX” awarded in the 29th Taiwan Excellence Award.
- 4 Road Bike SCULTURA 5 TEAM awarded “TAIPEI CYCLE d&i Gold Award”, top accolade in the Taipei Cycle Show 2022.
- 5 “Electric (Assisted) Gravel Bike eSILEX+ 600” bestowed Taiwan Excellence Silver Award in the 30th (2022) Taiwan Excellence Award.

Chairman: Tseng Song-Zhu Manager: Tseng Song-Zhu Accounting Manager: Liu Ming-Gen

3. Final Accounts and Financial Statements of 2021 Reviewed by the Audit Committee:

Audit Committee Review Report

The Board of Directors has compiled and submitted the Company's parent-company only and consolidated financial statements audited and attested by CPAs Jiang, Shu-Jing and Zheng, Dong-Yun of Deloitte & Touche Taiwan, with audit report issued. The aforesaid financial statements and 2021 Business Report have been reviewed and determined to be correct and accurate by the Audit Committee. In accordance with applicable provisions in Securities and Exchange Act and Company Act, I hereby submit this report.

To
2022 Annual Shareholders' Meeting

Merida Industry Co. Ltd.

Convener of the Audit Committee:
Chen, Shui-Jin

Chen Shui-jin

March 23, 2022

4. Endorsement and Guarantee to Others:

As of December 31, 2021, the Company's endorsement and guarantee to others is as follows:

Unit: NTD and Foreign Currency in Thousands

Endorsed Entities	Maximum Amount of Endorsement & Guarantee to a Single Enterprise	Ending Endorsement & Guarantee Balance	Actual Disbursement	Maximum Amount for Endorsement & Guarantee	Nature of Guarantee
MERIDA BICYCLES LIMITED (UK)	\$5,326,575	EUR 500	-	\$8,877,625	Banker's Letter of Credit Guarantee
		GBP 6,000	-		Short-Term Loan Guarantee
MERIDA & CENTURION GERMANY GMBH (DE)	5,326,575	EUR 2,500	EUR 2,100		Banker's Letter of Credit Guarantee
		EUR 3,500	EUR 1,150		Short-Term Loan Guarantee
		EUR 21,000	EUR 19,200		Mid-to-Long-Term Loan Guarantee
MERIDA BICYCLE (JIANGSU) CO., LTD.	5,326,575	RMB 210,000	RMB 98,180		Mid-to-Long-Term Loan Guarantee

Proposed Resolutions

Case 1: Business Report of 2021 and Parent-Company Only and Consolidated Financial Statements. (Proposed by the Board)

Explanation: The Company's Business Report of 2021 and Parent-Company Only and Consolidated Financial Statements have been reviewed and adopted in the 5th Meeting of the Company's 2nd Audit Committee and have been adopted by resolution in the Company's second Board of Directors meeting in 2022. Business Report is attached in pages 3~6 of this Meeting Agenda, and Parent-Company Only and Consolidated Financial Statements are attached in pages 10~29 of this Meeting Agenda. For your ratification:

Resolution:

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, 2021 and 2020, 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, 2021 and 2020, 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. Based on our audits and the report of other auditors, 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, 2021. 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, 2021 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, 2021 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, 2021 and 2020, 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\$17,065,507 thousand and NT\$13,544,791 thousand, accounting for 53% and 51% of the Corporation's total assets as of December 31, 2021 and 2020, respectively. The share of profit of associates was NT\$4,336,070 thousand and NT\$3,359,564 thousand, accounting for 74% and 67% of the Corporation's total net income before tax for the years ended December 31, 2021 and 2020, 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, 2021 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 23, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6(1))	\$ 1,502,477	5	\$ 1,528,092	6
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	644,638	2	1,563,734	6
Notes receivable (Notes 4 and 6(15))	16,696	-	6,954	-
Trade receivables (Notes 4, 6(3) and 6(15))	80,906	-	142,585	1
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,680,325	6	1,685,153	6
Other receivables (Notes 4 and 7)	92,457	-	149,154	1
Inventories (Notes 4, 5 and 6(4))	5,211,267	16	2,780,043	11
Other current assets	543,288	2	38,291	-
Total current assets	9,772,054	31	7,894,006	31
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))	20,960,030	65	17,323,550	65
Property, plant and equipment (Notes 4 and 6(7))	971,424	3	1,003,876	4
Right-of-use assets (Notes 4 and 6(8))	2,459	-	3,529	-
Investment properties (Notes 4 and 6(9))	34,739	-	34,836	-
Intangible assets (Notes 4 and 6(10))	13,202	-	13,390	-
Deferred tax assets (Notes 4 and 6(17))	134,832	1	76,068	-
Prepayments for equipment	55,073	-	26,066	-
Refundable deposits (Note 4)	4,391	-	2,976	-
Total non-current assets	22,268,770	69	18,576,911	69
TOTAL	\$ 32,040,824	100	\$ 26,470,917	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 6(11))	\$ 2,165,706	7	\$ 1,161,358	4
Contract liabilities - current (Notes 4, 6(15) and 7)	2,413,939	8	160,028	1
Trade payables	3,941,737	12	4,583,041	18
Trade payables to related parties (Note 7)	73,118	-	112,664	-
Other payables (Note 6(12))	796,120	2	705,254	3
Current tax liabilities (Notes 4 and 6(17))	328,947	1	108,191	-
Lease liabilities - current (Notes 4 and 6(8))	1,370	-	2,870	-
Other current liabilities	14,871	-	3,636	-
Total current liabilities	9,735,808	30	6,837,042	26
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 6(17))	4,346,780	14	3,423,416	13
Lease liabilities-non-current (Notes 4 and 6(8))	1,029	-	567	-
Net defined benefit liabilities (Notes 4 and 6(13))	160,637	1	108,391	-
Guarantee deposits received	267	-	267	-
Credit balance of investments accounted for using the equity method (Notes 4 and 6(6))	41,053	-	67,098	-
Total non-current liabilities	4,549,766	15	3,599,739	13
Total liabilities	14,285,574	45	10,436,781	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	9	2,989,838	11
Capital surplus				
Share premium from issuance of ordinary shares	416,290	1	416,290	2
Retained earnings				
Legal reserve	3,135,227	10	2,732,977	10
Special reserve	1,674,362	5	1,163,048	4
Unappropriated earnings	12,004,319	38	10,406,346	40
Other equity	(2,464,786)	(8)	(1,674,363)	(6)
Total equity	17,755,250	55	16,034,136	61
TOTAL	\$ 32,040,824	100	\$ 26,470,917	100

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

(With Deloitte & Touche auditors' report dated March 23, 2022))

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 23,434,868	100	\$ 20,229,413	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>21,324,979</u>	<u>91</u>	<u>18,422,627</u>	<u>91</u>
GROSS PROFIT	2,109,889	9	1,806,786	9
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(186,227)</u>	<u>(1)</u>	<u>447,879</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>1,923,662</u>	<u>8</u>	<u>2,254,665</u>	<u>11</u>
OPERATING EXPENSES (Notes 6(16) and 7)				
Selling and marketing expenses	514,301	2	499,060	2
General and administrative expenses	<u>433,419</u>	<u>2</u>	<u>361,186</u>	<u>2</u>
Total operating expenses	<u>947,720</u>	<u>4</u>	<u>860,246</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>975,942</u>	<u>4</u>	<u>1,394,419</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 7)	20,409	-	27,928	-
Technical service and royalty income (Note 7)	79,556	-	66,165	-
Other income	65,837	-	78,596	-
Net foreign exchange gains (losses) (Notes 4 and 13)	155,223	1	(106,578)	(1)
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	(5,639)	-	23,743	-
Share of profit of subsidiaries and associates (Notes 4 and 6(6))	4,644,140	20	3,580,526	18
Interest expense	(10,491)	-	(4,586)	-
Other expenses (Note 6(16))	<u>(34,247)</u>	<u>-</u>	<u>(29,069)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,914,788</u>	<u>21</u>	<u>3,636,725</u>	<u>17</u>
PROFIT BEFORE INCOME TAX	5,890,730	25	5,031,144	24
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,241,228</u>	<u>5</u>	<u>1,037,827</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>4,649,502</u>	<u>20</u>	<u>3,993,317</u>	<u>19</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			
	2021		2020	
	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))	\$ (56,347)	-	\$ 37,111	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>11,269</u>	<u>-</u>	<u>(7,422)</u>	<u>-</u>
	<u>(45,078)</u>	<u>-</u>	<u>29,689</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(582,662)	(2)	(640,438)	(3)
Share of the other comprehensive income (loss) of associates (Note 6(6))	<u>(207,761)</u>	<u>(1)</u>	<u>129,124</u>	<u>1</u>
	<u>(790,423)</u>	<u>(3)</u>	<u>(511,314)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(835,501)</u>	<u>(4)</u>	<u>(481,625)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,814,001</u>	<u>16</u>	<u>\$ 3,511,692</u>	<u>16</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 15.55</u>		<u>\$ 13.36</u>	
Diluted	<u>\$ 15.48</u>		<u>\$ 13.27</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2022))

