

Merida Industry Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prepared in conformity with International Financial Reporting Standard No.10, “Consolidated Financial Statements”. The information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Merida Industry Co., Ltd. and subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

MERIDA INDUSTRY CO., LTD.

By:

Michael S. T. Tseng
President

March 14, 2024

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, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of 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.

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, 2023. 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, 2023 is as follows:

Revenue Recognition

The Group's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. Since revenue from the export sales of e-bikes for the year ended December 31, 2023 accounted for a significant proportion of sales revenue, recognition of export 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 include the following:

1. We obtained an understanding of 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. We also 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 and verified the occurrence of the sales revenue recognized.

Other Matter

We did not audit the part of the investments accounted for using equity method that were evaluated in the financial statements of the Group, which is related to different financial reporting structures. This part has been audited by other accountants in accordance with different auditing standards. We have applied all necessary audit procedures on the conversion adjustments made to the financial statements of the Group, and in our opinion, such financial statements present fairly and are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. In our opinion, the amounts relating to the abovementioned adjusted financial statements are based on the reports of other auditors and are the results of additional audit procedures performed in order to meet the relevant requirements of the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. The balance of the long-term investments accounted for using the equity method was NT\$18,653,865 thousand and NT\$18,650,181 thousand, accounting for 49% and 44% of the Group's consolidated total assets as of December 31, 2023 and 2022, respectively. The share of profit (loss) of associates was NT\$(711,238) thousand and NT\$640,985 thousand, accounting for (26%) and 14% of the Group's consolidated net income before tax for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 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 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023 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 audits resulting in this independent auditors' report are Shao-Chun Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2024

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 DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,459,041	9	\$ 5,424,569	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	204,951	1	502,705	1
Financial assets at amortized cost - current (Notes 4 and 8)	116,866	-	-	-
Notes receivable (Notes 4 and 20)	7,154	-	159	-
Trade receivables (Notes 4, 9, 20 and 27)	735,258	2	868,663	2
Trade receivables from related parties (Notes 4, 9, 20 and 26)	1,562,565	4	2,978,685	7
Other receivables (Notes 4 and 26)	95,229	-	133,507	-
Inventories (Notes 4, 10 and 27)	9,531,937	25	10,235,049	24
Other current assets (Note 22)	87,375	-	282,754	1
Total current assets	<u>15,800,376</u>	<u>41</u>	<u>20,426,091</u>	<u>48</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	3,400	-	3,400	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	359,255	1	-	-
Investments accounted for using the equity method (Notes 4 and 13)	18,955,372	50	18,919,858	44
Property, plant and equipment (Notes 4, 14 and 27)	2,304,304	6	2,446,031	6
Right-of-use assets (Notes 4 and 15)	281,916	1	321,390	1
Intangible assets	59,974	-	71,983	-
Deferred tax assets (Notes 4 and 22)	305,924	1	322,057	1
Prepayments for equipment	31,460	-	3,634	-
Net defined benefit asset - non-current (Notes 4 and 18)	19,129	-	-	-
Other non-current assets (Note 4)	36,089	-	38,990	-
Total non-current assets	<u>22,356,823</u>	<u>59</u>	<u>22,127,343</u>	<u>52</u>
TOTAL	<u>\$ 38,157,199</u>	<u>100</u>	<u>\$ 42,553,434</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 27)	\$ 6,088,998	16	\$ 5,014,511	12
Contract liabilities - current (Notes 4, 20 and 26)	39,391	-	2,079,008	5
Notes and trade payables	2,833,485	8	5,808,087	14
Trade payables to related parties (Note 26)	64,777	-	50,112	-
Other payables (Note 17)	858,383	2	1,019,598	2
Current tax liabilities (Notes 4 and 22)	767,209	2	975,011	2
Lease liabilities - current (Notes 4 and 15)	51,556	-	57,494	-
Current portion of long-term bank loans (Notes 16 and 27)	268,127	1	207,030	1
Other current liabilities	44,895	-	15,642	-
Total current liabilities	<u>11,016,821</u>	<u>29</u>	<u>15,226,493</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 16 and 27)	1,169,575	3	1,195,246	3
Deferred tax liabilities (Notes 4 and 22)	4,344,688	11	4,453,152	10
Lease liabilities - non-current (Notes 4 and 15)	30,702	-	55,179	-
Net defined benefit liabilities (Notes 4 and 18)	-	-	103,937	-
Guarantee deposits received	25,077	-	24,808	-
Total non-current liabilities	<u>5,570,042</u>	<u>14</u>	<u>5,832,322</u>	<u>13</u>
Total liabilities	<u>16,586,863</u>	<u>43</u>	<u>21,058,815</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	8	2,989,838	7
Capital surplus				
Share premium from issuance of ordinary shares	416,290	1	416,290	1
Changes in capital surplus from investments in associates accounted for using the equity method	213,862	1	-	-
Retained earnings				
Legal reserve	3,937,840	10	3,595,669	8
Special reserve	666,194	2	2,464,786	6
Unappropriated earnings	12,934,212	34	11,783,296	28
Other equity	(638,687)	(2)	(666,194)	(1)
Total equity attributable to owners of the Corporation	<u>20,519,549</u>	<u>54</u>	<u>20,583,685</u>	<u>49</u>
NON-CONTROLLING INTERESTS	<u>1,050,787</u>	<u>3</u>	<u>910,934</u>	<u>2</u>
Total equity	<u>21,570,336</u>	<u>57</u>	<u>21,494,619</u>	<u>51</u>
TOTAL	<u>\$ 38,157,199</u>	<u>100</u>	<u>\$ 42,553,434</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 20 and 26)	\$ 27,261,117	100	\$ 37,003,082	100
COST OF GOODS SOLD (Notes 10, 21 and 26)	<u>22,147,087</u>	<u>81</u>	<u>30,611,767</u>	<u>83</u>
GROSS PROFIT	5,114,030	19	6,391,315	17
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES (Note 4)	<u>509,805</u>	<u>2</u>	<u>(695,472)</u>	<u>(2)</u>
REALIZED GROSS PROFIT	<u>5,623,835</u>	<u>21</u>	<u>5,695,843</u>	<u>15</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	1,145,441	4	1,180,666	3
General and administrative expenses	<u>1,092,451</u>	<u>4</u>	<u>1,077,712</u>	<u>3</u>
Total operating expenses	<u>2,237,892</u>	<u>8</u>	<u>2,258,378</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>3,385,943</u>	<u>13</u>	<u>3,437,465</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 26)	111,664	-	43,426	-
Dividend income	2,476	-	2,015	-
Other income (Note 26)	145,318	1	125,184	-
Net foreign exchange gains (Notes 4 and 31)	66,277	-	391,874	1
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	14,403	-	(528)	-
Interest expense	(228,501)	(1)	(77,435)	-
Other expenses	(62,985)	-	(48,117)	-
Share of profit (loss) of associates (Notes 4 and 13)	<u>(684,938)</u>	<u>(3)</u>	<u>623,962</u>	<u>2</u>
Total non-operating income and expenses	<u>(636,286)</u>	<u>(3)</u>	<u>1,060,381</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	2,749,657	10	4,497,846	12
INCOME TAX EXPENSE (Notes 4 and 22)	<u>950,895</u>	<u>3</u>	<u>1,043,428</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,798,762</u>	<u>7</u>	<u>3,454,418</u>	<u>9</u>

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	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 18)	\$ 123,565	-	\$ 55,986	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(15,291)	-	(12,139)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(12,715)	-	(11,197)	-
	<u>95,559</u>	<u>-</u>	<u>32,650</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	67,898	-	2,066,927	6
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(6,162)	-	(236,081)	(1)
	<u>61,736</u>	<u>-</u>	<u>1,830,846</u>	<u>5</u>
Other comprehensive income (loss) for the year, net of income tax	<u>157,295</u>	<u>-</u>	<u>1,863,496</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,956,057</u>	<u>7</u>	<u>\$ 5,317,914</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,691,823	6	\$ 3,389,063	9
Non-controlling interests	<u>106,939</u>	<u>1</u>	<u>65,355</u>	<u>-</u>
	<u>\$ 1,798,762</u>	<u>7</u>	<u>\$ 3,454,418</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,814,889	7	\$ 5,220,305	14
Non-controlling interests	<u>141,168</u>	<u>-</u>	<u>97,609</u>	<u>-</u>
	<u>\$ 1,956,057</u>	<u>7</u>	<u>\$ 5,317,914</u>	<u>14</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 5.66</u>		<u>\$ 11.34</u>	
Diluted	<u>\$ 5.64</u>		<u>\$ 11.26</u>	

