Merida Industry Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 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, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prepared in conformity with International Financial Reporting Standard 10 "Consolidated Financial Statements". The information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Merida Industry Co., Ltd. and subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

MERIDA INDUSTRY CO., LTD.

By:

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Michael S. T. Tseng
President

March 22, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Merida Industry Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

Impairment assessment of trade receivables

As of December 31, 2018, the Group's total trade receivables was NT$2,416,105 thousand. Refer to Notes 4, 5 and 8 to the accompanying consolidated financial statements for disclosures related to receivables. The Group sells its products to different markets through the distributors from each country. The recovery of trade receivables is dependent on the financial situation of the respective distributors. The impairment assessment of trade receivables is based on objective evidence such as delayed payments from distributors, and also involves the estimation of future cash flows by management. The impairment assessment is subject to management's judgment, which has a significant level of uncertainty, and the result of the assessment could also affect the consolidated financial statements. Thus, the impairment assessment of trade receivables was identified as a key audit matter.

Our main audit procedures performed in respect of the above-mentioned key audit matter included the following:

1. We understood the policy and assessed the evidence of the impairment assessment of trade receivables.

2. We evaluated the major distributor's credit policy and the rationality of the credit line as well as the historical payment situation.

3. We sampled and verified the reasonableness of the aging of amounts due at the balance sheet date and confirmed the accuracy of the impairment of trade receivables.

4. We compared the aging of receivables in the current year and prior years and reviewed the level of bad debt write-offs in the current year and the prior year to assess the reasonableness of the provision.

Inventory valuation

As of December 31, 2018, the Group's inventory was NT$3,852,081 thousand. Refer to Notes 4, 5 and 9 to the consolidated financial statements for disclosures related to inventory. Inventories are stated at the lower of cost or net realizable value. As the determination of the net realizable value inputs and estimation of the consumption of inventory aging is subject to estimation and judgment, inventory valuation was identified as a key audit matter.

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

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

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

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

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

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2018 and 2017, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT$9,415,791 thousand and NT$8,423,339 thousand, accounting for 41% and 40% of the Group's consolidated total assets as of December 31, 2018 and 2017, respectively. The share of profit (loss) of associates was NT$1,034,660 thousand and NT$(86,042) thousand, accounting for 58% and (43%) of the Group's consolidated comprehensive income for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018 Amount	%	December 31, 2017 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,220,019	14	$ 3,146,748	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	499,695	2	442,093	2
Notes receivable (Notes 4, 5 and 22)	16,528	-	29,306	-
Trade receivables (Notes 4, 5, 8 and 22)	450,525	2	349,382	2
Trade receivables from related parties (Notes 4, 5, 8, 22 and 28)	1,965,580	9	1,351,166	6
Other receivables (Notes 4 and 28)	72,981	-	62,913	-
Inventories (Notes 4, 5, 9 and 29)	3,852,081	17	3,496,676	17
Other current assets (Notes 4 and 17)	58,442	-	159,506	1
Total current assets	10,135,851	44	9,037,790	43
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	3,400	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 11)	-	-	151,081	1
Financial assets measured at cost - non-current (Notes 4 and 12)	-	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 14)	9,708,922	43	8,720,220	42
Property, plant and equipment (Notes 4, 15 and 29)	2,342,984	10	2,515,796	12
Investment properties (Notes 4 and 16)	35,971	-	36,538	-
Intangible assets (Note 4)	40,685	-	39,411	-
Deferred tax assets (Notes 4 and 24)	140,661	1	77,807	-
Prepayments for equipment	39,116	-	18,580	-
Long-term prepayments for leases (Notes 4 and 17)	323,335	2	337,301	2
Other non-current assets	7,182	-	7,622	-
Total non-current assets	12,642,256	56	11,907,756	57
TOTAL	$ 22,778,107	100	$ 20,945,546	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 18 and 29)	$ 1,645,786	7	$ 1,456,407	7
Trade payables	3,798,676	17	3,934,696	19
Trade payables to related parties (Note 28)	41,710	-	45,695	-
Other payables (Note 19)	775,282	3	738,960	3
Current tax liabilities (Notes 4 and 24)	274,560	1	149,022	1
Current portion of long-term bank loans (Notes 18 and 29)	111,955	1	108,223	-
Other current liabilities - others	92,624	1	116,323	1
Total current liabilities	6,740,593	30	6,549,326	31
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 18 and 29)	125,744	-	227,294	1
Deferred tax liabilities (Notes 4 and 24)	2,455,737	11	1,921,704	9
Net defined benefit liabilities (Notes 4 and 20)	172,722	1	158,629	1
Guarantee deposits received	6,294	-	7,219	-
Total non-current liabilities	2,760,497	12	2,314,846	11
Total liabilities	9,501,090	42	8,864,172	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common shares	2,989,838	13	2,989,838	14
Capital surplus				
Share premiums from issuance of common shares	416,290	2	416,290	2
Capital surplus from investments accounted for using the equity method	258	-	258	-
Retained earnings				
Legal reserve	2,311,849	10	2,232,113	11
Special reserve	807,624	3	264,429	1
Unappropriated earnings	6,995,807	31	6,489,871	31
Other equity	(769,490)	(3)	(807,624)	(4)
Total equity attributable to owners of the Corporation	12,752,176	56	11,585,175	55
NON-CONTROLLING INTERESTS	524,841	2	496,199	3
Total equity	13,277,017	58	12,081,374	58
TOTAL	$ 22,778,107	100	$ 20,945,546	100

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 28)	$ 25,852,942	100	$ 22,396,174	100
COST OF GOODS SOLD (Notes 9, 23 and 28)	22,463,953	87	19,715,439	88
GROSS PROFIT	3,388,989	13	2,680,735	12
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	(170,760)	(1)	81,895	1
REALIZED GROSS PROFIT	3,218,229	12	2,762,630	13
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses (Note 28)	1,058,674	4	1,086,962	5
General and administrative expenses	808,275	3	646,842	3
Total operating expenses	1,866,949	7	1,733,804	8
PROFIT FROM OPERATIONS	1,351,280	5	1,028,826	5
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 28)	61,878	-	40,758	-
Other income	102,985	-	123,248	-
Gains on disposal of investments (Note 4)	-	-	16,589	-
Net foreign exchange gains (losses) (Note 4)	175,345	1	(63,455)	-
Share of profit (loss) of associates (Note 4)	1,066,133	4	(65,398)	-
Interest expense	(50,987)	-	(27,040)	-
Other expenses	(54,263)	-	(18,619)	-
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	(30,716)	-	1,165	-
Total non-operating income and expenses	1,270,375	5	7,248	-
PROFIT BEFORE INCOME TAX	2,621,655	10	1,036,074	5
INCOME TAX EXPENSE (Notes 4 and 24)	875,818	3	237,600	1
NET PROFIT FOR THE YEAR	1,745,837	7	798,474	4