(Concluded)

MERIDA INDUSTRY CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Common Shares (Note 6(14))	Capital Surplus Share Premium from Issuance of Common Share (Note 6(14))	Retained Earnings (Note 6(14))			Other Equity (Note 4) Exchange Differences on Translating the Financial Statements of Foreign Operations	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	\$ 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
Appropriation of 2020 earnings							
Legal reserve	-	-	402,250	-	(402,250)	-	-
Special reserve	-	-	-	511,314	(511,314)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,092,887)	-	(2,092,887)
Net profit for the year ended December 31, 2021	-	-	-	-	4,649,502	-	4,649,502
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(45,078)	(790,423)	(835,501)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,604,424	(790,423)	3,814,001
BALANCE AT DECEMBER 31, 2021	\$ 2,989,838	\$ 416,290	\$ 3,135,227	\$ 1,674,362	\$ 12,004,319	\$ (2,464,786)	\$ 17,755,250

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

(With Deloitte & Touche audit report dated March 23, 2022)

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,890,730	\$ 5,031,144
Adjustments for:		
Depreciation expenses	70,812	66,808
Amortization expenses	3,038	749
Expected credit losses recognized (reversal) on trade receivables	413	(3,678)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	5,639	(23,743)
Interest expense	10,491	4,586
Interest income	(20,409)	(27,928)
Dividend income	(1,854)	(1,389)
Share of profit of associates	(4,644,140)	(3,580,526)
Loss on disposal of property, plant and equipment	129	48
Write-down of inventories	53,093	3,786
Unrealized (realized) loss on transactions with associates	186,227	(447,879)
Unrealized net gain on foreign currency exchange	(8,319)	(9,061)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	913,457	(461,182)
Notes receivable	(9,742)	1,751
Trade receivables	62,362	1,496,445
Other receivables	(4,680)	(20,908)
Inventories	(2,484,317)	(1,404,067)
Other current assets	(504,997)	(35,635)
Contract liabilities	2,253,911	126,112
Trade payables	(669,379)	411,424
Other payables	90,629	192,071
Other current liabilities	11,235	157
Net defined benefit liabilities	(4,101)	(49,705)
Cash generated from operations	1,200,228	1,269,380
Interest received	19,109	40,898
Dividends received	6,819	11,254
Interest paid	(10,254)	(4,504)
Income tax paid	(144,265)	(389,870)
Net cash generated from operating activities	<u>1,071,637</u>	<u>927,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of associates	-	(29,043)
Payments for property, plant and equipment	(25,019)	(15,957)
Proceeds from disposal of property, plant and equipment	-	7
Increase in refundable deposits	(1,415)	-
Decrease in other receivables from related parties	62,339	89,107
Payments for intangible assets	(2,008)	(14,000)

(Continued)

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31	
	2021	2020
Payments for investments properties	\$ (485)	\$ -
Increase in prepayments for equipment	<u>(39,161)</u>	<u>(32,720)</u>
Net cash used in investing activities	<u>(5,749)</u>	<u>(2,606)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	1,004,928	326,298
Repayment of the principal portion of lease liabilities	(3,544)	(4,134)
Dividends paid to owners of the Corporation	<u>(2,092,887)</u>	<u>(1,255,732)</u>
Net cash used in financing activities	<u>(1,091,503)</u>	<u>(933,568)</u>
NET DECREASE IN CASH	(25,615)	(9,016)
CASH AT THE BEGINNING OF THE YEAR	<u>1,528,092</u>	<u>1,537,108</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,502,477</u>	<u>\$ 1,528,092</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2022)

(Concluded)

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 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, 2021 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, 2021 and 2020, 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\$17,065,507 thousand and NT\$13,544,791 thousand, accounting for 48% and 46% of the Group's consolidated total assets as of December 31, 2021 and 2020, respectively. The share of profit of associates was NT\$4,336,070 thousand and NT\$3,359,564 thousand, accounting for 70% and 64% of the Group's consolidated net income before tax for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 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, 2021 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 23, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6(1))	\$ 3,684,856	11	\$ 3,931,022	14
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	644,638	2	1,563,734	5
Notes receivable (Notes 4 and 6(15))	16,797	-	6,954	-
Trade receivables (Notes 4, 6(3), 6(15) and 8)	520,922	2	622,119	2
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,540,677	4	1,226,649	4
Other receivables (Notes 4 and 7)	116,750	-	88,017	-
Inventories (Notes 4, 5, 6(4) and 8)	7,726,125	22	4,990,061	17
Other current assets (Note 6(17))	771,328	2	160,381	1
Total current assets	<u>15,022,093</u>	<u>43</u>	<u>12,588,937</u>	<u>43</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))	17,373,022	49	13,828,216	47
Property, plant and equipment (Notes 4, 6(8),7 and 8)	2,489,995	7	2,685,572	9
Right-of-use assets (Notes 4 and 6(9))	309,236	1	353,328	1
Investment properties (Notes 4 and 6(10))	34,739	-	34,836	-
Intangible assets (Note 4)	48,599	-	56,399	-
Deferred tax assets (Notes 4 and 6(17))	134,832	-	76,068	-
Prepayments for equipment	68,920	-	28,778	-
Other non-current assets	24,113	-	26,943	-
Total non-current assets	<u>20,486,856</u>	<u>57</u>	<u>17,093,540</u>	<u>57</u>
TOTAL	<u>\$ 35,508,949</u>	<u>100</u>	<u>\$ 29,682,477</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 4, 6(11) and 8)	\$ 2,799,115	8	\$ 1,634,949	6
Contract liabilities - current (Notes 4, 6(15) and 7)	2,413,939	7	160,028	1
Notes payable and trade payables	4,341,804	12	4,996,651	17
Trade payables to related parties (Note 7)	29,235	-	58,689	-
Other payables (Note 6(12))	1,126,240	3	1,084,989	4
Current tax liabilities (Notes 4 and 6(17))	412,493	1	171,422	1
Lease liabilities - current (Notes 4 and 6(9))	38,177	-	41,716	-
Current portion of long-term bank loans (Notes 4, 6(11) and 8)	104,276	-	33,017	-
Other current liabilities	82,160	-	71,352	-
Total current liabilities	<u>11,347,439</u>	<u>31</u>	<u>8,252,813</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4, 6(11) and 8)	997,057	3	994,190	3
Deferred tax liabilities (Notes 4 and 6(17))	4,346,780	12	3,423,416	12
Lease liabilities - non-current (Notes 4 and 6(9))	58,798	-	92,976	-
Net defined benefit liabilities (Notes 4 and 6(13))	160,637	1	108,391	-
Guarantee deposits received	26,514	-	30,104	-
Total non-current liabilities	<u>5,589,786</u>	<u>16</u>	<u>4,649,077</u>	<u>15</u>
Total liabilities	<u>16,937,225</u>	<u>47</u>	<u>12,901,890</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	9	2,989,838	10
Capital surplus				
Share premiums from issuance of ordinary shares	416,290	1	416,290	1
Retained earnings				
Legal reserve	3,135,227	9	2,732,977	9
Special reserve	1,674,362	5	1,163,048	4
Unappropriated earnings	12,004,319	34	10,406,346	35
Other equity	(2,464,786)	(7)	(1,674,363)	(6)
Total equity attributable to owners of the Corporation	<u>17,755,250</u>	<u>51</u>	<u>16,034,136</u>	<u>53</u>
NON-CONTROLLING INTERESTS				
Total equity	<u>18,571,724</u>	<u>53</u>	<u>16,780,587</u>	<u>56</u>
TOTAL	<u>\$ 35,508,949</u>	<u>100</u>	<u>\$ 29,682,477</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2022)