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation									
	Ordinary Shares (Note 19)	Capital Surplus (Note 19)		Retained Earnings (Note 19)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests (Note 12)	Total Equity
		Share Premium from Issuance of Ordinary Shares	Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2022	\$ 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
Appropriation of 2021 earnings										
Legal reserve	-	-	-	460,442	-	(460,442)	-	-	-	-
Special reserve	-	-	-	-	790,424	(790,424)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,391,870)	-	(2,391,870)	(3,149)	(2,395,019)
Net profit for the year ended December 31, 2022	-	-	-	-	-	3,389,063	-	3,389,063	65,355	3,454,418
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	32,650	1,798,592	1,831,242	32,254	1,863,496
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	3,421,713	1,798,592	5,220,305	97,609	5,317,914
BALANCE AT DECEMBER 31, 2022	2,989,838	416,290	-	3,595,669	2,464,786	11,783,296	(666,194)	20,583,685	910,934	21,494,619
Appropriation of 2022 earnings										
Legal reserve	-	-	-	342,171	-	(342,171)	-	-	-	-
Reversal of special reserve	-	-	-	-	(1,798,592)	1,798,592	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,092,887)	-	(2,092,887)	(1,315)	(2,094,202)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	213,862	-	-	-	-	213,862	-	213,862
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,691,823	-	1,691,823	106,939	1,798,762
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	95,559	27,507	123,066	34,229	157,295
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,787,382	27,507	1,814,889	141,168	1,956,057
BALANCE AT DECEMBER 31, 2023	\$ 2,989,838	\$ 416,290	\$ 213,862	\$ 3,937,840	\$ 666,194	\$ 12,934,212	\$ (638,687)	\$ 20,519,549	\$ 1,050,787	\$ 21,570,336

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,749,657	\$ 4,497,846
Adjustments for:		
Depreciation expenses	314,906	310,934
Amortization expenses	20,214	18,623
Expected credit loss recognized on trade receivables	25,194	10,666
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(14,403)	528
Interest expense	228,501	77,435
Interest income	(111,664)	(43,426)
Dividend income	(2,476)	(2,015)
Share of loss (profit) of associates	684,938	(623,962)
Loss on disposal of property, plant and equipment	780	747
Gain on disposal of investment properties	-	(18,546)
Write-down of inventories	67,784	37,414
Unrealized (realized) gain on transactions with associates	(509,805)	695,472
Unrealized net loss on foreign currency exchange	77,684	9,691
Gain on lease modification	-	(3)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	312,157	141,404
Notes receivable	(6,995)	16,632
Trade receivables	1,444,456	(1,794,258)
Other receivables	(27,304)	(53,501)
Inventories	798,395	(2,421,032)
Other current assets	196,256	451,971
Contract liabilities	(2,039,258)	(334,931)
Notes and trade payables	(2,936,395)	1,483,275
Other payables	(167,376)	(116,469)
Other current liabilities	27,500	(66,737)
Net defined benefit liabilities	499	(714)
Cash generated from operations	1,133,245	2,277,044
Interest received	91,575	39,009
Dividends received	2,476	15,966
Interest paid	(225,901)	(72,057)
Income tax paid	(1,263,589)	(529,604)
Net cash generated from (used in) operating activities	<u>(262,194)</u>	<u>1,730,358</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(483,367)	-
Proceeds from liquidation of investments accounted for using the equity method	1,852	-
Acquisition of property, plant and equipment	(91,452)	(108,405)
Proceeds from disposal of property, plant and equipment	2,277	144
Decrease (increase) in refundable deposits	1,586	(1,086)

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MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Payments for intangible assets	\$ (8,191)	\$ (673)
Payments for right-of-use assets	(688)	(700)
Proceeds from disposal of investment properties	-	52,971
Decrease (increase) in other non-current assets	2,666	(13,604)
Increase in prepayments for equipment	<u>(28,066)</u>	<u>(31,000)</u>
Net cash used in investing activities	<u>(603,383)</u>	<u>(102,353)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	1,046,033	2,198,053
Proceeds from long-term bank loans	232,188	316,065
Repayments of long-term bank loans	(207,331)	(49,938)
(Proceeds from)refund of guarantee deposits received	1,628	(1,015)
Repayment of the principal portion of lease liabilities	(62,237)	(56,274)
Dividends paid to owners of the Corporation	<u>(2,094,202)</u>	<u>(2,395,019)</u>
Net cash generated from (used in) financing activities	<u>(1,083,921)</u>	<u>11,872</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(16,030)</u>	<u>99,836</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,965,528)	1,739,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,424,569</u>	<u>3,684,856</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,459,041</u>	<u>\$ 5,424,569</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Corporation and its subsidiaries (the “Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 14, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New IFRS Accounting Standards</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of the above standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRS Accounting Standards</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

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

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 12, and Tables 7 and 8 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates, in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

f. Inventories

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

g. Investments in associates

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

The Group uses the equity method to account for its investments in associates.

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

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

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only

to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Costs include professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling and the cost are recognized in profit or loss. Such assets are depreciated and classified into the appropriate categories of property, plant and equipment when completed and ready for their intended uses.

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

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

i. Investment properties

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

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

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

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is any indication that the unit may be impaired, by comparing its carrying amount,

including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Intangible assets

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

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

l. Impairment of property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Revenue recognition

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

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

Revenue from the sale of goods is recognized as revenue when the goods are delivered to the customer's specific location or when the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and bears the risks. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

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

o. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

The Group has applied the exception from the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

3) Current and deferred tax for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When the Group develops material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 1,764	\$ 2,389
Checking accounts and demand deposits	2,930,584	4,960,798
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>526,693</u>	<u>461,382</u>
	<u>\$ 3,459,041</u>	<u>\$ 5,424,569</u>
Time deposit interest rate per annum (%)	1.8-4.70	2.03-2.10

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Financial assets		
Non-derivative financial assets		
Mutual funds	\$ 151,751	\$ 461,590
Domestic listed shares	<u>53,200</u>	<u>41,115</u>
Financial assets at FVTPL - current	<u>\$ 204,951</u>	<u>\$ 502,705</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 116,866</u>	<u>\$ -</u>
<u>Non-Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 359,255</u>	<u>\$ -</u>

9. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Trade receivables	\$ 2,332,234	\$ 3,864,642
Less: Allowance for impairment loss	<u>(34,411)</u>	<u>(17,294)</u>
	<u>\$ 2,297,823</u>	<u>\$ 3,847,348</u>

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. The Group determines the expected credit loss rate by reference to the past due days of trade receivables.

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

The following table details the loss allowance of trade receivables of the Group:

	Not Past Due	Past Due Within 3 Months	Total
<u>December 31, 2023</u>			
Expected credit loss rate	0%-1%	3%	
Gross carrying amount	\$ 2,321,502	\$ 10,732	\$ 2,332,234
Loss allowance (Lifetime ECLs)	<u>(34,089)</u>	<u>(322)</u>	<u>(34,411)</u>
Amortized cost	<u>\$ 2,287,413</u>	<u>\$ 10,410</u>	<u>\$ 2,297,823</u>
<u>December 31, 2022</u>			
Expected credit loss rate	0%-1%	3%	
Gross carrying amount	\$ 3,822,848	\$ 41,794	\$ 3,864,642
Loss allowance (Lifetime ECLs)	<u>(16,040)</u>	<u>(1,254)</u>	<u>(17,294)</u>
Amortized cost	<u>\$ 3,806,808</u>	<u>\$ 40,540</u>	<u>\$ 3,847,348</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance at January 1	\$ 17,294	\$ 13,686
Net remeasurement of loss allowance	25,194	10,666
Amounts written off	(8,724)	(7,262)
Foreign exchange differences	<u>647</u>	<u>204</u>
Balance at December 31	<u>\$ 34,411</u>	<u>\$ 17,294</u>

10. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 6,065,249	\$ 4,488,736
Work in progress	396,089	397,876
Raw materials and supplies	2,908,027	5,212,752
Inventory in transit	<u>162,572</u>	<u>135,685</u>
	<u>\$ 9,531,937</u>	<u>\$ 10,235,049</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$22,147,087 thousand and \$30,611,767 thousand, respectively. The cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-downs of \$67,784 thousand and \$37,414 thousand, respectively.