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	2018 Amount	2018 %	2017 Amount	2017 %
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	$ (10,732)	-	$ (71,246)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	4,240	-	12,111	-
	(6,492)	-	(59,135)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	54,266	-	(550,104)	(3)
Unrealized gain on available-for-sale financial assets	-	-	11,049	-
	54,266	-	(539,055)	(3)
Other comprehensive income (loss) for the year, net of income tax	47,774	-	(598,190)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,793,611	7	$ 200,284	1
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,708,835	7	$ 797,361	4
Non-controlling interests	37,002	-	1,113	-
	$ 1,745,837	7	$ 798,474	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,764,969	7	$ 195,031	1
Non-controlling interests	28,642	-	5,253	-
	$ 1,793,611	7	$ 200,284	1
EARNINGS PER SHARE (Note 25)				
Basic	$ 5.72		$ 2.67	
Diluted	$ 5.69		$ 2.66	

(For the Year Ended December 31)

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

(With Deloitte & Touche auditors’ report dated March 22, 2019) (Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation										
		Capital Surplus (Note 21)		Retained Earnings (Note 21)							
	Common Shares (Note 21)	Share Premium from Issuance of Common Shares	Capital Surplus from Investments Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total
BALANCE AT JANUARY 1, 2017	$ 2,989,838	$ 416,290	$ 215	$ 2,040,218	$ 17,462	$ 7,386,442	$ (277,872)	$ 13,443	$ 12,586,036	$ 490,946	$ 13,076,982
Appropriation of 2016 earnings											
Legal reserve	-	-	-	191,895	-	(191,895)	-	-	-	-	-
Special reserve	-	-	-	-	246,967	(246,967)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,195,935)	-	-	(1,195,935)	-	(1,195,935)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	43	-	-	-	-	-	43	-	43
Net profit for the year ended December 31, 2017	-	-	-	-	-	797,361	-	-	797,361	1,113	798,474
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(59,135)	(554,244)	11,049	(602,330)	4,140	(598,190)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	738,226	(554,244)	11,049	195,031	5,253	200,284
BALANCE AT DECEMBER 31, 2017	2,989,838	416,290	258	2,232,113	264,429	6,489,871	(832,116)	24,492	11,585,175	496,199	12,081,374
Effect of retrospective application	-	-	-	-	-	24,492	-	(24,492)	-	-	-
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	2,989,838	416,290	258	2,232,113	264,429	6,514,363	(832,116)	-	11,585,175	496,199	12,081,374
Appropriation of 2017 earnings											
Legal reserve	-	-	-	79,736	-	(79,736)	-	-	-	-	-
Special reserve	-	-	-	-	543,195	(543,195)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(597,968)	-	-	(597,968)	-	(597,968)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,708,835	-	-	1,708,835	37,002	1,745,837
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,492)	62,626	-	56,134	(8,360)	47,774
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,702,343	62,626	-	1,764,969	28,642	1,793,611
BALANCE AT DECEMBER 31, 2018	$ 2,989,838	$ 416,290	$ 258	$ 2,311,849	$ 807,624	$ 6,995,807	$ (769,490)	$ -	$ 12,752,176	$ 524,841	$ 13,277,017

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 2,621,655	$ 1,036,074
Adjustments for:		
Depreciation expenses	241,764	243,019
Amortization expenses	9,086	9,666
Expected credit loss recognized on trade receivables	7,237	-
Recognition of provisions	-	3,365
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	30,716	(1,165)
Interest expense	50,987	27,040
Interest income	(61,878)	(40,758)
Dividend income	(5,452)	(5,909)
Share of (profit) loss of associates	(1,066,133)	65,398
Loss on disposal of property, plant and equipment	3,127	2,575
Gain on disposal of investments	-	(16,589)
Reversal of write-downs of inventories	(18,577)	(8,236)
Unrealized (realized) gain on transactions with associates	170,760	(81,895)
Net (gain) loss on foreign currency exchange	12,086	(28,984)
Amortization of long-term prepayments for leases	8,217	8,119
Changes in operating assets and liabilities		
Financial assets held for trading	-	(439,755)
Financial assets at fair value through profit or loss	62,763	-
Notes receivable	12,778	(6,906)
Trade receivables	(723,672)	(58,185)
Other receivables	(6,740)	(1,210)
Inventories	(346,908)	(259,425)
Other current assets	102,388	(67,289)
Trade payables	(129,151)	345,801
Other payables	34,190	(46,448)
Other current liabilities	(23,434)	(63,994)
Net defined benefit liabilities	3,361	(15,088)
Cash generated from operations	989,170	599,221
Interest received	58,321	42,632
Dividends received	12,217	15,789
Interest paid	(49,212)	(26,496)
Income tax paid	(274,569)	(325,203)
Net cash generated from operating activities	735,927	305,943
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	-	33,823
Proceeds from sale of debt investments with no active market	-	43,557
Acquisitions of associates	-	(10,598)

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MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2018	**2017**
Payments for property, plant and equipment	$ (91,460)	$ (95,974)
Proceeds from disposal of property, plant and equipment	7,060	3,003
Decrease in refundable deposits	42	200
Payments for intangible assets	(10,879)	(4,584)
Decrease in other non-current assets	444	2,246
Increase in prepayments for equipment	(31,269)	(45,788)
Net cash used in investing activities	(126,062)	(74,115)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	187,900	334,789
Proceeds from long-term borrowings	15,672	16,146
Repayments of long-term bank loans	(121,621)	(107,894)
Refund of guarantee deposits received	(1,131)	(593)
Dividends paid to owners of the Corporation	(597,968)	(1,195,935)
Net cash used in financing activities	(517,148)	(953,487)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(19,446)	(40,117)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,271	(761,776)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,146,748	3,908,524
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,220,019	$ 3,146,748

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

(With Deloitte & Touche auditors' report dated March 22, 2019) (Concluded)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 22, 2019.

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

      The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	IFRS 9	Carrying Amount IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 3,146,748	$ 3,146,748
Equity securities	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,314	1,314
	Available-for-sale	Mandatorily at FVTPL	151,081	151,081
	Financial assets measured at cost	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	3,400	3,400
Mutual funds	Held-for-trading	Mandatorily at FVTPL	440,779	440,779
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,792,767	1,792,767
Refundable deposits	Loans and receivables	Amortized cost	6,056	6,056
			$ 5,542,145	$ 5,542,145

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Remark
FVTPL	$ 442,093				
Add: Reclassification from available-for-sale (IAS 39)					
Fair value option elected at January 1, 2018	-	$ 151,081	$ -		(a)
	442,093	151,081	-	$ 593,174	
FVTOCI					
Add: Remeasurement of financial assets at cost	-	-	3,400		(a)
	-	-	3,400	3,400	
Amortized cost					
Add: Reclassification from loans and receivables (IAS 39)	-	4,945,571	-		(b)
	-	4,945,571	-	4,945,571	
	$ 442,093	$ 5,096,652	$ 3,400	$ 5,542,145	

a) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL under IFRS 9. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $24,492 thousand was reclassified to retained earnings.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

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

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use right of land located in People's Republic of China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

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

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

4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 16,963	$ (10,928)	$ 6,035
Long-term prepayments for leases	323,335	(323,335)	-
Right-of-use assets	-	451,563	451,563
Total effect on assets	$ 340,298	$ 117,300	$ 457,598
Lease liabilities - current	$ -	$ 29,792	$ 29,792
Lease liabilities - non-current	-	87,508	87,508
Total effect on liabilities	$ -	$ 117,300	$ 117,300

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

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

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

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

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

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

See Note 13, and Tables 8 and 9 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

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

h. Property, plant, and equipment

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

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

Depreciation of property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

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

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

   a) Measurement categories

      <u>2018</u>

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

      i. Financial assets at FVTPL

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

         Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

      ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and trade receivables, other receivables and refundable deposits) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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.

b) Impairment of financial assets and contract assets

2018

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

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

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

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

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the 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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

n. Revenue recognition

2018

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

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

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

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

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of material ownership.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

o. Leasing

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.