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			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 29,391,183	100	\$ 27,072,342	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>25,304,229</u>	<u>86</u>	<u>23,285,132</u>	<u>86</u>
GROSS PROFIT	4,086,954	14	3,787,210	14
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(186,834)</u>	<u>(1)</u>	<u>278,539</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>3,900,120</u>	<u>13</u>	<u>4,065,749</u>	<u>15</u>
OPERATING EXPENSES (Note 6(16))				
Selling and marketing expenses	1,083,798	4	1,046,703	4
General and administrative expenses	<u>1,226,946</u>	<u>4</u>	<u>1,134,824</u>	<u>4</u>
Total operating expenses	<u>2,310,744</u>	<u>8</u>	<u>2,181,527</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>1,589,376</u>	<u>5</u>	<u>1,884,222</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 7)	23,906	-	34,325	-
Other income	115,023	-	167,307	1
Net foreign exchange gains (losses) (Notes 4 and 13)	160,694	1	(131,819)	-
Gain (losses) on fair value changes of financial assets at fair value through profit or loss (Note 4)	(5,639)	-	23,716	-
Share of profit of subsidiaries and associates (Notes 4 and 6(7))	4,393,265	15	3,385,363	13
Interest expense	(47,422)	-	(52,006)	-
Other expenses	<u>(24,450)</u>	<u>-</u>	<u>(70,291)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,615,377</u>	<u>16</u>	<u>3,356,595</u>	<u>14</u>
PROFIT BEFORE INCOME TAX	6,204,753	21	5,240,817	21
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,416,583</u>	<u>5</u>	<u>1,128,670</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,788,170</u>	<u>16</u>	<u>4,112,147</u>	<u>17</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			
	2021		2020	
	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))	\$ (56,347)	-	\$ 37,111	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>11,269</u>	<u>-</u>	<u>(7,422)</u>	<u>-</u>
	<u>(45,078)</u>	<u>-</u>	<u>29,689</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(651,307)	(2)	(620,017)	(2)
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 6(7))	<u>(207,761)</u>	<u>(1)</u>	<u>129,124</u>	<u>-</u>
	<u>(859,068)</u>	<u>(3)</u>	<u>(490,893)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(904,146)</u>	<u>(3)</u>	<u>(461,204)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,884,024</u>	<u>13</u>	<u>\$ 3,650,943</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 4,649,502	16	\$ 3,993,317	15
Non-controlling interests	<u>138,668</u>	<u>-</u>	<u>118,830</u>	<u>-</u>
	<u>\$ 4,788,170</u>	<u>16</u>	<u>\$ 4,112,147</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,814,001	13	\$ 3,511,692	13
Non-controlling interests	<u>70,023</u>	<u>-</u>	<u>139,251</u>	<u>1</u>
	<u>\$ 3,884,024</u>	<u>13</u>	<u>\$ 3,650,943</u>	<u>14</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 15.55</u>		<u>\$ 13.36</u>	
Diluted	<u>\$ 15.48</u>		<u>\$ 13.27</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2022)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation					Other Equity (Note 4) Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interest (Note 6(6))	Total
	Common Shares (Note 6(14))	Capital Surplus Share Premium from Issuance of Common Share (Note 6(14))	Retained Earnings (Note 6(14))						
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2020	\$ 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
Appropriation of 2020 earnings									
Legal reserve	-	-	402,250	-	(402,250)	-	-	-	-
Special reserve	-	-	-	511,314	(511,314)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,092,887)	-	(2,092,887)	-	(2,092,887)
Net profit for the year ended December 31, 2021	-	-	-	-	4,649,502	-	4,649,502	138,668	4,788,170
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(45,078)	(790,423)	(835,501)	(68,645)	(904,146)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,604,424	(790,423)	3,814,001	70,023	3,884,024
BALANCE AT DECEMBER 31, 2021	\$ 2,989,838	\$ 416,290	\$ 3,135,227	\$ 1,674,362	\$ 12,004,319	\$ (2,464,786)	\$ 17,755,250	\$ 816,474	\$ 18,571,724

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

(With Deloitte & Touche audit report dated March 23, 2022)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 6,204,753	\$ 5,240,817
Adjustments for:		
Depreciation expenses	274,758	268,297
Amortization expenses	10,170	7,908
Expected credit loss recognized on trade receivables	6,466	6,637
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	5,639	(23,716)
Interest expense	47,422	52,006
Interest income	(23,906)	(34,325)
Dividend income	(1,854)	(1,389)
Share of profit of associates	(4,393,265)	(3,385,363)
Loss on disposal of property, plant and equipment	484	858
Write-down of inventories	58,283	1,315
Unrealized (realized) loss on transactions with associates	186,834	(278,539)
Unrealized net gain on foreign currency exchange	(8,283)	(10,529)
Gain on lease modification	(1,417)	(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	913,457	(461,209)
Notes receivable	(9,849)	5,344
Trade receivables	(267,799)	638,137
Other receivables	(4,397)	529,822
Inventories	(2,943,460)	(331,846)
Other current assets	(633,103)	(23,847)
Contract liabilities	2,253,911	126,112
Notes payable and trade payables	(663,673)	559,051
Other payables	64,860	(260,186)
Other current liabilities	17,280	2,304
Net defined benefit liabilities	(4,101)	(49,705)
Cash generated from operations	1,089,210	2,585,405
Interest received	19,405	45,414
Dividends received	6,819	1,389
Interest paid	(46,176)	(52,966)
Income tax paid	(281,557)	(466,876)
Net cash generated from operating activities	<u>787,701</u>	<u>2,112,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments accounted for using equity method	-	(13,848)
Acquisition for property, plant and equipment	(94,376)	(419,566)
Proceeds from disposal of property, plant and equipment	944	1,271
Increase in refundable deposits	(860)	(5,530)

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2021	2020
Decrease in other receivables from related parties	\$ -	\$ 37,379
Payments for intangible assets	(3,051)	(18,947)
Payments of investment properties	(485)	-
Decrease (increase) in other non-current assets	1,847	(3,073)
Increase in prepayments for equipment	(56,648)	(35,338)
Proceeds from disposal of right-of-use assets	<u>-</u>	<u>79,211</u>
Net cash used in investing activities	<u>(152,629)</u>	<u>(378,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments for) short-term bank loans	1,199,410	(230,446)
Proceeds from long-term borrowings	329,438	641,193
Repayments of long-term bank loans	(171,827)	(157,837)
Decrease in refundable deposits	(306)	(3,075)
Repayment of the principal portion of lease liabilities	(46,055)	(49,673)
Dividends paid to owners of the Corporation	(2,092,887)	(1,246,476)
Acquisition of subsidiaries	<u>-</u>	<u>(15,195)</u>
Net cash used in financing activities	<u>(782,227)</u>	<u>(1,061,509)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(99,011)</u>	<u>(12,647)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(246,166)	659,769
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,931,022</u>	<u>3,271,253</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,684,856</u>	<u>\$ 3,931,022</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2022)

(Concluded)

Case 2: Earnings Distribution of 2021. (Proposed by the Board)

Explanation: In accordance with the Company Act and the Company's Articles of Incorporation, the Company has prepared as follows the Table for Earnings Distribution for the year 2021, which has been reviewed and adopted in the 5th Meeting of the Company's 2nd Audit Committee and has been adopted by resolution in the Company's second Board of Directors meeting in 2022. For your ratification:

Merida Industry Co. Ltd.
Table for Earnings Distribution
for the Year 2021

	<u>Unit: NTD</u>
Beginning Undistributed Earnings	\$7,399,894,909
Add: 2021 Net Income after Tax	\$4,649,502,730
Less: Remeasurement of Defined Benefit Plans as Retained Earnings	<u>45,077,600</u>
Amount Recognized as Current Undistributed Earnings from Current Net Profit after Tax Added with Non-Current Profit Items	4,604,425,130
Less: Legal Reserve	460,442,513
Less: Special Reserve-Other Equity	<u>790,423,368</u>
Current Distributable Earnings	\$10,753,454,158
Distributions:	
Cash Dividend-NTD 8 per Share	<u>2,391,870,400</u>
Ending Undistributed Earnings (Retaining Beginning Undistributed Earnings)	<u><u>\$8,361,583,758</u></u>

1. Shareholders' Dividend: Calculated on basis of the Company's outstanding shares at 298,983,800 shares, each common share holder will be entitled to receive a cash dividend of NTD 8.0 per share. The dividend totaling at NTD 2,391,870,400 will be distributed fully in cash in the unit of NTD (portions lower than NTD 1 will be round off). Fractional shares will be recognized as the income of the Company's Employees' Welfare Committee. The Board of Directors is authorized to set up ex-dividend date and other associated follow-up, once the shareholder's meeting approves this proposal by resolution.
2. Concerning this earnings distribution, where there is change to total number of outstanding shares of the Company due to any reason, the Company shall submit to the regular shareholders' meeting for authorization to the Board of Directors on transactions of dividend distribution to shareholders adjusted by percentage of their ownership based on number of outstanding shares on the ex-dividend date.