Inventories pledged as collateral for bank borrowings are set out in Note 27.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
<u>Financial assets - non-current</u>		
Domestic unlisted ordinary shares	<u>\$ 3,400</u>	<u>\$ 3,400</u>

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

12. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership (%)	
		December 31	
		2023	2022
The Corporation	Merida International (B.V.I.) Ltd. ("Merida B.V.I.")	100	100
	Merida & Centurion Germany GmbH (Merida & Centurion)	51	51
	Merida Benelux B.V. ("Merida Benelux")	60	60
	Merida Polska Sp.z.o.o ("Merida Polska")	74	74
	Merida Bicycles Ltd. ("Merida U.K.")	81	81
	Merida Japan Co., Ltd. ("Merida Japan")	90	90
	Merida Norge As. ("Merida Norge")	75	75

(Continued)

Investor	Investee	Proportion of Ownership (%)	
		December 31	
		2023	2022
Merida B.V.I.	Merida Industry (Hong Kong) Co., Ltd. ("Merida Hong Kong")	100	100
	Merida International (SAMOA) Ltd. ("Merida SAMOA")	70	70
Merida Hong Kong	Merida Bicycle (China) Co., Ltd. ("Merida China")	100	100
	Merida Bicycle (Shandong) Co., Ltd. ("Merida Shandong")	100	100
Merida SAMOA	Merida Bicycle (Jiangsu) Ltd. ("Merida Jiangsu")	100	100
Merida Norge	Merida Sverige AB ("Sverige")	100	100
Merida Japan	Miyata Cycle Co., Ltd. ("Miyata")	100	100
Merida & Centurion	Merida Europe GmbH	100	100
	Merida R&D Center GmbH	100	100

(Concluded)

Refer to Tables 7 and 8 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%)	
	December 31	
	2023	2022
Merida SAMOA	30	30

Summarized financial information in respect of Merida SAMOA and subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2023	2022
Current assets	\$ 1,095,290	\$ 881,972
Non-current assets	648,084	731,147
Current liabilities	(691,882)	(553,780)
Non-current liabilities	<u>(517,896)</u>	<u>(557,037)</u>
Equity	<u>\$ 533,596</u>	<u>\$ 502,302</u>
Equity attributable to:		
Owners of Merida SAMOA	\$ 373,517	\$ 351,611
Non-controlling interests of Merida SAMOA	<u>160,079</u>	<u>150,691</u>
	<u>\$ 533,596</u>	<u>\$ 502,302</u>

	For the Year Ended December 31	
	2023	2022
Revenue	<u>\$ 2,882,844</u>	<u>\$ 1,687,949</u>
Net profit (loss) for the year	\$ 39,784	\$ (61,767)
Other comprehensive income (loss) for the year	<u>(7,948)</u>	<u>(43,979)</u>
Total comprehensive income (loss) for the year	<u>\$ 31,836</u>	<u>\$ (105,746)</u>
Profit (loss) attributable to:		
Owners of Merida SAMOA	\$ 27,849	\$ (43,237)
Non-controlling interests of Merida SAMOA	<u>11,935</u>	<u>(18,530)</u>
	<u>\$ 39,784</u>	<u>\$ (61,767)</u>
Total comprehensive income (loss) attributable to:		
Owners of Merida SAMOA	\$ 22,285	\$ (74,022)
Non-controlling interests of Merida SAMOA	<u>9,551</u>	<u>(31,724)</u>
	<u>\$ 31,836</u>	<u>\$ (105,746)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 30,641	\$ (123,790)
Investing activities	(2,678)	(24,583)
Financing activities	<u>37,743</u>	<u>31,994</u>
Net cash inflow (outflow)	<u>\$ 65,706</u>	<u>\$ (116,379)</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
<u>Unlisted shares</u>		
Specialized Bicycle Components Holding Company, Inc. (“SBC”)	\$ 18,653,865	\$ 18,650,181
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	125,431	121,710
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	56,483	34,356
Merida Czech s.r.o (“Merida Czech”)	56,433	56,395
Merida Slovakia s.r.o (“Merida Slovakia”)	26,739	26,453
Merida Korea Inc. (“Merida Korea”)	13,190	7,000
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	-	1,866
Merida Italy S.r.a (“Merida Italy”)	<u>23,231</u>	<u>21,897</u>
	<u>\$ 18,955,372</u>	<u>\$ 18,919,858</u>

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

	December 31	
	2023	2022
SBC	35%	35%
SAIL & SURF	40%	40%
Merida Bikes SWE	36%	36%
Merida Czech	45%	45%
Merida Slovakia	30%	30%
Merida Korea	40%	40%
WideDoctor	-	26%
Merida Italy	27%	27%

Refer to Table 7 “Information on Investees” following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of the Group’s associates.

The shareholders resolved in their meeting to liquidate WideDoctor in October 2022, and the liquidation was completed in June 2023, resulting in a return of the capital investment of \$1,852 thousand.

The aggregate financial information of associates is as follows:

	For the Year Ended December 31	
	2023	2022
The Group’s share of:		
Profit (loss) for the year	\$ (684,938)	\$ 623,962
Other comprehensive loss for the year	<u>(21,453)</u>	<u>(248,220)</u>
Total comprehensive income (loss) for the year	<u>\$ (706,391)</u>	<u>\$ 375,742</u>

14. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2023						
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1	\$ 479,397	\$ 2,795,678	\$ 1,293,377	\$ 37,099	\$ 289,592	\$ 8,210	\$ 4,903,353
Additions	-	29,499	17,068	5,326	39,242	317	91,452
Disposals	-	(5,970)	(14,872)	(6,379)	(40,597)	(1,495)	(69,313)
Reclassifications	-	7,154	235	-	-	(7,154)	235
Effects of foreign currency exchange differences	<u>130</u>	<u>10,390</u>	<u>(15,914)</u>	<u>2,482</u>	<u>1,803</u>	<u>122</u>	<u>(987)</u>
Balance at December 31	<u>\$ 479,527</u>	<u>\$ 2,836,751</u>	<u>\$ 1,279,894</u>	<u>\$ 38,528</u>	<u>\$ 290,040</u>	<u>\$ -</u>	<u>\$ 4,924,740</u>
<u>Accumulated depreciation</u>							
Balance at January 1	\$ -	\$ 1,263,683	\$ 965,615	\$ 29,006	\$ 199,018	\$ -	\$ 2,457,322
Additions	-	116,340	81,070	2,303	46,933	-	246,646
Disposals	-	(5,705)	(14,607)	(5,503)	(40,441)	-	(66,256)
Effects of foreign currency exchange differences	<u>-</u>	<u>(5,721)</u>	<u>(13,211)</u>	<u>1,338</u>	<u>318</u>	<u>-</u>	<u>(17,276)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 1,368,597</u>	<u>\$ 1,018,867</u>	<u>\$ 27,144</u>	<u>\$ 205,828</u>	<u>\$ -</u>	<u>\$ 2,620,436</u>
Carrying amount at December 31	<u>\$ 479,527</u>	<u>\$ 1,468,154</u>	<u>\$ 261,027</u>	<u>\$ 11,384</u>	<u>\$ 84,212</u>	<u>\$ -</u>	<u>\$ 2,304,304</u>