Operating lease receipts or payments are recognized as income or expense on a straight-line basis over the lease term.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset’s carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 2,369	$ 2,366
Checking accounts and demand deposits	1,433,251	2,044,681
Cash equivalents		
Time deposits with original maturities of less than 3 months	1,784,399	1,099,701
	$ 3,220,019	$ 3,146,748
Time deposit interest rate per annum (%)	0.60-3.00	0.20-2.02

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets		
Non-derivative financial assets		
Mutual funds	$ 380,169	$ 440,779
Domestic listed shares	119,526	1,314
Financial assets at FVTPL - current	$ 499,695	$ 442,093

8. TRADE RECEIVABLES

	December 31	
	2018	2017
Trade receivables	$ 2,440,168	$ 1,718,114
Less: Allowance for impairment loss	(24,063)	(17,566)
	$ 2,416,105	$ 1,700,548

In 2018

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 applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are referenced to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2018

	Not Past Due	Less than 3 months	Total
Expected credit loss rate	0%-2%	4%	
Gross carrying amount	$ 2,333,304	$ 106,864	$ 2,440,168
Loss allowance (Lifetime ECLs)	(19,715)	(4,348)	(24,063)
Amortized cost	$ 2,313,589	$ 102,516	$ 2,416,105

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

	2018
Balance at January 1, 2018 per IAS 39	$ 17,566
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	17,566
Add: Net remeasurement of loss allowance	7,237
Less: Amounts written off	(342)
Foreign exchange gains and losses	(398)
Balance at December 31, 2018	$ 24,063

In 2017

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. An allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by performing an account aging analysis.

The Group judges the creditworthiness of its customers via credit verifications and investigations to establish a quota for transactions. The Group trades with new customers via advance sales receipts, and monitors any unusual items connected to customer's operations to decrease its risk of bad debts.

The aging of receivables was as follows:

	December 31, 2017
Not past due	$ 1,639,058
Less than 3 months	79,056
	$ 1,718,114

The above aging schedule was based on the number of past due days from the end of the credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
Less than 3 months	$ 79,056

The above aging schedule was based on the number of past due days from the end of the credit term. The Group charges interest at an agreed upon interest rate for the receivables' past-due balance. If the Group assesses that there has not been a significant change in the credit quality of its customers, then the amounts are still considered recoverable.

The movements of the allowance for doubtful trade receivables were as follows:

	2017
Balance at January 1	$ 13,272
Add: Impairment losses recognized on receivables	3,365
Foreign exchange translation gains and losses	929
Balance at December 31	$ 17,566

9. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 2,274,798	$ 2,033,131
Work in progress	562,935	598,276
Raw materials and supplies	954,355	802,121
Inventory in transit	59,993	63,148
	$ 3,852,081	$ 3,496,676

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $22,463,953 thousand and $19,715,439 thousand, respectively.

The cost of goods sold for the years ended December 31, 2018 and 2017 included reversals of inventory write-downs of $18,577 thousand and $8,236 thousand, respectively. Previous write-downs were actively reversed by the Group as a result of depleted inventory. The related amounts were reflected in the cost of goods sold.

Inventories pledged as collateral for bank borrowings are set out in Note 29.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Non-current	
Domestic unlisted ordinary shares	$ 3,400

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	$ 151,081

In August 2014, the Group subscribed for 600 thousand common shares of Kuei Meng International Inc. ("Kuei Meng") through private placement; the transfer of the common shares within three years from the acquisition date is prohibited by regulations. The retroactive handling of public issuance procedures of private placements of securities has been authorized by the FSC and has been in place since December 8, 2017. The shares have been trading on the Taipei Exchange since January 2, 2018.

12. FINANCIAL ASSETS MEASURED AT COST – NON-CURRENT-2017

	December 31, 2017
Domestic investments	$ 3,400

Management believed that the above unlisted equity investments held by the Group had fair values which could not be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

		Proportion of Ownership (%) December 31	
Investor	Investee	2018	2017
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 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

Refer to Tables 8 and 9 following the Notes to Consolidated Financial Statements for information on the place of incorporation and principal places of business for each subsidiary.

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

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 2018	2017
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 2018	2017
Current assets	$ 451,531	$ 546,747
Non-current assets	1,071,512	1,180,089
Current liabilities	(526,472)	(496,604)
Non-current liabilities	(116,600)	(217,198)
Equity	$ 879,971	$ 1,013,034
Equity attributable to:		
Owners of Merida SAMOA	$ 615,980	$ 709,124
Non-controlling interests of Merida SAMOA	263,991	303,910
	$ 879,971	$ 1,013,034

	For the Year Ended December 31 2018	2017
Revenue	$ 741,984	$ 981,997
Net loss for the year	$ (120,017)	$ (71,926)
Other comprehensive income (loss) for the year	(42,504)	59,417
Total comprehensive loss for the year	$ (162,521)	$ (12,509)
Loss attributable to:		
Owners of Merida SAMOA	$ (84,012)	$ (50,348)
Non-controlling interests of Merida SAMOA	(36,005)	(21,578)
	$ (120,017)	$ (71,926)
Total comprehensive loss attributable to:		
Owners of Merida SAMOA	$ (113,765)	$ (8,756)
Non-controlling interests of Merida SAMOA	(48,756)	(3,753)
	$ (162,521)	$ (12,509)

	For the Year Ended December 31	
	2018	2017
Net cash outflow from:		
Operating activities	$ (32,422)	$ (41,292)
Investing activities	35	(684)
Financing activities	10,400	(34,387)
Net cash outflow	$ (21,987)	$ (76,363)

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Unlisted shares		
Specialized Bicycle Components, Inc. (“SBC”)	$ 9,415,791	$ 8,423,339
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	90,083	85,564
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	70,158	65,826
Miyata Cycle Co., Ltd. (” Miyata”)	36,091	35,572
Merida Czech s.r.o (“Merida Czech”)	33,892	34,670
Merida Slovakia s.r.o (“Merida Slovakia”)	21,432	22,365
Stians Sport AS (“Stians”)	18,117	30,351
Merida Korea Inc. (“Merida Korea”)	12,820	11,203
Merida Italy S.r.l (“Merida Italy”)	6,219	7,339
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	4,319	3,991
	$ 9,708,922	$ 8,720,220

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

	December 31	
	2018	2017
SBC	35%	35%
SAIL & SURF	40%	40%
Merida Bikes SWE	36%	36%
Miyata	45%	45%
Merida Czech	45%	45%
Merida Slovakia	30%	30%
Stians	34%	34%
Merida Korea	40%	40%
Merida Italy	27%	27%
WideDoctor	26%	26%

The Group acquired 40% of the ownership of Merida Korea through cash of $10,598 thousand in February 2017.