Chairman: Tseng Song-Zhu Manager: Tseng Song-Zhu Accounting Manager: Liu Ming-Gen

Resolution:

Matters for Discussion

Case 1: Amendment(s) to the Company's Articles of Incorporation. (Proposed by the Board)

Explanation: In accordance with amendments to Article 172-2 of the Company Act following per 29 December 2021 Presidential Decree Letter No. Hua-Zong-I-Jing-11000115851, amendment to partial articles of the Company's Articles of Incorporation is proposed, with amendment contents resolved by the Company's second Board of Directors meeting in 2022. The comparison table for the Articles before and after amendment is as follows. For your voting:

After Amendment	Before Amendment	Reason for Amendment
<p>Article 12 <u>Changes to how the Company convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.</u> For convening shareholders' regular meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 30 days before the meeting. For convening shareholders' interim meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 15 days before the meeting. However, for shareholders with less than one thousand shares, it may be done by way of announcement.</p>	<p>Article 12 For convening shareholders' regular meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 30 days before the meeting. For convening shareholders' interim meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 15 days before the meeting. However, for shareholders with less than one thousand shares, it may be done by way of announcement.</p>	Article contents amended.
<p>Article 12-1 <u>Shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by the Ministry of Economic Affairs (MoEA).</u></p>		Article added.
<p>Article 37 The Articles of Incorporation were formulated on September 8, 1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was</p>	<p>Article 37 The Articles of Incorporation were formulated on September 8, 1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was</p>	Date amended.

<p>amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994. It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June</p>	<p>amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994. It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June 26,</p>	
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<p>26, 2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018. It was amended for the 43rd time on June 24, 2020. It was amended for the 44th time on August 4, 2021. <u>It was amended for the 45th time on June 23, 2022.</u></p>	<p>2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018. It was amended for the 43rd time on June 24, 2020. It was amended for the 44th time on August 4, 2021.</p>	
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Resolution:

Case 2: Amendment(s) to the Company's Rules of Procedure for Shareholders Meetings. (Proposed by the Board)

Explanation: In accordance with per 8 March 2022 Letter No. Taiwan-Stock-Governance-1110004250 of the Taiwan Stock Exchange Corporation, amendment to partial articles of the Company's Rules of Procedure for Shareholders Meetings is proposed, with amendment contents resolved by the Company's second Board of Directors meeting in 2022. The comparison table for the Rules before and after amendment is as follows. For your voting:

After Amendment	Before Amendment	Reason for Amendment
<p>Article 2 Shareholders (or their agents) of the Company are asked to wear attendance cards, where the number of equities is calculated by sign-in cards handed over in time of sign-in, <u>and the shares checked in on the virtual meeting platform</u>, in addition to the shares of voting right exercised by written form or electronic way. <u>In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.</u></p>	<p>Article 2 Shareholders (or their agents) of the Company are asked to wear attendance cards, where the number of equities is calculated by sign-in cards handed over in time of sign-in in addition to the shares of voting right exercised by written form or electronic way.</p>	<p>Article contents amended.</p>
<p>Article 4 The shareholder's meeting of the Company shall be convened in the venue where the Company is located or where is conducive for the shareholders to attend and suitable for the shareholders to convene. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. <u>The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders meeting.</u> <u>However, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.</u></p>	<p>Article 4 The shareholder's meeting of the Company shall be convened in the venue where the Company is located or where is conducive for the shareholders to attend and suitable for the shareholders to convene. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.</p>	<p>Article contents amended.</p>

<p>Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an audio and video recording throughout the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials shall be retained for at least one year.</p> <p><u>The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.</u></p>	<p>Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an audio and video recording throughout the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials shall be retained for at least one year.</p>	<p>Article contents amended.</p>
<p>Article 9 The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; <u>all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to the Company in</u></p>	<p>Article 9 The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.</p>	<p>Article contents amended.</p>

<p><u>accordance with Article 2.</u> When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p>	<p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p>	
<p>Article 13 When every shareholder speaks regarding the same motion, it cannot exceed twice unless consented by the chairperson. Every time cannot exceed 5 minutes. <u>In case of a virtual shareholders meeting, each speak shall contain no more than 200 words.</u> The motions shall be discussed in line with the motion order scheduled by the agenda. In case of violating procedure or exceeding beyond the topic of discussion, the chairperson may prohibit their speech.</p>	<p>Article 13 When every shareholder speaks regarding the same motion, it cannot exceed twice unless consented by the chairperson. Every time cannot exceed 5 minutes. The motions shall be discussed in line with the motion order scheduled by the agenda. In case of violating procedure or exceeding beyond the topic of discussion, the chairperson may prohibit their speech.</p>	<p>Article contents amended.</p>
<p>Article 17 When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a</p>	<p>Article 17 When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a</p>	<p>Article contents amended.</p>

<p>written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders <u>meeting in person</u> or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, <u>before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</u> Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the</p>	<p>written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail. Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the</p>	
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<p>MOPS. However, a proposal with no objection from all attending shareholders as inquired by the chair may be deemed as adopted, with the force equivalent to voting; where there is any objection(including exercising the objection or abstention against the vote by correspondence or electronically), a poll by shareholders shall be held. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received, shall be announced on-site at the meeting, and a record made of the vote.</p> <p><u>In the event of a virtual shareholders meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.</u></p>	<p>MOPS. However, a proposal with no objection from all attending shareholders as inquired by the chair may be deemed as adopted, with the force equivalent to voting; where there is any objection(including exercising the objection or abstention against the vote by correspondence or electronically), a poll by shareholders shall be held. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received, shall be announced on-site at the meeting, and a record made of the vote.</p>	
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<p><u>When the Company convenes a hybrid shareholders meeting, if shareholders who have registered to attend the meeting online in accordance with Article 2 decide to attend the physical shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online.</u></p> <p><u>When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.</u></p> <p><u>When the Company convenes a hybrid shareholders meeting, and the virtual meeting cannot continue due to force majeure events and the obstruction continues for more than 30 minutes, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof under applicable provisions is required.</u></p>		
<p>Article 20 These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner. These rules were approved by the regular shareholders' meeting on May 21, 1990. The first amendment</p>	<p>Article 20 These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner. These rules were approved by the regular shareholders' meeting on May 21, 1990. The first amendment</p>	<p>Date amended.</p>

<p>was made on June 15, 1998. The second amendment was made on June 25, 2002. The third amendment was made on June 23, 2006. The fourth amendment was made on June 27, 2008. The fifth amendment was made on June 26, 2014. The sixth amendment was made on June 22, 2016. The seventh amendment was made on August 4, 2021. <u>The eighth amendment was made on June 23, 2022.</u></p>	<p>was made on June 15, 1998. The second amendment was made on June 25, 2002. The third amendment was made on June 23, 2006. The fourth amendment was made on June 27, 2008. The fifth amendment was made on June 26, 2014. The sixth amendment was made on June 22, 2016. The seventh amendment was made on August 4, 2021.</p>	
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Resolution:

Case 3: Amendment(s) to the Company’s Procedures for Acquisition and Disposal of Assets. (Proposed by the Board)

Explanation: In accordance with per 28 January 2022 Order No. Financial-Supervisory-Securities-Corporate-1110380465 of the Financial Supervisory Commission, amendment to partial articles of the Company’s Procedures for Acquisition and Disposal of Assets is proposed, with amendment contents resolved by the Company’s second Board of Directors meeting in 2022. The comparison table for the Procedure before and after amendment is as follows. For your voting:

After Amendment	Before Amendment	Reason for Amendment
<p>Article 6 Transactions with Related Parties</p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to handling pursuant to Articles 9 to 14 herein, where the Company intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 10 percent or more of the Company’s paid-in capital, the Company shall obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions and, pursuant to the following, adopt necessary resolutions and appraise the reasonableness of the transaction terms. In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>1. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or</p>	<p>Article 6 Transactions with Related Parties</p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to handling pursuant to Articles 9 to 14 herein, where the Company intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 10 percent or more of the Company’s paid-in capital, the Company shall obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions and, pursuant to the following, adopt necessary resolutions and appraise the reasonableness of the transaction terms. In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>1. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use</p>	<p>Article contents amended.</p>

<p>right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by a majority of all Audit Committee members and recognized the Board of Directors. <u>Where the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall obtain approval by a majority of all Audit Committee members and submit the transaction proposal to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.</u> °</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a transaction counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 9, Paragraph 3, Subparagraphs (1) and</p>	<p>assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by a majority of all Audit Committee members and recognized the Board of Directors.</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a transaction counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 9, Paragraph 3, Subparagraphs (1) and</p>	
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<p>(2). (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party. (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. (6) Restrictive covenants and other important stipulations associated with the transaction. 2. The calculation of the transaction amounts referred to in the preceding paragraph shall be done in accordance with Article 4, paragraph 7 herein. <u>Where the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, items for which an approval by a majority of all Audit Committee Members and resolution by the Board of Directors have been obtained need not be counted toward the transaction amount. Items for which an approval by a majority of all Audit Committee Members, a resolution by the Board of Directors, and an approval by the shareholders' meeting following submission have been obtained need not be counted toward the transaction amount.</u> 3. Where there is acquisition or disposal of equipment or right-of-use assets thereof held for business use and property right-of-use assets between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the</p>	<p>(2). (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party. (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. (6) Restrictive covenants and other important stipulations associated with the transaction. 2. The calculation of the transaction amounts referred to in the preceding paragraph shall be done in accordance with Article 4, paragraph 7 herein. Items for which an approval by a majority of all Audit Committee Members and a resolution by the Board of Directors have been obtained need not be counted toward the transaction amount. 3. Where there is acquisition or disposal of equipment or right-of-use assets thereof held for business use and property right-of-use assets between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the</p>	
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<p>issued shares or authorized capital, the Company's board of directors may, pursuant to Article 5, delegate the board chairman to decide such matters when the transaction is within NTD 300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>4. Where a matter is submitted for discussion by the Board of Directors pursuant to provisions, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>5. When the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution <u>and then submitted to the shareholders' meeting for approval.</u></p>	<p>issued shares or authorized capital, the Company's board of directors may, pursuant to Article 5, delegate the board chairman to decide such matters when the transaction is within NTD 300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>4. Where a matter is submitted for discussion by the Board of Directors pursuant to provisions, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>5. When the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.</p>	
<p>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors meeting. The terms "all audit committee members" in this paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors meeting. The terms "all audit committee members" in this paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	
<p>Article 7 Provisions on Acquiring Appraisal Report of Professional's Opinions</p> <p>1. Professional appraisers and their officers, certified public accounts,</p>	<p>Article 7 Provisions on Acquiring Appraisal Report of Professional's Opinions</p> <p>1. Professional appraisers and their officers, certified public accounts,</p>	<p>Article contents amended.</p>

<p>attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party or de facto related party of any party to the transaction.</p> <p>2. The professional appraiser and its officers may not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>4. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>5. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <u>self-regulatory rules of the industry associations to which they belong</u> and the following:</p> <p>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2) When <u>conducting</u> a case, they</p>	<p>attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party or de facto related party of any party to the transaction.</p> <p>2. The professional appraiser and its officers may not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>4. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>5. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2) When <u>examining</u> a case, they</p>	
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<p>shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3) They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate and reasonable</u> and that they have complied with applicable laws and regulations.</p>	<p>shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3) They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy, and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>reasonable and accurate</u>, and that they have complied with applicable laws and regulations.</p>	
<p>Article 9 Handling Procedure for Acquiring or Disposing Real Property or Equipment</p> <p>1. In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (matters required to be noted in appraisal reports are subject to provisions by competent authorities) and shall further comply with the following</p>	<p>Article 9 Handling Procedure for Acquiring or Disposing Real Property or Equipment</p> <p>1. In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (matters required to be noted in appraisal reports are subject to provisions by competent authorities) and shall further comply with the following</p>	<p>Article contents amended.</p>

<p>provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount is NTD 1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided,</p>	<p>provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount is NTD 1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <u>perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Republic of China Accounting Research and Development Foundation</u> (hereinafter "ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided,</p>	
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<p>where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>2. When the Company acquires or disposes real property or its right-of-use assets thereof of other fixed assets, where the transaction amount reaches 20 percent of the Company's paid-in capital or NTD 300 million or more, the Company may authorize its chairman in handling such transaction after first approved by one-half or more of all Audit Committee members and then submitted to the Board of Directors for resolution.</p> <p>3. In acquiring real property or right-of-use assets thereof from a related party, the Company shall, in addition to following provisions in Article 6 herein, adopt necessary resolutions and appraise the reasonableness of the transaction terms as provided below:</p> <p>(1) In acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means and shall also engage a CPA to check the appraisal and render a specific opinion: 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created</p>	<p>where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>2. When the Company acquires or disposes real property or its right-of-use assets thereof of other fixed assets, where the transaction amount reaches 20 percent of the Company's paid-in capital or NTD 300 million or more, the Company may authorize its chairman in handling such transaction after first approved by one-half or more of all Audit Committee members and then submitted to the Board of Directors for resolution.</p> <p>3. In acquiring real property or right-of-use assets thereof from a related party, the Company shall, in addition to following provisions in Article 6 herein, adopt necessary resolutions and appraise the reasonableness of the transaction terms as provided below:</p> <p>(1) In acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means and shall also engage a CPA to check the appraisal and render a specific opinion: 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created</p>	
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<p>a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>3. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed above.</p> <p>(2) In acquiring real property or right-of-use assets thereof from a related party, when the results of the Company's appraisal conducted are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 3, Subparagraph (3) herein. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in Paragraph 3, Subparagraph (1) herein, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit"</p>	<p>a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties</p> <p>3. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed above.</p> <p>(2) In acquiring real property or right-of-use assets thereof from a related party, when the results of the Company's appraisal conducted are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 3, Subparagraph (3) herein. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in Paragraph 3, Subparagraph (1) herein, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit"</p>	
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<p>shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p>2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>(3) Where the Company acquires real property or right-of-use assets</p>	<p>shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p>2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>(3) Where the Company acquires real property or right-of-use assets</p>	
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<p>thereof from a related party and the results of appraisals conducted are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken. Actions taken shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus:</p> <p>1. A special reserve shall be set aside by the Company in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>2. The Audit Committee shall handle in accordance with Article 218 of the Company Act. °</p> <p>(4) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances</p>	<p>thereof from a related party and the results of appraisals conducted are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken. Actions taken shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus:</p> <p>1. A special reserve shall be set aside by the Company in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>2. The Audit Committee shall handle in accordance with Article 218 of the Company Act. °</p> <p>(4) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances</p>	
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<p>exists, the acquisition shall be conducted in accordance with Article 6:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. <p>(5) The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</p>	<p>exists, the acquisition shall be conducted in accordance with Article 6:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. <p>(5) The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</p>	
<p>Article 10 Handling Procedure for Acquisition and Disposal of Securities</p> <ol style="list-style-type: none"> 1. Where the Company acquires or disposes the securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NTD 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. Provided that this shall not apply to transactions meeting any of the 	<p>Article 10 Handling Procedure for Acquisition and Disposal of Securities</p> <ol style="list-style-type: none"> 1. Where the Company acquires or disposes the securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NTD 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in</u> 	<p>Article contents amended.</p>