For the Year Ended December 31, 2022							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1	\$ 475,938	\$ 2,720,402	\$ 1,255,144	\$ 37,205	\$ 229,918	\$ 495	\$ 4,719,102
Additions	-	23,512	20,944	29	56,261	7,659	108,405
Disposals	-	(3,259)	(27,312)	(278)	(17,688)	-	(48,537)
Reclassifications	3,452	-	31,705	-	19,101	-	54,258
Effects of foreign currency exchange differences	7	55,023	12,896	143	2,000	56	70,125
Balance at December 31	<u>\$ 479,397</u>	<u>\$ 2,795,678</u>	<u>\$ 1,293,377</u>	<u>\$ 37,099</u>	<u>\$ 289,592</u>	<u>\$ 8,210</u>	<u>\$ 4,903,353</u>
<u>Accumulated depreciation</u>							
Balance at January 1	\$ -	\$ 1,136,969	\$ 892,415	\$ 27,515	\$ 172,208	\$ -	\$ 2,229,107
Additions	-	112,284	90,225	1,674	42,515	-	246,698
Disposals	-	(3,142)	(26,816)	(278)	(17,410)	-	(47,646)
Effects of foreign currency exchange differences	-	17,572	9,791	95	1,705	-	29,163
Balance at December 31	<u>\$ -</u>	<u>\$ 1,263,683</u>	<u>\$ 965,615</u>	<u>\$ 29,006</u>	<u>\$ 199,018</u>	<u>\$ -</u>	<u>\$ 2,457,322</u>
Carrying amount at December 31	<u>\$ 479,397</u>	<u>\$ 1,531,995</u>	<u>\$ 327,762</u>	<u>\$ 8,093</u>	<u>\$ 90,574</u>	<u>\$ 8,210</u>	<u>\$ 2,446,031</u>

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

Buildings	
Main buildings	25-60 years
Ancillary work	4-55 years
Machinery and equipment	8-15 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land	\$ 204,560	\$ 216,956
Buildings	54,806	85,050
Transportation equipment	20,509	18,960
Miscellaneous equipment	<u>2,041</u>	<u>424</u>
	<u>\$ 281,916</u>	<u>\$ 321,390</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	\$ 27,167	\$ 70,732
Depreciation charge for right-of-use assets		
Land	\$ 9,457	\$ 9,478
Buildings	47,353	43,810
Machinery	-	112
Transportation equipment	10,616	10,024
Miscellaneous equipment	<u>834</u>	<u>498</u>
	<u>\$ 68,260</u>	<u>\$ 63,922</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	\$ 51,556	\$ 57,494
Non-current	<u>\$ 30,702</u>	<u>\$ 55,179</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.15%-6.86%	1.15%-1.64%
Buildings	1.15%-6.86%	1.15%-6.59%
Machinery	-	1.64%
Transportation equipment	0.80%-6.93%	0.80%-6.93%
Miscellaneous equipment	0.80%-6.86%	0.80%-2.90%

c. Material lease-activities and terms

The Group leases certain, land, buildings, transportation equipment, machinery, and miscellaneous equipment for product manufacturing and operational uses with lease terms of 2 to 7 years. According to the lease contract, the Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

Merida China acquired the right to use land in the Bao An District of Shenzhen City, mainland China for 50 years; Merida Shandong acquired the right to use land from the Dezhou Economic Development Zone in Shandong province for 50 years; Merida Jiangsu acquired the right to use land from the Nantong Economic and Technological Development Zone in Jiangsu province for 50 years. During the period of land use, the lessee enjoys land use rights, income rights, transfer and leasing rights and is responsible for the various taxes and fees payable for the use of the land. The land is used for the construction of production plants, office buildings and staff dormitories.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 30,739	\$ 29,152
Expenses relating to low-value asset leases	\$ 1,656	\$ 1,741
Total cash outflow for leases	<u>\$ (94,632)</u>	<u>\$ (87,167)</u>

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

16. BORROWINGS

a. Short-term bank borrowings

	December 31	
	2023	2022
Unsecured borrowings	\$ 5,733,872	\$ 4,161,047
Letters of credit - due after 180 days of acceptance	54,626	546,638
Secured borrowings (Note 27)	<u>300,500</u>	<u>306,826</u>
	<u>\$ 6,088,998</u>	<u>\$ 5,014,511</u>

Rate of interest per annum (%)

Unsecured borrowings	0.50-8.85	0.71-4.10
Letters of credit	No higher than 0.42	No higher than 5.82
Secured borrowings	5.00-9.15	3.10-8.78

b. Long-term bank borrowings

	December 31	
	2023	2022
<u>Unsecured loans</u>		
Bank loans (1)	\$ 1,437,702	\$ 1,326,144
<u>Secured loans (Note 27)</u>		
Mortgaged loans (2)	<u>-</u>	<u>76,132</u>
Less: Current portion	1,437,702 <u>(268,127)</u>	1,402,276 <u>(207,030)</u>
Long-term borrowings	<u>\$ 1,169,575</u>	<u>\$ 1,195,246</u>

1) The bank loans were due in November 2027 to December 2036. As of December 31, 2023 and 2022, the effective interest rate range of the bank loans was 0.12%-5.07% and 0.16%-4.30% per annum, respectively.

- 2) As of December 31, 2022 the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land, buildings, inventories and trade receivables (see Note 27) was 8.52%-8.78% per annum. Such loans are due between December 2023 and November 2024.

17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Payables for compensation of employees	\$ 154,377	\$ 282,009
Payables for salaries and bonuses	141,419	167,245
Payables for remuneration of directors	66,897	122,204
Others	<u>495,690</u>	<u>448,140</u>
	<u>\$ 858,383</u>	<u>\$ 1,019,598</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Merida & Centurion, Merida Europe GmbH, Merida R&D Center GmbH, Merida Benelux, Merida Polska, Merida U.K., Merida Japan, Miyata, Merida Norge and Sverige do not have established pension plans but pay annuity and certain types of insurance under the local regulations. Merida China, Merida Shandong and Merida Jiangsu pay a basic endowment insurance for its local employees on a monthly basis under the regulations of local governments. The related departments of the local governments have the authority to arrange and pay the employees' pensions. The aforementioned plan belongs to the defined contribution retirement policy.

Merida B.V.I., Merida Hong Kong and Merida SAMOA are holding companies; therefore, these companies are not required to establish a retirement policy.

b. Defined benefit plans

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

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 430,560	\$ 641,521
Fair value of plan assets	<u>(449,689)</u>	<u>(537,584)</u>
Net defined benefit liabilities (assets)	<u>\$ (19,129)</u>	<u>\$ 103,937</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2023	\$ <u>641,521</u>	\$ <u>(537,584)</u>	\$ <u>103,937</u>
Service cost			
Current service cost	4,214	-	4,214
Net interest expense (income)	<u>8,600</u>	<u>(7,200)</u>	<u>1,400</u>
Recognized in profit or loss	<u>12,814</u>	<u>(7,200)</u>	<u>5,614</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,636)	(3,636)
Actuarial gain			
Experience adjustments	<u>(119,929)</u>	<u>-</u>	<u>(119,929)</u>
Recognized in other comprehensive income	<u>(119,929)</u>	<u>(3,636)</u>	<u>(123,565)</u>
Contributions from the employer	-	(5,115)	(5,115)
Benefits paid	<u>(103,846)</u>	<u>103,846</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 430,560</u>	<u>\$ (449,689)</u>	<u>\$ (19,129)</u>
Balance at January 1, 2022	\$ <u>697,718</u>	\$ <u>(537,081)</u>	\$ <u>160,637</u>
Service cost			
Current service cost	5,939	-	5,939
Net interest expense (income)	<u>5,322</u>	<u>(4,068)</u>	<u>1,254</u>
Recognized in profit or loss	<u>11,261</u>	<u>(4,068)</u>	<u>7,193</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,367)	(43,367)
Actuarial (gain) loss			
Changes in financial assumptions	(27,044)	-	(27,044)
Experience adjustments	<u>14,425</u>	<u>-</u>	<u>14,425</u>
Recognized in other comprehensive income	<u>(12,619)</u>	<u>(43,367)</u>	<u>(55,986)</u>
Contributions from the employer	-	(7,907)	(7,907)
Benefits paid	<u>(54,839)</u>	<u>54,839</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 641,521</u>	<u>\$ (537,584)</u>	<u>\$ 103,937</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2023	2022
Discount rate	1.40%	1.40%
Expected rate of salary increase	2.25%	2.25%

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

	December 31	
	2023	2022
Discount rate		
0.50% increase	<u>\$ (13,762)</u>	<u>\$ (21,154)</u>
0.50% decrease	<u>\$ 14,563</u>	<u>\$ 22,405</u>
Expected rate of salary increase		
0.50% increase	<u>\$ 14,373</u>	<u>\$ 22,112</u>
0.50% decrease	<u>\$ (13,721)</u>	<u>\$ (21,091)</u>

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

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 4,253</u>	<u>\$ 7,888</u>
Average duration of the defined benefit obligation	6.7 years	6.9 years

19. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>298,984</u>	<u>298,984</u>
Shares issued	<u>\$ 2,989,838</u>	<u>\$ 2,989,838</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Issuance of ordinary shares	\$ 416,290	\$ 416,290
<u>May only be used to offset a deficit</u>		
Changes in capital surplus from investments in associates accounted for using the equity method	<u>213,862</u>	<u>-</u>
	<u>\$ 630,152</u>	<u>\$ 416,290</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 21(b) employees' compensation and remuneration of directors.