Merida Italy increased its capital in cash in February 2017, but the Group did not subscribe for additional new shares of Merida Italy, which reduced its continuing interest from 30% to 27%.

Refer to Table 8 "Information on Investees" following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of the Group's associates.

The aggregate financial information of associates is as follows:

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Profit (loss) for the year	$ 1,066,133	$ (65,398)
Other comprehensive income (loss) for the year	(174,730)	176,327
Total comprehensive income for the year	$ 891,403	$ 110,929

Except for Merida Italy, Merida Korea, Merida Bikes SWE and WideDoctor for the year ended December 31, 2018 and Merida Italy and Merida Korea for the year ended December 31, 2017, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of these associates which have not been audited.

15. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2018					
	Beginning Balance	Additions	Disposals	Reclassifi-cations	Effect of foreign currency exchange difference	Ending Balance
Cost						
Land	$ 475,759	$ -	$ -	$ -	$ (39)	$ 475,720
Buildings and improvements	2,169,314	28,335	(5,983)	10,933	(27,268)	2,175,331
Machinery and equipment	1,226,223	25,792	(39,435)	8,147	(18,180)	1,202,547
Transportation equipment	26,767	2,559	(3,435)	607	(672)	25,826
Miscellaneous equipment	245,640	23,260	(65,783)	1,976	(3,318)	201,775
Construction in progress	3,618	11,514	-	(10,933)	-	4,199
	4,147,321	$ 91,460	$ (114,636)	$ 10,730	$ (49,477)	4,085,398
Accumulated depreciation						
Buildings and improvements	816,091	$ 96,576	$ (5,566)	$ -	$ (11,202)	895,899
Machinery and equipment	618,401	102,939	(31,474)	-	(11,615)	678,251
Transportation equipment	18,070	3,092	(3,103)	-	(441)	17,618
Miscellaneous equipment	178,963	38,590	(64,306)	-	(2,601)	150,646
	1,631,525	$ 241,197	$ (104,449)	$ -	$ (25,859)	1,742,414
	$ 2,515,796					$ 2,342,984

	For the Year Ended December 31, 2017					
	Beginning Balance	Additions	Disposals	Reclassifi-cations	Effect of foreign currency exchange difference	Ending Balance
Cost						
Land	$ 475,670	$ -	$ -	$ -	$ 89	$ 475,759
Buildings and improvements	2,078,470	22,268	(3,351)	86,197	(14,270)	2,169,314
Machinery and equipment	1,097,095	44,110	(13,822)	112,577	(13,737)	1,226,223
Transportation equipment	25,611	478	(174)	-	852	26,767
Miscellaneous equipment	265,363	21,904	(42,381)	519	235	245,640
Construction in progress	82,601	7,214	-	(86,197)	-	3,618
	4,024,810	$ 95,974	$ (59,728)	$ 113,096	$ (26,831)	4,147,321
Accumulated depreciation						
Buildings and improvements	725,645	$ 95,579	$ (3,228)	$ -	$ (1,905)	816,091
Machinery and equipment	543,847	89,199	(9,181)	-	(5,464)	618,401
Transportation equipment	14,448	3,340	(174)	-	456	18,070
Miscellaneous equipment	165,857	54,333	(41,567)	-	340	178,963
	1,449,797	$ 242,451	$ (54,150)	$ -	$ (6,573)	1,631,525
	$ 2,575,013					$ 2,515,796

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

Buildings and improvements	
Main buildings	20-60 years
Ancillary work	5-50 years
Machinery and equipment	3-15 years
Transportation equipment	4-6 years
Miscellaneous equipment	3-15 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 29.

16. INVESTMENT PROPERTIES

	December 31	
	2018	2017
Land	$ 20,309	$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	3,068	3,068
	54,307	54,307
Less: Accumulated depreciation	(18,336)	(17,769)
	$ 35,971	$ 36,538

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

Buildings	55 years
Parking garages	49 years

The fair value of investment properties for the years ended December 31, 2018 and 2017 was $48,000 thousand and $41,935 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

17. PREPAYMENTS FOR LEASES

Merida China prepaid RMB10,389 thousand and RMB620 thousand to acquire the right to use land in Bao'an in Shenzhen, China. The land tenure is effective from October 1, 1990 through September 30, 2040.

Merida Shandong signed an agreement with the management committee of Dezhou Economic and Technological Development Zone in Shandong, China in November 2006 to acquire 89,434 square meters of the right to use land from the Development Zone for 50 years. The acquisition cost was RMB6,240 thousand.

Merida Jiangsu signed an agreement for the stated-owned construction land use rights with Nantong Bureau of Land And Resources in Jiangsu, China in December 2012 so as to acquire the rights of use of 154,810 square meters of land from the Nantong Economic and Technological Development Zone for 50 years. The acquisition cost was RMB73,530 thousand.

The above-mentioned land is used for constructing buildings, offices and living facilities, etc.

18. BORROWINGS

a. Short-term bank borrowings

	December 31	
	2018	2017
Line of credit borrowings	$ 888,476	$ 716,307
Letters of credit - due after 180 days of acceptance	739,553	731,242
Secured borrowings (Note 29)	17,757	8,858
	$ 1,645,786	$ 1,456,407
Rate of interest rates per annum (%)		
Line of credit borrowings	0.90-5.00	0.90-5.13
Letters of credit	No more than 3.47	No more than 2.14
Secured borrowings	2.55-3.80	2.56-4.84

b. Long-term bank borrowings

	December 31	
	2018	2017
Unsecured loans		
Bank loans (1)	$ 222,677	$ 319,834
Secured loans		
Mortgaged loans (2)	15,022	15,683
	237,699	335,517
Less: Current portion	(111,955)	(108,223)
Long-term borrowings	$ 125,744	$ 227,294

1) Bank loan was due in September 2020. As of December 31, 2018 and 2017, the effective interest rate range of the bank loans was 2.46%-3.2% and 1.75%-2.46% per annum, respectively.

2) As of December 31, 2018 and 2017, the weighted average effective interest rate of the bank borrowings secured by the Group’s freehold land, buildings and inventories (see Note 29) was 2.94% per annum and 3.61% per annum, respectively. Such loans are due in September and October 2021.