<p>circumstances below:</p> <p>(1) Securities acquired through cash contribution in an incorporation by promotion or by public offering in accordance with relevant laws and regulations, with the further requirement that the rights represented by the acquired securities be commensurate with the proportion of capital contributed.</p> <p>(2) Participation in subscription to an issue of securities issued at face value by an issuing company</p> <p>(3) Participation in subscription to securities issued by a 100 percent owned subsidiary that is carrying out a cash capital increase by the Company, or the Company's 100 percent owned subsidiaries are engaged in subscription to securities issued for cash capital increase.</p> <p>(4) Securities listed and traded on the Taiwan Stock Exchange or the Taipei Exchange or emerging stocks.</p> <p>(5) Government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan</u>, or bonds under repurchase or reverse purchase agreements.</p> <p>(6) Onshore or offshore publicly offered funds.</p> <p>(7) TWSE or TPEX listed stocks acquired or disposed of in accordance with the TWSE or TPEX rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.</p> <p>(8) Participation in subscription to shares issued by a public company for a cash capital increase or domestic subscription to corporate bonds (including financial debentures), with the further</p>	<p>accordance with the provisions of <u>Statement of Auditing Standards No. 20 published by the ARDF</u>. Provided that this shall not apply to transactions meeting any of the circumstances below:</p> <p>(1) Securities acquired through cash contribution in an incorporation by promotion or by public offering in accordance with relevant laws and regulations, with the further requirement that the rights represented by the acquired securities be commensurate with the proportion of capital contributed.</p> <p>(2) Participation in subscription to an issue of securities issued at face value by an issuing company</p> <p>(3) Participation in subscription to securities issued by a 100 percent owned subsidiary that is carrying out a cash capital increase by the Company, or the Company's 100 percent owned subsidiaries are engaged in subscription to securities issued for cash capital increase.</p> <p>(4) Securities listed and traded on the Taiwan Stock Exchange or the Taipei Exchange or emerging stocks</p> <p>(5) Government bonds, or bonds under repurchase or reverse purchase agreements.</p> <p>(6) Onshore or offshore publicly offered funds.</p> <p>(7) TWSE or TPEX listed stocks acquired or disposed of in accordance with the TWSE or TPEX rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.</p> <p>(8) Participation in subscription to shares issued by a public company for a cash capital increase or domestic subscription to corporate bonds (including financial debentures), with the further</p>	
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<p>requirement that the securities acquired are not privately placed securities.</p> <p>(9) Subscription to a domestic privately placed fund before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</p> <p>2. In acquiring or disposing securities, where the transaction amount reaches 20 percent of the Company's paid-in capital or NTD 300 million or more, the Company shall authorize the Chair to handle such transaction after the matters have been first submitted to the Board of Directors meeting for adoption by resolution.</p> <p>3. In acquiring or disposing securities which are traded on central stock exchange or the Taipei Exchange (TPEX), the transactions are determined by accountable unit based on prices upon time of transaction.</p> <p>4. In acquiring or disposing securities which are not traded on central stock exchange or the Taipei Exchange (TPEX), the Company shall, except for investments in Mainland China, take into considerations the net value per share, profitability, future potential, market interest rate, coupon rate of bond and credibility of debtor and refer to the recent closing price before submitting in hierarchy to the Chairman, and the transaction shall</p>	<p>requirement that the securities acquired are not privately placed securities.</p> <p>(9) Subscription to a domestic privately placed fund before the establishment of the fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</p> <p>2. In acquiring or disposing securities, where the transaction amount reaches 20 percent of the Company's paid-in capital or NTD 300 million or more, the Company shall authorize the Chair to handle such transaction after the matters have been first submitted to the Board of Directors meeting for adoption by resolution.</p> <p>3. In acquiring or disposing securities which are traded on central stock exchange or the Taipei Exchange (TPEX), the transactions are determined by accountable unit based on prices upon time of transaction.</p> <p>4. In acquiring or disposing securities which are not traded on central stock exchange or the Taipei Exchange (TPEX), the Company shall, except for investments in Mainland China, take into considerations the net value per share, profitability, future potential, market interest rate, coupon rate of bond and credibility of debtor and refer to the recent closing price before submitting in hierarchy to the Chairman, and the transaction shall</p>	
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<p>be reported in the most recent Board of Directors meeting after completed.</p> <p>5. Where the Company engages in Mainland China area investment shall be handled in accordance with “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” by the Ministry of Economic Affairs Investment Commission.</p>	<p>be reported in the most recent Board of Directors meeting after completed.</p> <p>5. Where the Company engages in Mainland China area investment shall be handled in accordance with “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” by the Ministry of Economic Affairs Investment Commission.</p>	
<p>Article 15 Procedure for Public Announcement of Information</p> <p>1. In events of acquiring or disposing of assets and under any of the following circumstances, the Company shall publicly announce and report the relevant information within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NTD 300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.</p> <p>(4) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and</p>	<p>Article 15 Procedure for Public Announcement of Information</p> <p>1. In events of acquiring or disposing of assets and under any of the following circumstances, the Company shall publicly announce and report the relevant information within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NTD 300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.</p> <p>(4) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and</p>	<p>Article contents amended.</p>

<p>furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> 1. For a public company whose paid-in capital is less than NTD 10 billion, the transaction amount reaches NTD 500 million or more. 2. For a public company whose paid-in capital is NTD 10 billion or more, the transaction amount reaches NTD 1 billion or more. <p>(5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u> 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. The amount of transactions in the preceding paragraph shall be calculated following Article 4, Subparagraph 7 herein. 	<p>furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> 1. For a public company whose paid-in capital is less than NTD 10 billion, the transaction amount reaches NTD 500 million or more. 2. For a public company whose paid-in capital is NTD 10 billion or more, the transaction amount reaches NTD 1 billion or more. <p>(5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of domestic government bonds. 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. The amount of transactions in the preceding paragraph shall be calculated following Article 4, Subparagraph 7 herein. 	
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<p>3. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with relevant regulations need not be counted toward the transaction amount.</p> <p>4. Public Announcement and Regulatory Filing Procedure:</p> <p>(1) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>(2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(3) In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>(4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with above provisions, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of</p>	<p>3. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with relevant regulations need not be counted toward the transaction amount.</p> <p>4. Public Announcement and Regulatory Filing Procedure:</p> <p>(1) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>(2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(3) In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>(4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with above provisions, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of</p>	
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<p>occurrence of the event:</p> <p>1.Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>2.The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>3.Change to the originally publicly announced and reported information.</p> <p>(5) Information required to be publicly announced and reported in accordance with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>(6) After the Company has made public announcement and regulatory filing on investments in Mainland China following relevant regulations, where there is any subsequent denial of such investment by the competent authority, the Company shall disclose the original date the public announcement and regulatory filing is made, name of the invested company (companies) in Mainland China, estimated contribution, trading counterparty, and the date the proposal has been denied by the competent authority.</p> <p>5. Public Announcement Format: Following regulations by competent authorities.</p> <p>6. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing at 20 percent or more of the paid-in capital or 10 percent or more of the total assets of the Company.</p>	<p>occurrence of the event:</p> <p>1.Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>2.The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>3.Change to the originally publicly announced and reported information.</p> <p>(5) Information required to be publicly announced and reported in accordance with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>(6) After the Company has made public announcement and regulatory filing on investments in Mainland China following relevant regulations, where there is any subsequent denial of such investment by the competent authority, the Company shall disclose the original date the public announcement and regulatory filing is made, name of the invested company (companies) in Mainland China, estimated contribution, trading counterparty, and the date the proposal has been denied by the competent authority.</p> <p>5. Public Announcement Format: Following regulations by competent authorities.</p> <p>6. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing at 20 percent or more of the paid-in capital or 10 percent or more of the total assets of the Company.</p>	
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<p>Article 17 These Procedures were adopted by resolution in the Company’s interim Board of Directors meeting on November 23, 1999. The first amendment was made on December 22, 1999. The second amendment was made on June 6, 2001. The third amendment was made on June 26, 2003. The fourth amendment was made on June 23, 2006. The fifth amendment was made on June 22, 2007. The sixth amendment was made on June 28, 2012. The seventh amendment was made on June 26, 2014. The eighth amendment was made on June 26, 2017. The ninth amendment was made on June 26, 2018. The tenth amendment was made on June 25, 2019. <u>The eleventh amendment was made on June 23, 2022.</u></p>	<p>Article 17 These Procedures were adopted by resolution in the Company’s interim Board of Directors meeting on November 23, 1999. The first amendment was made on December 22, 1999. The second amendment was made on June 6, 2001. The third amendment was made on June 26, 2003. The fourth amendment was made on June 23, 2006. The fifth amendment was made on June 22, 2007. The sixth amendment was made on June 28, 2012. The seventh amendment was made on June 26, 2014. The eighth amendment was made on June 26, 2017. The ninth amendment was made on June 26, 2018. The tenth amendment was made on June 25, 2019.</p>	<p>Date amended.</p>
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Resolution:

Extempore Motions

Adjournment of Meeting

Appendix

1. Effect of Stock Grant proposed to this Shareholders' Meeting on the Company's Operating Performance and EPS:

The earning distribution proposed for approval in this shareholders' meeting involves only cash dividend and does not involve stock grants. In addition, this item is not applicable as the Company did not disclose financial forecast of 2021 to the public.