According to the dividends policy of the Corporation, the total dividends distributed shall be 10% to 80% of the distributable retained earnings of the current year. In addition, cash dividends distributed should be at least 10% of the total dividends distributed.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings and earnings per share approved in the shareholders' meetings in June 2023 and 2022, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 342,171	\$ 460,442		
(Reversal of) special reserve	(1,798,592)	790,424		
Cash dividends	2,092,887	2,391,870	\$ 7.0	\$ 8.0

The appropriation of earnings for 2023, which was proposed by the Corporation's board of directors on March 14, 2024, was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 178,738	
Reversal of special reserve	(27,507)	
Cash dividends	1,793,903	\$ 6

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held on June 26, 2024.

20. REVENUE

	<u>For the Year Ended December 31</u>		
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Revenue from contracts with customers			
Revenue from sale of goods	<u>\$27,261,117</u>	<u>\$37,003,082</u>	
a. Contract balances			
	December 31,	December 31,	January 1,
	2023	2022	2022
Notes and trade receivables	<u>\$ 2,304,977</u>	<u>\$ 3,847,507</u>	<u>\$ 2,078,396</u>
Contract liabilities - current	<u>\$ 39,391</u>	<u>\$ 2,079,008</u>	<u>\$ 2,413,939</u>

b. Disaggregation of revenue

Refer to Note 33 for information about the disaggregation of revenue.

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2023</u>			
Short-term employee benefits	\$ 1,068,611	\$ 861,780	\$ 1,930,391
Post-employment benefits			
Defined contribution plans	49,036	40,541	89,577
Defined benefit plans	4,140	1,474	5,614
Other employee benefits	38,649	104,817	143,466
Depreciation expenses	178,585	136,321	314,906
Amortization expenses	2	20,212	20,214
<u>For the Year Ended December 31, 2022</u>			
Short-term employee benefits	1,350,739	849,888	2,200,627
Post-employment benefits			
Defined contribution plans	46,915	33,045	79,960
Defined benefit plans	5,403	1,790	7,193
Other employee benefits	55,769	162,736	218,505
Depreciation expenses	184,157	126,777	310,934
Amortization expenses	2	18,621	18,623

b. Employees' compensation and remuneration of directors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Corporation's board of directors on March 14, 2024 and March 30, 2023, respectively, are as follows:

Cash	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	6%	\$ 154,377	6%	\$ 282,009
Remuneration of directors	2.6%	66,897	2.6%	122,204

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

22. TAXES

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

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 863,159	\$ 1,087,394
Income tax on unappropriated earnings	139,262	48,084
Adjustments for prior years	<u>53,520</u>	<u>-</u>
	<u>1,055,941</u>	<u>1,135,478</u>
Deferred tax		
In respect of the current year	<u>(105,046)</u>	<u>(92,050)</u>
Income tax expense recognized in profit or loss	<u>\$ 950,895</u>	<u>\$ 1,043,428</u>

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

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 773,444	\$ 983,474
Nondeductible expenses in determining taxable income	4,287	1,281
Tax-exempt income	(3,340)	(417)
Income tax on unappropriated earnings	139,262	48,084
Unrecognized deductible temporary differences	4,582	(1,179)
Unrecognized loss carryforwards	-	12,185
Utilization of loss carryforwards	(20,860)	-
Adjustments for prior years' tax	<u>53,520</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 950,895</u>	<u>\$ 1,043,428</u>

The Income Tax Act in the ROC is 20%. The tax rate applicable to the subsidiaries in China is 25%; the tax amounts generated from other districts are calculated by the tax rates applicable in each relevant district.

b. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Advance income tax (recognized as other current assets)	<u>\$ 3,217</u>	<u>\$ 3,217</u>
Current tax liabilities		
Income tax payable	<u>\$ 767,209</u>	<u>\$ 975,011</u>

c. Changes in deferred tax assets and liabilities

For the Year Ended December 31, 2023				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 259,955	\$ (62,289)	\$ -	\$ 197,666
Defined benefit obligations	17,565	(10)	(12,715)	4,840
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized provision for loss on inventories	25,018	46,624	-	71,642
Unrealized foreign currency exchange losses	<u>7,021</u>	<u>12,257</u>	<u>-</u>	<u>19,278</u>
	<u>\$ 322,057</u>	<u>\$ (3,418)</u>	<u>\$ (12,715)</u>	<u>\$ 305,924</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 4,352,218	\$ (108,464)	\$ -	\$ 4,243,754
Reserve for land revaluation increment tax	<u>100,934</u>	<u>-</u>	<u>-</u>	<u>100,934</u>
	<u>\$ 4,453,152</u>	<u>\$ (108,464)</u>	<u>\$ -</u>	<u>\$ 4,344,688</u>
For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 78,533	\$ 181,422	\$ -	\$ 259,955
Defined benefit obligations	29,022	(260)	(11,197)	17,565
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized provision for loss on inventories	14,779	10,239	-	25,018
Unrealized foreign currency exchange losses	<u>-</u>	<u>7,021</u>	<u>-</u>	<u>7,021</u>
	<u>\$ 134,832</u>	<u>\$ 198,422</u>	<u>\$ (11,197)</u>	<u>\$ 322,057</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 4,244,025	\$ 108,193	\$ -	\$ 4,352,218
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	<u>1,821</u>	<u>(1,821)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,346,780</u>	<u>\$ 106,372</u>	<u>\$ -</u>	<u>\$ 4,453,152</u>

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

	December 31	
	2023	2022
Loss carryforwards	\$ 831,811	\$ 929,625
Deductible temporary differences	<u>82,025</u>	<u>43,155</u>
	<u>\$ 913,836</u>	<u>\$ 972,780</u>

- e. Income tax assessments

The income tax returns of the Corporation through 2021 have been assessed by the tax authorities, except for the year 2020.

- f. Pillar Two income tax legislation

In 2023, the government of the Merida Japan, Merida Benelux, Merida & Centurion, Merida Europe GmbH, Merida R&D Center GmbH, Merida U.K. and Sverige are incorporated, enacted or substantively enacted the Pillar Two income tax legislation effective from April 1, 2024 for the Japanese company and January 1, 2024 for the other countries. Since the Pillar Two income tax legislation was not effective at the reporting date, the Group has no related current tax exposure.

Under the legislation, Merida Benelux, Merida & Centurion, Merida Europe GmbH, Merida R&D Center GmbH, Merida U.K. and Sverige will be required to pay, in the country, a top-up tax on the profits that are taxed at an effective tax rate of less than 15 percent. As of December 31, 2023, approximately 15 percent of the Group's annual profits may be subject to tax, which is currently taxed at the average effective tax rate applicable to those profits of 20-29 percent. This information is based on the profits and tax expenses determined as part of the preparation of the Group's consolidated financial statements, not considering that only the application of certain adjustments may have been required by the legislation. Because not all adjustments that would have been required by the legislation were made, the actual impact of the Pillar Two income tax legislation on the Group's results had it been in effect for the year ending December 31, 2023 may be significantly different.

23. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2023</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,691,823	298,983,800	<u>\$ 5.66</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>1,248,217</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,691,823</u>	<u>300,232,017</u>	<u>\$ 5.64</u>

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 3,389,063	298,983,800	<u>\$11.34</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	<u>2,025,208</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 3,389,063</u>	<u>301,009,008</u>	<u>\$11.26</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group reviews the capital structure on an annual basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The carrying amounts of the Group's financial assets and liabilities that are not measured at fair value approximated their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

The Group's financial assets at FVTPL and financial assets at FVTOCI are measured at fair value using Level 1 inputs. There were no transfers between Levels 1 and 2 in the current and prior years.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 204,951	\$ 502,705
Financial assets at amortized cost	6,345,242	9,424,158
Financial assets at FVTOCI - equity instruments	3,400	3,400
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	11,308,422	13,319,392

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivables and refundable deposits.

The balances of financial liabilities above include financial liabilities measured at amortized cost, which comprise short-term and long-term bank borrowings, notes and trade payables, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors and compliance with policies and exposure limits was reviewed according to the internal control policies on a continuous basis.

a) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into forward foreign exchange forward contracts to hedge the exchange rate risk arising on imports and exports.

i. Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD.

Assuming a 1% increase in the NTD against the USD, the pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$33,113 thousand and \$61,102 thousand, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates was 1% for the years ended December 31, 2023 and 2022.

ii. Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates were as follows.

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 1,002,814	\$ 461,382
Financial liabilities	2,445,886	1,588,318
Cash flow interest rate risk		
Financial assets	2,902,044	4,939,661
Financial liabilities	5,163,072	4,941,142

Sensitivity analysis

The sensitivity analysis was determined based on the Group's exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$5,653 thousand and \$4 thousand, respectively.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- i. The carrying amount of the respective recognized financial assets as stated in the balance sheets.
- ii. The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group's concentration of credit risk was mainly from customer A, which accounted for 47% and 66% of the total trade receivables as of December 31, 2023 and 2022, respectively.

c) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized bank loan facilities of \$14,159,042 thousand and \$9,436,965 thousand, respectively.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	On Demand or Less than 1 Year	1-2 Years	More than 2 Years
<u>December 31, 2023</u>			
Non-interest bearing liabilities	\$ 3,756,645	\$ -	\$ -
Lease liabilities	53,975	21,280	10,788
Variable interest rate liabilities	4,051,459	296,774	814,839
Fixed interest rate liabilities	<u>2,305,666</u>	<u>27,496</u>	<u>30,466</u>
	<u>\$ 10,167,745</u>	<u>\$ 345,550</u>	<u>\$ 856,093</u>
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 6,877,797	\$ -	\$ -
Lease liabilities	60,142	42,186	14,622
Variable interest rate liabilities	3,815,044	180,398	945,700
Fixed interest rate liabilities	<u>1,406,497</u>	<u>48,142</u>	<u>21,006</u>
	<u>\$ 12,159,480</u>	<u>\$ 270,726</u>	<u>\$ 981,328</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years
<u>December 31, 2023</u>			
Lease liabilities	\$ 53,975	\$ 32,068	\$ -
Variable interest rate liabilities	4,051,459	804,461	307,152
Fixed interest rate liabilities	<u>2,305,666</u>	<u>57,962</u>	<u>-</u>
	<u>\$ 6,411,100</u>	<u>\$ 894,491</u>	<u>\$ 307,152</u>

	Less than 1 Year	1-5 Years	5-10 Years
<u>December 31, 2022</u>			
Lease liabilities	\$ 60,142	\$ 56,808	\$ -
Variable interest rate liabilities	3,815,044	769,114	356,984
Fixed interest rate liabilities	<u>1,406,497</u>	<u>69,148</u>	<u>-</u>
	<u>\$ 5,281,683</u>	<u>\$ 895,070</u>	<u>\$ 356,984</u>

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related Party Categories/Names

<u>Related Party</u>	<u>Relationship with the Group</u>
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	Associate
Merida Czech	Associate
Merida Slovakia	Associate
Merida Korea	Associate
Merida Italy	Associate
Rai Bi Bicycle Co., Ltd. ("Rai Bi")	Other
Cheng Shin Rubber Industry Co., Ltd. ("Cheng Shin")	Other
Cheng Shin Rubber (Xiamen) Ind., Ltd. ("Cheng Shin (Xiamen)")	Other
Tianjin Tafeng Rubber Industry Co., Ltd. ("Tianjin Tafeng")	Other
Cheng Shin Rubber (Vietnam) Ind., Ltd. ("Cheng Shin (Vietnam)")	Other

b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Associates		
SBC Group	\$ 13,012,660	\$ 25,310,245
Others	<u>1,255,700</u>	<u>1,307,899</u>
	<u>\$ 14,268,360</u>	<u>\$ 26,618,144</u>

The selling price and gross profit of the products that the Group sells to related parties are quoted based on the differences in the products and the acceptance of the market. The quoted price is different from that of OEM products.

c. Purchase of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Other related parties	\$ 246,806	\$ 212,117
Associates	<u>38,807</u>	<u>-</u>
	<u>\$ 285,613</u>	<u>\$ 212,117</u>

The purchase price is quoted based on market prices.

d. Other income (classified as subtraction of cost of goods sold)

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	<u>\$ 433,270</u>	<u>\$ -</u>

It is the subsidy amount from associates.

e. Contract liabilities - advance receipts

Related Party Category/Name	December 31	
	2023	2022
Associates		
SBC Group	\$ 15,116	\$ 2,049,923
Others	<u>-</u>	<u>230</u>
	<u>\$ 15,116</u>	<u>\$ 2,050,153</u>

f. Receivables from related parties

Related Party Category/Name	December 31	
	2023	2022
<u>Trade receivables</u>		
Associates		
SBC Group	\$ 1,106,418	\$ 2,564,884
Others	<u>456,147</u>	<u>413,801</u>
	<u>\$ 1,562,565</u>	<u>\$ 2,978,685</u>
<u>Other receivables</u>		
Associates		
SBC Group	\$ 6,115	\$ 22,158
Others	<u>2,514</u>	<u>1,855</u>
	<u>\$ 8,629</u>	<u>\$ 24,013</u>

g. Payables to related parties

Related Party Category	December 31	
	2023	2022
<u>Trade payables</u>		
Other related parties	\$ 46,739	\$ 50,112
Associates	<u>18,038</u>	<u>-</u>
	<u>\$ 64,777</u>	<u>\$ 50,112</u>

h. Other transactions with related parties

1) Interest income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	\$ 40,336	\$ 76
Others	<u>8,877</u>	<u>2,172</u>
	<u>\$ 49,213</u>	<u>\$ 2,248</u>

The Corporation receives interest from overdue trade receivables at an interest rate agreed upon in the terms of the transactions.

2) Other income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	\$ 23,338	\$ 60,028
Others	-	26
Other related parties	<u>-</u>	<u>1</u>
	<u>\$ 23,338</u>	<u>\$ 60,055</u>

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 104,052	\$ 174,665
Post-employment benefits	<u>532</u>	<u>551</u>
	<u>\$ 104,584</u>	<u>\$ 175,216</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2023	2022
Inventories	\$ 494,657	\$ 839,602
Trade receivables	82,009	152,315
Property, plant and equipment	<u>32,448</u>	<u>15,159</u>
	<u>\$ 609,114</u>	<u>\$ 1,007,076</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2023 and 2022 were as follows:

- a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials amounted to approximately \$424,515 thousand and \$254,812 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2023	2022
Acquisition of property, plant and equipment	<u>\$ 6,033</u>	<u>\$ 4,900</u>

- c. Product liability insurance

The Corporation purchased product liability insurance over the products manufactured by the Corporation and its subsidiaries. The insured amount of the sales in USA and Canada is US\$4,000 thousand and it covers accidents happening after September 18, 2000. The maximum indemnity claims for the single original cause of a liability is US\$3,000 thousand. The insured amount for sales, other than those within the USA and Canada, is US\$1,000 thousand, and covers accidents happening after January 7, 1999. The maximum indemnity claims for the single original cause of a liability is US\$1,000 thousand.

29. SIGNIFICANT LOSSES FROM DISASTERS

No such incident.