19. OTHER PAYABLES

	December 31	
	2018	2017
Payables for compensation to employees	$ 167,530	$ 88,492
Payables for salaries and bonus	136,501	151,894
Payables for remuneration of directors and supervisors	72,597	28,760
Others	398,654	469,814
	$ 775,282	$ 738,960

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

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

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 654,877	$ 651,149
Fair value of plan assets	(482,155)	(492,520)
Net defined benefit liabilities	$ 172,722	$ 158,629

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2017	$ 584,749	$ (482,278)	$ 102,471
Service costs			
Current service costs	9,649	-	9,649
Net interest expense (income)	10,059	(8,340)	1,719
Recognized in profit or loss	19,708	(8,340)	11,368
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	3,913	3,913
Actuarial loss - changes in financial assumptions	31,819	-	31,819
Actuarial loss - experience adjustments	35,514	-	35,514
Recognized in other comprehensive income	67,333	3,913	71,246
Contributions from the employer	-	(26,456)	(26,456)
Benefits paid	(20,641)	20,641	-
Balance at December 31, 2017	651,149	(492,520)	158,629
Service costs			
Current service costs	9,887	-	9,887
Net interest expense (income)	7,985	(6,059)	1,926
Recognized in profit or loss	17,872	(6,059)	11,813

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (13,863)	$ (13,863)
Actuarial loss - changes in demographic assumption	3,654	-	3,654
Actuarial loss - experience adjustments	20,941	-	20,941
Recognized in other comprehensive income	24,595	(13,863)	10,732
Contributions from the employer	-	(8,452)	(8,452)
Benefits paid	(38,739)	38,739	-
Balance at December 31, 2018	$ 654,877	$ (482,155)	$ 172,722

(Concluded)

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

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

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

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

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

	December 31	
	2018	2017
Discount rate(s)	1.25%	1.25%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2018	2017
Discount rate(s)		
0.50% increase	$ (26,995)	$ (31,819)
0.50% decrease	$ 28,871	$ 34,288

	December 31	
	2018	2017
Expected rate(s) of salary increase		
0.50% increase	$ 28,518	$ 33,865
0.50% decrease	$ (26,939)	$ (31,752)

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	
	2018	2017
Expected contributions to the plans for the next year	$ 7,932	$ 9,163
Average duration of the defined benefit obligation	8.6 years	10.2 years

21. EQUITY

a. Common shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	350,000	350,000
Shares authorized	$ 3,500,000	$ 3,500,000
Number of shares issued and fully paid (in thousands)	298,984	298,984
Shares issued	$ 2,989,838	$ 2,989,838

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

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including common shares issued in excess of par, conversion of bonds, treasury share transactions and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

Capital surplus arising from investments accounted for using the equity method, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 23.

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

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

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings in June 2018 and 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 79,736	$ 191,895		
Special reserve	543,195	246,967		
Cash dividends	597,968	1,195,935	$ 2.0	$ 4.0

The appropriation of earnings for 2018 had been proposed by the Corporation's board of directors on March 22, 2019. The appropriations and dividend per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 170,884	
Reversed special reserve	(38,135)	
Cash dividends	1,046,443	$ 3.5

The appropriation of earnings for 2018 are subject to the resolution of the shareholders in the shareholders' meetings to be held on June 25, 2019.

22. REVENUE

	For the Year Ended December 31	
	2018	**2017**
Revenue from contracts with customers		
Revenue from sale of goods	$ 25,852,942	$ 22,396,174

a. Contract balances

	December 31, 2018
Notes and trade receivables (Note 8)	$ 2,432,633

b. Disaggregation of revenue

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

23. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION EXPENSES

	Operating Costs	Operating Expenses	Total
For the Year Ended December 31, 2018			
Short-term employee benefits	$ 940,076	$ 599,466	$ 1,539,542
Post-employment benefits			
Defined contribution plans	43,924	24,162	68,086
Defined benefit plan	9,344	2,469	11,813
Other employee benefits	33,604	92,796	126,400
Depreciation expenses	170,022	71,742	241,764
Amortization expenses	2	9,084	9,086
For the Year Ended December 31, 2017			
Short-term employee benefits	864,425	514,023	1,378,448
Post-employment benefits			
Defined contribution plans	38,567	23,566	62,133
Defined benefit plan	8,966	2,402	11,368
Other employee benefits	28,753	48,859	77,612
Depreciation expenses	166,644	76,375	243,019
Amortization expenses	2	9,664	9,666

Employees' compensation and remuneration of directors and supervisors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Corporation's board of directors on March 22, 2019 and March 27, 2018, respectively, are as follows:

	For the Year Ended December 31			
	2018		2017	
Cash	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	6%	$ 167,530	8%	$ 88,492
Remuneration of directors and supervisors	2.6%	72,597	2.6%	28,760

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the TWSE.

24. TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 382,330	$ 199,276
Income tax on unappropriated earnings	-	30,428
Adjustments for prior years	18,069	(2,897)
	400,399	226,807
Deferred tax		
In respect of the current year	165,743	10,793
Adjustments to deferred tax attributable to changes in tax rates and laws	309,676	-
	475,419	10,793
Income tax expense recognized in profit or loss	$ 875,818	$ 237,600

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 508,700	$ 143,976
Nondeductible expenses in determining taxable income	4,393	10,759
Others	(1,172)	(11,814)
Tax-exempt income	4,987	(4,128)
Income tax on unappropriated earnings	-	30,428
Unrecognized deductible temporary differences	(2,928)	(2,341)
Unrecognized loss carryforwards	34,093	73,617
Adjustments for prior years' tax	18,069	(2,897)
Effect of tax rate changes	309,676	-
Income tax expense recognized in profit or loss	$ 875,818	$ 237,600

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 274,560	$ 149,022

c. Changes in deferred tax assets and liabilities

	For the Year Ended December 31, 2018				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized intercompany profit	$ 37,383	$ 55,467	$ -	$ -	$ 92,850
Defined benefit obligation	24,271	2,739	4,240	-	31,250
Unrealized impairment loss on assets	10,623	1,875	-	-	12,498
Unrealized provision for loss on inventory	5,530	(1,467)	-	-	4,063
	$ 77,807	$ 58,614	$ 4,240	$ -	$ 140,661
Deferred tax liabilities					
Temporary differences					
Investments accounted for using the equity method	$ 1,819,972	$ 531,554	$ -	$ -	$ 2,351,526
Reserve for land revaluation increment tax	100,934	-	-	-	100,934
Unrealized foreign currency exchange gains	798	2,479	-	-	3,277
	$ 1,921,704	$ 534,033	$ -	$ -	$ 2,455,737

	For the Year Ended December 31, 2017				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized intercompany profit	$ 51,276	$ (13,893)	$ -	$ -	$ 37,383
Provisions	29,371	(28,675)	-	(696)	-
Defined benefit obligation	14,834	(2,674)	12,111	-	24,271
Unrealized impairment loss on assets	11,367	(744)	-	-	10,623
Unrealized provision for loss on inventory	6,879	(1,349)	-	-	5,530
	$ 113,727	$ (47,335)	$ 12,111	$ (696)	$ 77,807

(Continued)

	For the Year Ended December 31, 2017				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Investments accounted for using the equity method	$ 1,849,273	$ (29,301)	$ -	$ -	$ 1,819,972
Reserve for land revaluation increment tax	100,934	-	-	-	100,934
Unrealized foreign currency exchange gains	8,039	(7,241)	-	-	798
	$ 1,958,246	$ (36,542)	$ -	$ -	$ 1,921,704

(Concluded)

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

	December 31	
	2018	2017
Loss carryforwards	$ 481,901	$ 354,714
Deductible temporary differences	48,369	62,573
	$ 530,270	$ 417,287

e. Income tax assessments

The income tax returns through 2016, except 2015, have been assessed by the tax authorities.

25. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT$)
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,708,835	298,983,800	$ 5.72
Effect of potentially dilutive common shares:			
Employees' compensation	-	1,371,300	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	$ 1,708,835	300,355,100	$ 5.69

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT$)
For the Year Ended December 31, 2017			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 797,361	298,983,800	$ 2.67
Effect of potentially dilutive common shares:			
Employees' compensation	-	946,450	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	$ 797,361	299,930,250	$ 2.66

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

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

Except for the fair value of financial assets measured at cost as of December 31, 2017 that cannot be reliably measured, the carrying amounts of the Group's financial assets and liabilities that are not measured at fair value approximated their fair values.