2. The shareholding situation of directors in Merida:

In accordance with Article 26 of the Securities and Exchange Act "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", total number of shares held by all directors of the Company may not be fewer than 12,000,000 shares (See Note). The total number of shares held by all directors of the Company as of April 25, 2022 [Beginning Date for Suspension of Share Transfer] is 72,378,619 shares, which is compliant to applicable regulations. Number of shares held by each director is listed as follows:

Director Name	Shares Held Upon Election	Shares Held on Share Transfer Suspension Date	Remarks
Tseng Song-Zhu	48,664,715	48,664,715	
Tseng Song-Ling	5,692,934	5,692,934	
Tseng-Lu Min-Hua	8,477,819	8,740,819	
Luo Tsai-Jen	10,754	10,754	
Ding-Hung Investment Co., Ltd. Representative: Zheng Wen-Xiang	390,022	390,022	
Ding-Hung Investment Co., Ltd. Representative: Yuan Qi-Bin			
Ding-Hung Investment Co., Ltd. Representative: Lai Ru-Ding			
Ding-Hung Investment Co., Ltd. Representative: Tseng Ching-Cheng			
Ding-Sheng Investment Co., Ltd. Representative: Tseng Hui-Juan	7,314,925	7,314,925	
Chen Shui-Jin	0	0	Independent Director
Chen Jian-Nan	0	0	Independent Director
Tsai Wu-Ying	1,985,450	1,564,450	Independent Director
Lei Shin-Jung	0	0	Independent Director
Total	72,536,619	72,378,619	

Note: The percentage of shareholding by all directors excluding independent directors is reduced pro-rate to 80% as the Company intends to concurrently 2 or more independent directors.

3. Information of Proposal-Making Shareholders Holding 1 Percent or more of the Company's Outstanding Shares

(1) According to Article 172-1, the period for accepting proposals by shareholders in this annual shareholders' meeting is April 16, 2022 to April 26, 2022, and the proposals have been made into Public Announcement on the MOPS.

(2) The Company does not receive any proposal from any shareholders holding 1 percent or more of the Company's outstanding shares throughout the period mentioned in the preceding paragraph.

Rules of Procedure for Shareholders' Meeting

- Article1 Unless otherwise provided by statutes or articles of incorporation, the shareholder's meeting of the Company shall be held in line with this regulation.
- Article2 Shareholders (or their agents) of the Company are asked to wear attendance cards, where the number of equities is calculated by sign-in cards handed over in time of sign-in in addition to the shares of voting right exercised by written form or electronic way.
- Article3 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for each share.
- Article4 The shareholder's meeting of the Company shall be convened in the venue where the Company is located or where is conducive for the shareholders to attend and suitable for the shareholders to convene.
- Article5 If the board of directors convenes the shareholders' meeting, the president shall be the chairperson. When the president asks for leave or cannot carry out the duty for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act.
If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson.
- Article6 The company may designate the appointed lawyer, accountant or relevant personnel to attend the shareholders' meeting as a nonvoting delegate.
- Article7 The meeting affairs personnel who handle the shareholders' meeting shall wear badge or armband.
- Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an audio and video recording throughout the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials shall be retained for at least one year.
- Article 9 The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.
When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
- Article10 If the shareholders' meeting is convened by board of directors, the agenda shall be set by board of directors. The meeting shall be carried out in line with scheduled agenda and cannot be changed without resolution of the shareholders' meeting.

If the shareholders' meeting is convened by convener other than board of directors, the provisions of preceding paragraph apply mutatis mutandis. Before the end of procedure (including extempore motion) for the agenda scheduled in preceding 2 paragraphs, the chairperson cannot declare the meeting adjourned without resolution.

After the meeting is ended, the shareholders cannot reelect the chairperson to continue the meeting at the original venue or other venues. However, if the chairperson violates the rules of procedure and declare to end the meeting, one person may be elected as the chairperson under the consent of half of the attended shareholders with voting rights for the meeting being continued.

Article11 When the meeting is ongoing, the chairperson may set time to declare for rest.

Article12 Before the attended shareholder speaks, it is necessary to first fill in speech notes stating speech gist, shareholder's account number, (or attendance card number) and shareholder's name. The chairperson shall decide the speech order.

The attended shareholders who only submit speech notes but do not speak are deemed as not speaking. If the speech content and the record of speech note are inconsistent, the speech content shall prevail.

When the attended shareholder speaks, other shareholders cannot speak to interfere unless consent of the chairperson and speaking shareholder is obtained. Violators shall be prohibited by the chairperson.

Article13 When every shareholder speaks regarding the same motion, it cannot exceed twice unless consented by the chairperson. Every time cannot exceed 5 minutes.

The motions shall be discussed in line with the motion order scheduled by the agenda.

In case of violating procedure or exceeding beyond the topic of discussion, the chairperson may prohibit their speech.

Article14 When a judicial person is entrusted to attend shareholders' meeting, the judicial person can only designate one person as the representative. When judicial shareholder designates more than 2 persons to attend shareholders' meeting as the representatives, only one can be chosen to speak for the same motion.

Article15 After the attended shareholder speaks, chairperson may reply in person or designate relevant personnel to reply.

Article16 When discussing the motions, the chairperson may declare to end the discussion at the right time. When necessary, the chairperson may declare to stop discussion and submit for voting.

Article 17 When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of

extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS. However, a proposal with no objection from all attending shareholders as inquired by the chair may be deemed as adopted, with the force equivalent to voting; where there is any objection (including exercising the objection or abstention against the vote by correspondence or electronically), a poll by shareholders shall be held.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received, shall be announced on-site at the meeting, and a record made of the vote.

Article 18 The chairperson may direct the picket (or security) to help maintain order of

meeting place. The picketer (or security) who helps maintaining order on site shall wear the armband with the word “picketer”.

Article19 The matters not covered in this regulation shall be handled in accordance with the Company Act or other relevant regulations.

Article20 This regulation comes into force after being approved by shareholders’ regular meeting on May 21, 1990. It was amended for the 1st time on June 15, 1998. It was amended for the 2nd time on June 25, 2002. It was amended for the 3rd time on June 23, 2006. It was amended for the 4th time on June 27, 2008. It was amended for the 5th time on June 26, 2014. It was amended for the 6th time on June 22, 2016. It was amended for the 7th time on August 4, 2021.

Articles of Incorporation for Merida Industry Co., Ltd.

Chapter 1 General

Article 1 The Company is organized in accordance with the provisions concerning Co., Ltd.in the Company Act, named “Merida Industry Co., Ltd.”.

Article 2 The businesses operated by the Company are as follows:

1. The manufacturing, assembly, deal and external processing of bikes and their parts.
2. The manufacturing, assembly, and deal of auto-bikes and their parts.
3. The manufacturing, assembly, and deal of electric vehicles and their parts.
4. The export, import and deal of speedometer.
5. The manufacturing, assembly, and deal of exercise bikes and their parts.
6. The import and export business of various above products and equipment.
7. Entrust construction companies to build public housing and business building and the rental and sale business.
8. C805050 Industrial plastic product manufacturing business.
9. CC01080 Electronic component manufacturing business.
- 10.CC01050 Data storage and processing equipment manufacturing business.
- 11.CA01990 Other non-iron metal basic industry (melting, forging, die-casting, extrusion,wire drawing of zinc, aluminum, magnesium, copper, titanium alloy)
- 12.CA02990 Other metal product manufacturing business (melting, forging, die-casting, extrusion, wire drawing of zinc, aluminum, magnesium, copper, titanium alloy).
- 13.ZZ99999 Besides the permitted businesses, businesses not prohibited or restricted by decrees can be operated.