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such incident.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 127,930	30.705	\$ 3,928,091	\$ 251,831	30.710	\$ 7,733,730
JPY	659,067	0.2172	143,149	798,202	0.2324	185,502
Non-monetary items						
Investments accounted for using the equity method						
USD	607,930	30.705	18,666,491	624,483	30.710	19,177,873
EUR	7,185	33.98	244,146	6,574	32.72	215,101
<u>Financial liabilities</u>						
Monetary items						
USD	20,089	30.705	616,833	52,866	30.710	1,623,515
JPY	1,602,346	0.2172	348,030	3,353,503	0.2324	779,354

The Group is mainly exposed to the USD. The following information was aggregated by functional currencies of group entities, and the exchange rates between respective functional currencies and the presentation currency are disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains
NTD	1(NTD:NTD)	\$ 28,840	1(NTD:NTD)	\$ 361,381
RMB	4.396(RMB:NTD)	(4,260)	4.422(RMB:NTD)	1,426
EUR	33.70(EUR:NTD)	<u>38,722</u>	31.36(EUR:NTD)	<u>29,158</u>
		<u>\$ 63,302</u>		<u>\$ 391,965</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments.

The Corporation has no outstanding forward contracts as of December 31, 2023 and 2022.

- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
 - 11) Information on investees. (Table 7)
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 4)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 4)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes. (Table 2)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders:

List of all shareholders with ownership of 5% or greater showing the names and the number of shares and percentage of ownership held by each shareholder. (Table 9)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the location of operations. The Group focuses on the manufacture and sale of bicycles and bicycle components. The Group's reportable segments are determined by products manufactured and the location of sales as follows:

1. Domestic operations - products manufactured and sold in Taiwan
 2. Asia operations - products manufactured and sold in China, Hong Kong and Japan
 3. Europe operations - products sold in Europe
- a. Analysis of reportable segments

	For the Year Ended December 31, 2023				
	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$ 15,626,709	\$ 6,541,071	\$ 5,093,337	\$ -	\$ 27,261,117
Inter-segment revenue	4,382,077	1,131,126	164,768	(5,677,971)	-
Interest income	104,640	22,121	10,490	(25,587)	111,664
Share of profit (loss) of associates accounted for using the equity method	<u>117,261</u>	<u>-</u>	<u>-</u>	<u>(802,199)</u>	<u>(684,938)</u>
Total revenue	<u>\$ 20,230,687</u>	<u>\$ 7,694,318</u>	<u>\$ 5,268,595</u>	<u>\$ (6,505,757)</u>	<u>\$ 26,687,843</u>
Interest expenses	\$ 96,230	\$ 29,940	\$ 123,662	\$ (21,331)	\$ 228,501
Depreciation and amortization	125,867	112,503	96,750	-	335,120
Income tax expense	659,855	213,789	77,251	-	950,895
Segment profit and loss	1,691,823	712,503	196,634	(802,198)	1,798,762
<u>Assets</u>					
Investments accounted for using the equity method	22,372,342	-	-	(3,416,970)	18,955,372
Non-current assets	23,487,602	1,287,609	760,085	(3,484,397)	22,050,899
Segment assets	32,875,659	5,230,198	6,086,891	(6,035,549)	38,157,199
Segment liabilities	12,356,110	2,410,697	3,939,203	(2,119,147)	16,586,863

For the Year Ended December 31, 2022

	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$28,270,711	\$ 4,058,704	\$ 4,673,667	\$ -	\$37,003,082
Inter-segment revenue	3,706,404	1,161,015	147,493	(5,014,912)	-
Interest income	31,877	22,383	8,730	(19,564)	43,426
Share of profit of associates accounted for using the equity method	<u>1,007,449</u>	<u>-</u>	<u>-</u>	<u>(383,487)</u>	<u>623,962</u>
Total revenue	<u>\$33,016,441</u>	<u>\$ 5,242,102</u>	<u>\$ 4,829,890</u>	<u>\$ (5,417,963)</u>	<u>\$37,670,470</u>
Interest expenses	\$ 33,368	\$ 24,699	\$ 33,594	\$ (14,226)	\$ 77,435
Depreciation and amortization	119,094	120,597	89,866	-	329,557
Income tax expense	906,872	103,625	32,931	-	1,043,428
Segment profit and loss	3,389,063	267,239	181,603	(383,487)	3,454,418
<u>Assets</u>					
Investments accounted for using the equity method	22,393,347	-	-	(3,473,489)	18,919,858
Non-current assets	23,539,655	1,047,303	759,244	(3,540,916)	21,805,286
Segment assets	38,990,821	4,867,852	4,870,092	(6,175,331)	42,553,434
Segment liabilities	18,407,136	2,051,976	3,012,804	(2,413,101)	21,058,815

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

b. Information about major customers

Name	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	<u>\$13,012,660</u>	<u>48</u>	<u>\$25,310,245</u>	<u>68</u>

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No.	Lender	Borrower (Note 5)	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	The Corporation	Merida Benelux	Other receivables from related parties	Yes	\$ 44,166	\$ 43,843	\$ 43,843	5	For short-term financing needs	\$ -	Operating capital	\$ -	-	\$ -	\$ 8,207,820 (Note 1)	\$ 10,259,775 (Note 2)
2	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 80,000	RMB 80,000	-	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 161,413 (Note 3)	RMB 161,413 (Note 3)
3	Merida Hong Kong	The Corporation	Other receivables from related parties	Yes	USD 17,000	USD 17,000	-	-	For short-term financing needs	-	Operating capital	-	-	-	HKD 220,082 (Note 4)	HKD 220,082 (Note 4)

Note 1: 40% of the net assets of the Group in their latest financial statements.

Note 2: 50% of the net assets of the Group in their latest financial statements.

Note 3: 40% of the net assets of Merida Shandong in their latest financial statements.

Note 4: 40% of the net assets of Merida Hong Kong in their latest financial statements.

Note 5: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Merida U.K.	Subsidiary	\$ 6,155,865	EUR 500 GBP 6,000	EUR 500 GBP 6,000	- 5,951	\$ -	1.23	\$ 10,259,775	Yes	-	-
		Merida & Centurion	Subsidiary	6,155,865	EUR 27,000	EUR 24,600	EUR 23,000	-	4.07	10,259,775	Yes	-	-
		Merida Norge	Subsidiary	6,155,865	USD 1,000	USD 1,000	-	-	0.15	10,259,775	Yes	-	-
		Merida Jiangsu	Third-tier subsidiary	6,155,865	RMB280,000	RMB280,000	RMB161,742	-	5.90	10,259,775	Yes	-	Yes
		Merida China	Third-tier subsidiary	6,155,865	RMB100,000	RMB100,000	RMB 10,000	-	2.11	10,259,775	Yes	-	Yes

Note 1: 30% of the net assets of the Corporation in their previous year's financial statements.

Note 2: 50% of the net assets of the Corporation in their previous year's financial statements.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 2)
The Corporation	<u>Mutual funds</u> Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	14,281	\$ 151,751	-	\$ 151,751
	<u>Share capital</u> Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	1,753	-	1,753
	Cheng Shin	The Corporation's chairman is their director	Financial assets at FVTPL - current	1,146	51,447	-	51,447
	Merida Benelux (Note 1)	-	Financial assets at FVTOCI - non-current	2,749	89,220	-	89,220
	SR Suntour Inc.	-	Financial assets at FVTOCI - non-current	110	3,000	-	3,000
	Taifong Golf Course	-	Financial assets at FVTOCI - non-current	30	400	-	400
	Long Jee Holdings Pte. Ltd.	-	Financial assets at FVTOCI - non-current	330	-	2	-

Note 1: The preference shares investments have been eliminated.