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

1) The Group's financial assets at FVTPL, financial assets at FVTOCI and available-for-sale financial assets of December 31, 2017 are measured at fair value using Level 1 inputs.

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

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives	Discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 499,695	$ -
Held for trading	-	442,093
Loans and receivables	-	4,945,571
Available-for-sale financial assets	-	151,081
Financial assets measured at cost	-	3,400
Financial assets at amortized cost	5,731,748	-
Financial assets at FVTOCI - equity instruments	3,400	-
Financial liabilities		
Financial liabilities at amortized cost	6,505,447	6,518,494

The balances of financial assets listed in the table above include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivables and refundable deposits.

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

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

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD.

Assuming a 1% increase in the NTD against the USD, the pre-tax profit for the years ended December 31, 2018 and 2017 would have decreased by $37,002 thousand and $23,161 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, 2018 and 2017.

b) Interest rate risk

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

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 1,784,399	$ 1,099,701
Financial liabilities	614,420	603,437
Cash flow interest rate risk		
Financial assets	1,433,251	2,044,656
Financial liabilities	1,269,065	1,188,487

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, 2018 and 2017 would have increased by $410 thousand and $2,140 thousand, respectively.

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group’s concentration of credit risk was mainly from customer A, which accounted for 54% and 45% of the total trade receivables as of December 31, 2018 and 2017, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized bank loan facilities of $5,999,295 thousand and $5,350,952 thousand, respectively.

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

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

	On Demand or Less Than 1 Year	**1-2 Years**	**2+ Years**
December 31, 2018			
Non-interest bearing liabilities	$ 4,615,668	$ -	$ -
Variable interest rate liabilities	1,143,321	111,955	13,789
Fixed interest rate liabilities	614,420	-	-
	$ 6,373,409	$ 111,955	$ 13,789

	On Demand or Less Than 1 Year	1-2 Years	2+ Years
December 31, 2017			
Non-interest bearing liabilities	$ 4,719,351	$ -	$ -
Variable interest rate liabilities	961,193	108,223	119,071
Fixed interest rate liabilities	603,437	-	-
	$ 6,283,981	$ 108,223	$ 119,071

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Categories/Names

Related Party	Relationship with the Group
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	Associate
Miyata	Associate
Stians	Associate
Merida Sverige AB	Associate
Merida Czech	Associate
Merida Slovakia	Associate
Merida Korea	Associate
Merida Italy	Associate
WideDoctor	Associate
Rai Bi Bicycle Co., Ltd.	Other
Cheng Shin Rubber Industry Co., Ltd. (“Cheng Shin”)	Other
Cheng Shin Rubber (Xiamen) Ind., Ltd. (“Cheng Shin (Xiamen)”)	Other
Tianjin Tafeng Rubber Industry Co., Ltd. (“Tianjin Tafeng”)	Other

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Associates		
SBC Group	$ 16,541,791	$ 14,514,742
Others	2,498,715	1,817,752
	19,040,506	16,332,494
Others	2,421	2,404
	$ 19,042,927	$ 16,334,898

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 2018	2017
Others	$ 280,295	$ 265,122
Associates	173	360
	$ 280,468	$ 265,482

The purchase price is quoted based on market prices.

d. Receivables from related parties

Related Party Category/Name	December 31 2018	2017
Trade receivables		
Associates		
SBC Group	$ 1,324,192	$ 772,503
Others	641,388	578,663
	$ 1,965,580	$ 1,351,166
Other receivables		
Associates	$ 7,262	$ 3,263
Others	185	218
	$ 7,447	$ 3,481

e. Payables to related parties

Related Party Category	December 31 2018	2017
Trade payables		
Others	$ 41,693	$ 45,545
Associates	17	150
	$ 41,710	$ 45,695

f. Other transactions with related parties

1) Selling and marketing expenses - promotional and advertising expenses and others

Related Party Category	For the Year Ended December 31 2018	2017
Associates	$ 3,219	$ 4,103

2) Interest income

Related Party Category	For the Year Ended December 31 2018	2017
Associates		
Merida Czech	$ 7,836	$ 4,389
Others	8,386	5,277
	$ 16,222	$ 9,666

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

g. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 109,833	$ 55,490
Post-employment benefits	491	481
	$ 110,324	$ 55,971

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans:

	December 31 2018	2017
Inventory	$ 32,780	$ 21,811
Property, plant and equipment	14,732	15,436
	$ 47,512	$ 37,247

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

a. As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials amounted to approximately $702,878 thousand and $781,633 thousand, respectively.

b. Unrecognized commitments are as follows:

	December 31 2018	2017
Acquisition of property, plant and equipment	$ 20,153	$ 33,562

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 17, 1999. The maximum indemnity claims for the single original cause of a liability is US$1,000 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 158,854	30.715	$ 4,879,202	$ 126,464	29.76	$ 3,763,554
JPY	667,104	0.2782	185,588	438,720	0.2642	115,910
Non-monetary items						
Associates accounted for using the equity method						
USD	301,260	30.715	9,253,193	272,737	29.76	8,116,656
EUR	5,734	35.20	201,850	5,034	35.57	179,074
JPY	137,344	0.2782	38,209	131,732	0.2642	34,804
Financial liabilities						
Monetary items						
USD	38,384	30.715	1,178,963	48,638	29.76	1,447,480
JPY	2,029,088	0.2782	564,492	1,954,312	0.2642	516,329

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			
	2018		2017	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	$ 124,183	1 (NTD:NTD)	$ (38,546)
RMB	4.56 (RMB:NTD)	19,128	4.507 (RMB:NTD)	(23,613)
GBP	40.25 (GBP:NTD)	14,984	39.21 (GBP:NTD)	2,961
EUR	35.61 (EUR:NTD)	14,782	34.35 (EUR:NTD)	(8,190)
		$ 173,077		$ (67,388)

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments.

The Corporation has no outstanding forward contract as of December 31, 2018 and 2017. The net profit from trading in derivative instruments is $566 thousand in 2018.