Article 3 Head Office of the Company is located in Changhua County, Taiwan Province. Board of directors may resolve to set up

branches at home and abroad when necessary.

Article 4 The announcement method of the Company is done in line with provisions of the Company Act and other relevant decrees.

Article 5 Reinvestment of the Company can exceed over 40% of paid-in capital.

Article 6 With consent by board of directors, the Company can engage in external guarantee business between Businesses.

Chapter 2 Shares

Article 7 The total capital of the Company is set NT\$3.5 billion, divided into 350 million shares. Every share is NT\$10 only. The board of directors is authorized to issue the unissued shares among them by many times when necessary. Preferred stocks may be issued for the above stocks.

Article 7-1 (Deleted)

Article 8 The shares issued by the Company shall all be registered. The Company shall assign its share certificates with serial numbers, and the share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance. The Company may be exempted from printing any share certificate for the shares issued and shall register the issued shares with a centralized securities depository enterprise.

Article 9 Stock affairs of the Company are handled in accordance with “Criteria Governing Handling of Stock Affairs by Public Stock Companies” unless otherwise provided by decrees and security rules.

Article 10 Share transfer is suspended within 60 days before shareholders regular meeting, within 30 days before interim shareholders’ meeting or within 5 days before reference day when the company decides to allot dividend, bonus and other profits.

Chapter 3 Shareholders’ Meeting

Article 11 There are 2 kinds of shareholders’ meetings which are regular meeting and interim meeting.

1. Regular meeting is convened once every year, held within 6

months after the end of every fiscal year.

2. Interim meeting shall be convened in line with relevant decrees when necessary.

Article 12 For convening shareholders' regular meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 30 days before the meeting. For convening shareholders' interim meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 15 days before the meeting. However, for shareholders with less than one thousand shares, it may be done by way of announcement.

Article 13 When shareholders cannot attend shareholders' meeting for some reason, they may present proxies printed by the Company, specifying authorization scope and entrusting agents to attend. The measures for the shareholders to entrust for attendance shall be handled in line with provisions in "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings" promulgated by competent authority in addition to complying with the provisions of Article 177 in the Company Act.

Article 14 The chairperson shall serve as the chairperson of the shareholders' meeting convened by the board of directors. When the chairperson asks for leave or cannot exercise functions and powers for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act. If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson. When there are more than 2 conveners, one person among them shall be elected as the chairperson.

Article 15 The resolution of shareholders' meeting shall be done with attendance by more than half of the shareholders representing the total issued shares and the consent by more than half of the attended shareholders' voting right, unless otherwise provided by the Company Act.

Article 16 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for every share.

Article 17 Resolutions adopted at a shareholders' meeting shall be

recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting, ratified financial statements, and the resolutions on the surplus earning distribution and/or the loss offsetting shall be effected by means specified in the Company Act.

Chapter 4 Board of Directors

Article 18 The Company's Board of Directors shall have nine to thirteen directors, who shall be elected among capable persons by the shareholders. The term of office of a director shall be three years; he/she may be eligible for re-election. The aforesaid Board of Directors must have at least three independent directors, and the number of independent directors shall not be less than one-fifth of the total number of directors. Directors shall be elected by adopting candidate nomination system as specified in Article 192-1 of the Company Act, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The nomination of directors and related announcement shall comply with the relevant regulations of the Company Act and the Securities and Exchange Act. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately. The total number of shares held by all directors of the Company shall comply with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" by the Financial Supervisory Commission.

Article 18-1 The Company sets up Audit Committee in line with provisions of Article 14-4 of Securities Exchange Act, formed by all independent directors. Exercising of function and power and relevant matters regarding Audit Committee and its members are handled by provisions of relevant decrees of

competent authority of securities.

Article19 A chairperson shall be elected with attendance of over two thirds of directors and by consent of over half of attended directors. A vice chairperson can be elected by the same way. The chairperson represents the company externally and internally serves as chairperson of shareholders' meeting and board of directors.

Article20 Function and power of board of directors are as follows:

1. Authorize various important rules and regulations.
2. Decide business policy.
3. Decide budgets and final accounts.
4. Draft earnings apportion or loss make-up.
5. Draft increase or decrease in capital.
6. Acquire or dispose of assets.
7. Decide important choice of persons of the Company.
8. External guarantee business between the same trades.
9. Set up and dissolve the branches of the Company.
10. Ratify the reinvestment business.
11. Other function and power endowed by the Company Act or board of directors.

Execution of the company's business shall be done by the resolution of board of directors except the matters that shall be resolved by shareholders' meeting in accordance the Company Act or relevant decrees.

Article 21 In the case that vacancies on the Board of Directors exceed one third of the total number of the Directors, or that all independent directors are discharged, the Board of Directors shall convene a shareholders' meeting within sixty days to elect new Directors to fill such vacancies. The new Directors shall serve the remaining term of the predecessors.

Article22 Board of directors holds meeting at least once every season. In case of emergency or request by over half of directors, it can be convened any time. The Company's board meeting can be convened by way of writing, E-mail or fax.

Article 23 Chairperson serves as chairperson of board of directors. When the chairperson asks for leave or cannot exercise functions and powers for some reason, it shall be handled in accordance with Article 208 of the Company Act.

Article 24 Each director shall attend the meeting of the board of directors in person; however, a director may be represented by another director if he/she cannot attend the meeting due to special circumstances.

In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

In case a director appoints another director to attend a meeting of the board of directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.

A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

Article 25 The resolution of board meeting shall be done with attendance of over half of directors and consent by over half of attended directors unless otherwise provided by the Company Act. The procedure of board meeting shall be made into minute book that shall be signed or sealed by chairperson and recorder. The minute book shall be distributed to each director and supervisor within 20 days after the meeting. The minute book can be made and distributed by electronic way and shall be kept forever in the period of the Company's existence.

Article 26 The Company may purchase liability insurance for directors' compensation liability that shall be borne in their business execution scope according to the laws during their tenure of office.

Article 26-1 The Company may establish functional committees under the Board of Directors. The number, term of office, and powers of the committee members shall be specified in the

organizational rules of respective committee, and shall be subject to the resolution made by the board meeting before implementation.

Chapter 5 Manager and Staff

Article27 The Company may set several managers who adhere to the policy resolved by board of directors and relevant decrees and comprehensively manage all businesses of the Company and whose appointment, dismissal and remuneration are handled in line with provisions of Article 29 in the Company Act.

Article28 General manager follows the orders by board of directors to comprehensively manage the Company's business. If general manager cannot carry out duties due to some affairs, general manager designates a vice general manager as agent.

Article29 Board of directors decides the Company's organization system and quota for setting up staff of various levels and their appointment way.

Chapter 6 Accounting

Article30 The Company's fiscal year starts from January 1 till December 31 every year. At the end of each fiscal year, final accounts shall be carried out.

Article31 Board of directors compiles the following various statistical forms for the Company's annual final accounts according to the laws and submits to shareholders' regular meeting for recognition in line with legal procedures:

1. Business report
2. Financial statement
3. Motion of earnings apportion or loss make-up

Chapter 7 Others

Article32 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.

Article33 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 anymore and we 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. Board of directors drafts earning distribution motion and submits to shareholders' meeting to resolve for 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.

Article34 When the Company's directors do the jobs of the Company, regardless of the business profit or loss of the Company, the company may pay remuneration. Board of directors is authorized to agree to their remuneration in line with the level that they participate in the company's operation, contribution value and general standard of the same trade. If the company has earnings, besides independent directors, remuneration shall be distributed in accordance with Article 32 otherwise.

Chapter 8 Supplementary Provisions

Article35 Organizational rules and important regulations and measures of the Company shall be formulated by board of directors otherwise.

Article36 Matters not covered in the articles of incorporation shall be handled in accordance with Company Act and other relevant decrees.

Article37 The articles of incorporation were formulated on September 8,

1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994. It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June 26, 2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018. It

was amended for the 43rd time on June 24, 2020. It was amended for the 44rd time on August 4, 2021.

Tseng Song-Zhu, Chairman