Note 2: Refer to Note 25 for information on the fair values.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party (Note)	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group Merida & Centurion	Associate	Sales	\$ (13,012,660)	(65)	O/A 60 days	\$ -	-	\$ 1,106,418	31	
		Subsidiary	Sales	(1,910,059)	(10)	T/T 14 days or O/A 150 days	-	-	670,973	19	
	Merida Jiangsu	Third-tier subsidiary	Sales	(809,099)	(4)	O/A 90 days	-	-	178,906	5	
		Subsidiary	Sales	(522,772)	(3)	O/A 60 days	-	-	105,886	3	
	Merida Korea	Associate	Sales	(345,898)	(2)	T/T 14 days or O/A 120 days	-	-	70,304	2	
			Sales	(331,173)	(2)	O/A 180 days	-	-	173,753	5	
	Merida Japan	Subsidiary	Sales	(307,199)	(2)	O/A 120 days	-	-	132,436	4	
			SAIL & SURF	Associate	Sales	(290,240)	(1)	T/T 14 days or O/A 180 days	-	-	103,619
	Merida Norge	Subsidiary	Sales	(282,291)	(1)	T/T 14 days or O/A 120 days	-	-	136,265	4	
			Merida Italy	Associate	Sales	(214,582)	(1)	O/A 90 days	-	-	156,835
	Merida Bikes SWE	Associate	Sales	(167,460)	(1)	T/T 14 days or O/A 120 days	-	-	52,857	1	
			Merida Czech	Associate	Sales	(163,353)	(1)	T/T 14 days or O/A 150 days	-	-	59,970
	Merida Polska	Subsidiary	Sales	(132,788)	(1)	O/A 150 days	-	-	377,152	10	
			Merida Jiangsu	Third-tier subsidiary	Purchases	685,783	5	T/T 30 days	-	-	-
	Merida China	Third-tier subsidiary	Purchases	442,066	3	T/T 90 days	-	-	(30,807)	(1)	
			Merida Jiangsu	Merida Shandong	Associate	Sales	RMB (443,143)	(68)	T/T 90 days	-	-

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party (Note)	Relationship	Financial Statement Account	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	SBC Group	Associate	Trade receivables from related parties	\$ 1,106,418	7.09	\$ -	-	\$ 1,027,431	\$ -
			Other receivables from related parties	6,115	-	-	-	6,115	-
	Merida & Centurion	Subsidiary	Trade receivables from related parties	670,973	2.68	-	-	18,287	-
			Other receivables from related parties	8,745	-	-	-	247	-
	Merida Polska	Subsidiary	Trade receivables from related parties	377,152	0.40	226,170	Enhanced collection	-	-
	Merida Jiangsu	Third-tier subsidiary	Trade receivables from related parties	178,906	4.81	6,176	Enhanced collection	160,328	-
			Other receivables from related parties	13,710	-	-	-	-	-
	Merida Benelux	Subsidiary	Trade receivables from related parties	173,753	2.13	22,255	Enhanced collection	22,225	-
			Other receivables from related parties	47,318	-	-	-	446	-
	Merida Italy	Associate	Trade receivables from related parties	156,835	1.29	-	-	17,377	788
	Merida Norge	Subsidiary	Trade receivables from related parties	136,265	1.95	11,375	Enhanced collection	70,442	-
			Other receivables from related parties	1,839	-	-	-	930	-
	Merida Japan	Subsidiary	Trade receivables from related parties	132,436	3.44	-	-	43,200	-
			Other receivables from related parties	327	-	-	-	86	-
Merida U.K.	Subsidiary	Trade receivables from related parties	105,886	5.34	37,458	Enhanced collection	58,138	-	
SAIL & SURF	Associate	Trade receivables from related parties	103,619	3.10	-	-	26,820	521	
		Other receivables from related parties	45	-	-	-	45	-	
Merida Shandong	Third-tier subsidiary	Trade receivables from related parties	8,043	3.23	-	-	7,043	-	
		Other receivables from related parties	137,440	-	-	-	-	-	
Merida Jiangsu	Merida Shandong	Associate	Trade receivables from related parties	RMB 25,872	28.28	-	-	RMB 25,872	-

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% of Total Sales or Assets
0	The Corporation	Merida & Centurion	1	Sales	\$ 1,910,059	T/T 14 days or O/A 150 days	7
		Merida Jiangsu	1	Sales	809,099	O/A 90 days	3
		Merida U.K.	1	Sales	522,772	O/A 60 days	2
		Merida Benelux	1	Sales	331,173	O/A 180 days	1
		Merida Japan	1	Sales	307,199	O/A 120 days	1
		Merida Norge	1	Sales	282,291	T/T 14 or O/A 120 days	1
		Merida Jiangsu	1	Cost of goods sold	685,783	T/T 30 days	3
		Merida China	1	Cost of goods sold	442,066	T/T 90 days	2
		1	Merida Jiangsu	Merida Shandong	2	Sales	RMB 443,143

Note 1: Flow of transactions numbered as follows: (1) From parent company to subsidiary; (2) From subsidiary to subsidiary.

Note 2: This transaction has been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares (In Thousands)	%	Carrying Amount			
The Corporation	<u>Share capital</u> SBC	California, United States of America	Design, development, manufacture and sale of bicycles	\$ 887,013	\$ 887,013	3,410	35	\$ 18,653,865	USD (64,514)	\$ (711,238)	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,592,971	USD 22,143	689,878	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	103,725	-	51	497,793	EUR 4,471	81,996	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	102,030	PLN 845	4,647	Subsidiary
	Merida Norge	Lysaker, Norway	Sale of bicycles	151,459	151,459	198	75	98,282	NOK 2,827	6,254	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	125,431	EUR 5	63	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	56,433	CZK (204)	(129)	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	56,483	EUR 1,460	17,897	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	-	16,900	-	-	-	(55)	(14)	
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	26,739	EUR 60	603	
	Merida Japan	Kanagawa, Japan	Sale of bicycles	118,875	118,875	2	90	42,742	JPY 48,130	9,621	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	19,011	19,011	559	27	23,231	EUR 218	2,008	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(41,727)	EUR 1,041	21,039	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	83,152	GBP (357)	(11,236)	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	13,190	KRW 609,211	5,872	
Merida B.V.I.	<u>Share capital</u> Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 70,476	HKD 166,186	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 12,165	USD 1,277	(Note 1)	Indirectly owned subsidiary
Merida Norge	<u>Share capital</u> Sverige	Gothenburg, Sweden	Sale of bicycles	NOK 814	NOK 814	-	100	NOK 5,510	SEK 606	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	<u>Share capital</u> Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 1,754	EUR 132	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 452	EUR 46	(Note 1)	Indirectly owned subsidiary
Merida Japan	<u>Share capital</u> Miyata	Kanagawa, Japan	Sale of bicycles	JPY 62,371	JPY 62,371	-	100	JPY (64,746)	JPY (63,551)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

Note 2: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2023 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Merida China	Manufacture and sale of bicycles	\$ 377,057 (USD 12,280)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	\$ 340,426 (USD 11,087)	\$ -	\$ -	\$ 340,426 (USD 11,087)	\$ 2,881	100	\$ 2,881	\$ 353,017	\$ 1,921,120 (USD 62,567)
Merida Shandong	Manufacture and sale of e-bikes and bicycles	491,280 (USD 16,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	491,280 (USD 16,000)	-	-	491,280 (USD 16,000)	657,720	100	657,720	1,746,642	994,688 (USD 32,395)
Merida Jiangsu	Manufacture and sale of bicycles	1,074,675 (USD 35,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	506,633 (USD 16,500)	-	-	506,633 (USD 16,500)	38,902	70	27,231	340,511	-

Accumulated Outward Remittance for Investments in Mainland China as of DECEMBER 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 1,338,339 (USD 43,587)	\$ 1,403,679 (USD 45,715) (Note 2)	\$ 12,942,202 (Note 3)

Note 1: The investment gain and carrying amount as of December 31, 2023 are recognized according to the financial statements audited by the Corporation's independent auditors.

Note 2: The amount includes the upper limit of the investment amount for Merida China of USD13,215 thousand, USD 16,000 thousand for Merida Shandong and USD16,500 thousand for Merida Jiangsu.

Note 3: Amounts are based on the upper limit of the investment amount regulated by the "Regulation for Screening of Application to Engage in Technical Cooperation in Mainland China".

MERIDA INDUSTRY CO., LTD.**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Michael S.T. Tseng	48,664,715	16.27
Cathay Life Insurance Company, Ltd.	21,803,414	7.29

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