10) Intercompany relationships and significant intercompany transactions. (Table 7)

11) Information on investees. (Table 8)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 5)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes. (Table 2)

e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

33. SEGMENT INFORMATION

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

1. Domestic operations - products manufactured and sold in Taiwan

2. Asia operations - products manufactured and sold in China and Hong Kong

3. Europe operations - products sold in Europe

a. Analysis of reportable segments

	For the Year Ended December 31, 2018				
	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
Revenue					
Revenue from external customers	$20,714,198	$ 1,378,985	$ 3,759,759	$ -	$25,852,942
Revenue from internal segments	2,081,397	1,158,641	140,249	(3,380,287)	-
Interest income	44,455	26,663	3,003	(12,243)	61,878
Share of profit of associates accounted for using the equity method	1,059,001	-	-	7,132	1,066,133
Total revenue	$23,899,051	$ 2,564,289	$ 3,903,011	$ (3,385,398)	$26,980,953
Interest expenses	$ 8,626	$ 21,887	$ 25,739	$ (5,265)	$ 50,987
Depreciation and amortization	78,338	146,087	26,425	-	250,850
Income tax expense	843,211	-	32,607	-	875,818
Segment profit and loss	1,708,835	(121,805)	149,590	9,217	1,745,837
Assets					
Investments accounted for using the equity method	$12,923,527	$ -	$ -	$ (3,214,605)	$ 9,708,922
Non-current assets	14,128,720	1,507,544	155,671	(3,290,340)	12,501,595
Segment assets	20,592,446	4,087,380	2,338,541	(4,240,260)	22,778,107
Segment liabilities	7,840,270	910,976	1,651,650	(901,806)	9,501,090

	For the Year Ended December 31, 2017				
	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
Revenue					
Revenue from external customers	$16,752,644	$ 2,641,988	$ 3,001,542	$ -	$22,396,174
Revenue from internal segments	1,460,399	324,855	126,393	(1,911,647)	-
Interest income	34,394	16,599	1,522	(11,757)	40,758
Share of profit of associates accounted for using the equity method	(161,861)	-	-	96,463	(65,398)
Total revenue	$18,085,576	$ 2,983,442	$ 3,129,457	$ (1,826,941)	$22,371,534
Interest expenses	$ 6,227	$ 11,390	$ 21,180	$ (11,757)	$ 27,040
Depreciation and amortization	75,713	149,296	27,676	-	252,685
Income tax expense	191,542	28,675	17,383	-	237,600
Segment profit and loss	797,361	(153,550)	41,405	113,258	798,474
Assets					
Investments accounted for using the equity method	$12,039,211	$ -	$ -	$ (3,318,991)	$ 8,720,220
Non-current assets	13,398,779	1,684,862	141,034	(3,394,726)	11,829,949
Segment assets	18,724,486	4,415,267	1,982,856	(4,177,063)	20,945,546
Segment liabilities	7,139,311	1,083,685	1,433,099	(791,923)	8,864,172

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

b. Information about major customers

	For the Year Ended December 31			
	2018		2017	
Name	Amount	%	Amount	%
Customer A	$16,541,791	64	$14,514,742	65

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Lender	Borrower (Note 4)	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Corporation	Merida Polska	Other receivables from related parties	Yes	$ 30,638	$ 30,638	$ 24,926	6.48	Business relationship	$ 198,375	-	$ -	-	$ -	$ 4,891,815 (Note 1)	$ 4,891,815 (Note 1)
		Merida Italy	Other receivables from related parties	Yes	35,949	-	-	4	Business relationship	278,290	-	-	-	-	9,680 (Note 2)	4,891,815 (Note 1)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 50,000	RMB 50,000	RMB 7,500	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 72,465 (Note 3)	RMB 72,465 (Note 3)

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

Note 2: 50% of the capital of Merida Italy.

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

Note 4: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Merida U.K.	Subsidiary	$ 3,475,553	EUR 500 GBP 4,000	EUR 500 GBP 4,000	$ - GBP 3,993	$ -	1.42	$ 5,792,588	Yes	-	-
		Merida & Centurion	Subsidiary	3,475,553	EUR 6,000	EUR 6,000	EUR 5,600	-	1.73	5,792,588	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	3,475,553	USD 25,750	USD 25,750	USD 7,250	-	6.46	5,792,588	Yes	-	Yes

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

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

TABLE 3

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership %	Fair Value
The Corporation	Mutual funds						
	Franklin Templeton Sinoam Money Market Fund (Note 1)	-	Financial assets at FVTPL - current	8,722	$ 90,022	-	$ 90,022
	Mega Diamond Money Market Fund (Note 1)	-	Financial assets at FVTPL - current	7,992	100,070	-	100,070
	Yuanta Wan Tai Money Market Fund (Note 1)	-	Financial assets at FVTPL - current	6,615	100,058	-	100,058
	Cathay Taiwan Money Market Fund (Note 1)	-	Financial assets at FVTPL - current	7,243	90,019	-	90,019
	Share capital						
	Leechi Enterprises Co., Ltd. (Note 1)	-	Financial assets at FVTPL - current	113	1,116	-	1,116
	Cheng Shin (Note 1)	Corporation’s chairman is their director	Financial assets at FVTPL - current	1,146	46,807	-	46,807
	Kuei Meng (Note 1)	-	Financial assets at FVTPL - current	734	71,603	-	71,603
	Merida Benelux (Note 2)	-	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: Publicly listed securities are measured at their closing market prices on the balance sheet date as of December 31, 2018. Mutual funds are measured at the net asset value on the balance sheet date as of December 31, 2018.

Note 2: The preference shares investment has been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Shares and Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
The Corporation	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	15,608	$ 160,349 (Note)	23,281	$ 240,000	30,167	$ 310,985	$ 310,000	$ 985	8,722	$ 90,022 (Note)
	Mega Diamond Money Market Fund	Financial assets at FVTPL - current	-	-	8,039	100,212 (Note)	27,996	350,000	28,043	350,787	350,000	787	7,992	100,070 (Note)

Note: The net asset values are measured as of the balance sheet date at December 31, 2018.

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, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party (Note)	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group	Investment accounted for using the equity method	Sale	$ (16,442,542)	(72)	O/A 60 days	$ -	-	$ 1,324,192	48	
	Merida & Centurion	Subsidiary	Sale	(1,130,528)	(5)	D/A or O/A 150 days	-	-	235,494	9	
	Merida Bikes SWE	Investment accounted for using the equity method	Sale	(446,951)	(2)	T/T 14 days or D/A 60-120 days	-	-	37,300	1	
	Stians	Investment accounted for using the equity method	Sale	(397,944)	(2)	T/T 14 days or D/A 120 days	-	-	101,994	4	
	SAIL & SURF	Investment accounted for using the equity method	Sale	(383,498)	(2)	T/T 14 days or D/A 180 days	-	-	28,004	1	
	Merida Benelux	Subsidiary	Sale	(354,673)	(2)	O/A 180 days	-	-	182,775	7	
	Miyata	Investment accounted for using the equity method	Sale	(305,402)	(1)	O/A 90 days	-	-	82,822	3	
	Merida Italy	Investment accounted for using the equity method	Sale	(278,290)	(1)	D/A 90 days	-	-	173,871	6	
	Merida Korea	Investment accounted for using the equity method	Sale	(258,623)	(1)	O/A 120days	-	-	67,397	2	
	Merida Polska	Subsidiary	Sale	(198,375)	(1)	O/A 150 days	-	-	174,657	6	
	Merida Czech	Investment accounted for using the equity method	Sale	(196,363)	(1)	D/A 150 days	-	-	105,118	4	
	Merida U.K.	Subsidiary	Sale	(195,127)	(1)	O/A 60 days	-	-	70,942	3	
	Merida slovakia	Investment accounted for using the equity method	Sale	(102,606)	-	D/A 150 days	-	-	40,378	1	
	Merida China	Indirectly owned subsidiary	Sale	(206,579)	(1)	T/T 90 days	-	-	-	-	
			Purchase	560,297	3	T/T 90 days	-	-	(91,335)	(2)	
	Merida Jiangsu	Indirectly owned subsidiary	Purchase	534,884	3	T/T 90 days	-	-	(56,436)	(2)	
Merida Shandong	Merida China	Associate	Sale	RMB (126,938)	(92)	T/T 90 days	-	-	RMB 6,142	79	

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, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party (Note)	Relationship	Financial Statement Account	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	SBC Group	Investment accounted for using the equity method	Trade receivables from related parties	$ 1,324,192	16.26	$ -	-	$ 1,319,921	$ -
	Merida & Centurion	Subsidiary	Trade receivables from related parties	235,494	4.70	-	-	23	-
			Other receivables from related parties	1,335	-	-	-	-	-
	Merida Benelux	Subsidiary	Trade receivables from related parties	182,775	2.23	-	-	48,474	-
			Other receivables from related parties	3,655	-	-	-	969	-
	Merida Polska	Subsidiary	Trade receivables from related parties	174,657	1.36	-	-	-	-
			Other receivables from related parties	24,926	-	24,926	Continued collection	11,517	-
	Merida Italy	Investment accounted for using the equity method	Trade receivables from related parties	173,871	1.66	-	-	55,386	3,156
	Merida Czech	Investment accounted for using the equity method	Trade receivables from related parties	105,118	2.37	-	-	69,210	118
			Other receivables from related parties	4,209	-	-	-	2,768	-
	Stians	Investment accounted for using the equity method	Trade receivables from related parties	101,994	5.60	-	-	57,832	50
			Other receivables from related parties	1,270	-	-	-	386	-

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 7

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	The Corporation	Merida & Centurion	1	Sales	$ 1,130,528	D/A or O/A 150 days	4
				Promotional and advertising expenses	44,128	-	-
				Trade receivables	235,494	D/A or O/A 150 days	1
				Other receivables	1,335	-	-
				Unrealized gain on transaction	37,650	-	-
				Deferred unrealized gain on transaction	60,207	-	-
				Interest income	4,003	-	-
		Merida Benelux	1	Sales	354,673	O/A 180 days	1
				Trade receivables	182,775	O/A 180 days	1
				Other receivables	3,655	-	-
				Unrealized gain on transaction	13,256	-	-
				Deferred unrealized gain on transaction	20,725	-	-
				Interest income	6,977	-	-
		Merida Polska	1	Sales	198,375	O/A 150 days	1
				Trade receivables	174,657	O/A 150 days	1
				Other receivables	24,926	-	-
				Deferred unrealized gain on transaction	17,220	-	-
				Unrealized gain on transaction	10,920	-	-
		Merida U.K.	1	Sales	195,127	O/A 60 days	1
				Trade receivables	70,942	O/A 60 days	-
				Deferred unrealized gain on transaction	18,514	-	-
				Unrealized gain on transaction	9,782	-	-
				Interest income	1,263		-
		Merida Jiangsu	1	Cost of goods sold	534,884	T/T 90 days	2
				Trade payable	56,436	T/T 90 days	-
				Technical service revenue	1,938	-	-
				Other receivables	1,591	-	-
		Merida Hong Kong	1	Cost of goods sold	41,961	T/T 90 days	-
		Merida SAMOA	1	Cost of goods sold	2,936	T/T 90 days	-
		Merida China	1	Other receivables	27,304	-	-
				Sales	206,579	T/T 90 days	1
				Cost of goods sold	560,297	T/T 90 days	2
				Trade payable	91,335	T/T 90 days	-
				Trademark franchise and technical service revenue	33,068	-	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	The Corporation	Merida Shandong	1	Other receivables	$ 5,738	-	-
				Cost of goods sold	20,039	T/T 90 days	-
				Trade payables	6,494	T/T 90 days	-
				Trademark franchise and technical service revenue	6,948	-	-
1	Merida Hong Kong	Merida China	1	Cost of goods sold	HKD 15,285	T/T 90 days	-
		Merida Shandong	1	Cost of goods sold	HKD 355	T/T 90 days	-
2	Merida China	Merida Shandong	3	Cost of goods sold	RMB 126,938	T/T 90 days	2
				Sales	RMB 555	T/T 90 days	-
				Trade payables	RMB 6,142	T/T 90 days	-
				Prepayments	RMB 2,576	-	-
		Merida Jiangsu	3	Cost of goods sold	RMB 21,152	T/T 90 days	-
				Trade payables	RMB 474	T/T 90 days	-
				Prepayments	RMB 1,427	-	-
3	Merida Shandong	Merida Jiangsu	3	Cost of goods sold	RMB 1,137	T/T 90 days	-
				Sales	RMB 380	T/T 90 days	-
				Trade receivables	RMB 155	T/T 90 days	-
				Other receivables	RMB 7,501	-	-
4	Merida SAMOA	Merida Jiangsu	1	Cost of goods sold	USD 3,267	T/T 90 days	-

(Concluded)

Note: Flow of transactions numbered as follows: (1) From parent company to subsidiary; (2) From subsidiary to parent company; (3) From subsidiary to subsidiary.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	%	Carrying Amount			
The Corporation	Share capital										
	SBC	California, United States of America	Design, development, manufacture and sale of bicycles	$ 887,013	$ 887,013	$ 3,410	35	$ 9,415,791	USD 96,982	$ 1,034,660	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,912,131	USD (2,846)	(83,716)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	31,713	31,713	-	51	205,764	EUR 4,204	76,343	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	66,334	PLN (245)	(1,517)	Subsidiary
	Stians	Lysaker, Norway	Sale of bicycles	29,780	29,780	34	34	18,117	NOK (6,954)	(8,767)	
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	90,083	EUR 714	10,170	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	33,892	CZK 8,030	5,017	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	70,158	EUR 1,325	17,153	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	4,319	$ 1,285	328	
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	21,432	EUR 123	1,313	
	Miyata	Tokyo, Japan	Sale of bicycles	79,913	79,913	1	45	36,091	JPY 12,471	1,532	
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	5,164	5,164	-	27	6,219	EUR 318	3,093	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(68,833)	EUR (23)	(492)	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	30,376	GBP 69	2,250	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	12,820	KRW 147,947	1,634	
Merida B.V.I.	Share capital										
	Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 74,296	HKD (478)	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 20,055	USD (3,981)	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	Share capital										
	Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 720	EUR 203	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 254	EUR 125	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

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

TABLE 9

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Merida China	Manufacture and sale of bicycles	$ 377,180 (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	$ 340,537 (USD 11,087)	$ -	$ -	$ 340,537 (USD 11,087)	$ 1,005	100	$ 1,005	$ 972,713	$ 1,373,176 (USD 44,707)
Merida Shandong	Manufacture and sale of e-bikes and bicycles	491,440 (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	491,440 (USD 16,000)	-	-	491,440 (USD 16,000)	(16,277)	100	(16,277)	794,446	796,225 (USD 25,923)
Merida Jiangsu	Manufacture and sale of bicycles	1,075,025 (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	506,798 (USD 16,500)	-	-	506,798 (USD 16,500)	(121,994)	70	(85,396)	584,316	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
$ 1,338,775 (USD 43,587)	$ 1,404,136 (USD 45,715) (Note 2)	$ 7,966,210 (Note 3)

Note 1: The investment gain (loss) and carrying amount as of December 31, 2018 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”.